



COVERSHEET

Minister	Hon Carmel Sepuloni	Portfolio	ACC
Title of Cabinet paper	Consultation on Updates to ACC Regulated Payments for Treatment	Date to be published	2 November 2022

List of documents that have been proactively released		
Date	Title	Author
September 2022	Consultation on Updates to ACC Regulated Payments for Treatment	Office of the Minister for ACC
14 September 2022	Updates to ACC Regulated Payments for Treatment: Release of Consultation Document DEV-22-MIN-0217 Minute	Cabinet Office

Information redacted:

NO

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Office of the Minister for ACC

Chair, Cabinet Economic Development Committee

Consultation on Updates to ACC Regulated Payments for Treatment

Proposal

- 1 I am seeking Cabinet agreement to release the attached consultation document on proposed updates resulting from the 2020/21 biennial review of ACC regulated payments for treatment. The consultation document proposes increases for treatment providers ranging from 4.6% to 9.36%, a nil increase for audiologists, and the introduction of a nurse practitioner and registered nurse combined rate.
- 2 The treatment rates proposed to be updated are regulated by the *Accident Compensation (Liability to Pay or Contribute to Cost of Treatment) Regulations 2003* (ACC cost of treatment regulations).

Executive Summary

- 3 ACC explored four options for calculating increases to regulated payments for treatment. I recommend consulting on their favoured Option D, bespoke payment increases for individual professions, ranging from 4.6% for the medical practitioners and registered nurses combined rate to 9.36% for all allied health professionals like physiotherapists.
- 4 The increases are needed to maintain access to treatment, by minimising the risk that treatment providers will pass on increased costs by increasing the co-payments generally charged to claimants. The proposed increases were based on wage increases in relevant occupational groups in the health sector, calculated from movements in the wage scales in the multiple employer collective agreements (MECAs) used by the former District Health Boards (DHBs). This was considered to be a good indicator of the increase in the cost of treatment and rehabilitation.
- 5 The proposed increase in regulated payment rates is estimated to cost \$23 million annually. However, ACC advises that there will be no impact on levies, or the ACC appropriation, from the proposed increase. This is because similar increases have already been factored into ACC's annual levy and appropriation estimates.
- 6 A nil increase is proposed for audiologist treatments given ACC considered that on-going technology changes mean an increase in device fitting fees might be inconsistent with market trends. ACC intends to reassess the situation in the upcoming 2022 review.
- 7 It is also proposed to introduce a nurse practitioner and registered nurse combined rate. This would be similar to the current combined treatment rate for a medical practitioner and registered nurse consultation. This will allow easier billing for these consultations.
- 8 I am required to consult on any proposed changes with appropriate people or organisations, given the subject matter of the regulations. I am therefore seeking Cabinet agreement to release the attached consultation document on proposed updates to the ACC cost of treatment regulations.

- 9 After consultation, I will make a final recommendation to Cabinet later in 2022, taking into account public submissions.

Background

ACC regularly reviews regulated treatment payments, to take into account changes in the cost of rehabilitation

- 10 The Accident Compensation scheme includes the ACC cost of treatment regulations that specify the payments made to treatment providers for treating ACC claimants. These apply where ACC does not have specific contracts with treatment providers. Examples are payment for treatment by GPs and physiotherapists. ACC spent \$338 million on regulated treatment payments in the 2020/21 year.
- 11 Section 324A of the *Accident Compensation Act 2001* requires ACC to undertake a biennial review of regulated treatment costs and make a recommendation to the Minister for ACC by 1 December. Each review must *assess whether adjustment to any of the amounts in the regulations is required to take into account changes in costs of rehabilitation*.
- 12 ACC completed an initial review in December 2020 but requested that the final review be deferred to allow it to make more comprehensive and bespoke pricing recommendations to take account of differences in labour cost pressures between professional groups. The impact of COVID-19 had prevented this work from being undertaken earlier.
- 13 ACC completed the final review in late 2021 and made its final recommendations to me in January 2022.

Proposals for increases have been calculated using labour cost measures

- 14 The main driver of cost increases for treatment funded by ACC is increases in the cost of labour for those workers involved in ACC funded treatment.
- 15 ACC therefore looked at wage increases in relevant occupational groups in the health sector since 2016, calculated from movements in the wage scales in the MECAs used by the DHBs.
- 16 While there are other MECAs in the health sector, it was considered that the DHB MECAs were the main driver of labour costs, with private sector MECAs tending to follow the DHBs. The relevant MECAs were those for Doctors, Nurses, and Allied Health professionals.
- 17 The final step in ACC's calculation was to deduct, from the MECA increases, the previous blanket increases in the ACC cost of treatment regulations payment rates given since 2016. These deductions were the increases of 1.56% from the 2017 review and 2.05% from the 2018/19 review.
- 18 The calculations led to ACC's recommended bespoke payment increases for individual professions, ranging from 5.7% for the medical practitioners, specialists and dentists to 9.36% for all Allied Health professionals like physiotherapists.
- 19 The combined treatment rate for a consultation that involves both a medical practitioner and a registered nurse also contains a component for materials like bandages. This means the calculated increase for this combined treatment rate was a little lower at 4.6%.

Four options, including the status quo, were explored

- 20 ACC explored three options for increasing payment rates to realign them with actual costs, and compared these to the status quo (Option A). All four options are described in **Table 1**.

Table 1: ACC explored four options for updating payment rates

Option	Method of calculating increase	Amount of increase
A	Leave rates unchanged	Nil
B	Use increase in labour cost index for health care and social assistance (like has been done for prior reviews) to give blanket increase	Approx 6%
C	Use the average DHB MECA wage increase to give blanket increase	6.61%
D	Use the DHB MECA wage increases, grouped by similar occupational groups used in the ACC cost of treatment regulations, for bespoke increases as follows: Allied health professionals Medical practitioners, specialists and dentists Nurses Medical practitioners and nurses combined treatment rate	9.36% 5.70% 7.85% 4.60%

I propose to consult on Option D

21 I recommend consulting on Option D that proposes tailored payment increases for each of the main occupational groups. In making this decision I considered the following objectives:

- Claimants have access to treatment.
- Costs to ACC are sustainable and affordable.
- Payments are not too dissimilar between the health and ACC systems.

Policy objectives for analysis

Objective one: Claimants have access to treatment

- 22 ACC contributing to the cost of treating injuries is one of the most effective ways of encouraging claimants to seek treatment for their injuries in a timely manner. Delayed treatment can result in prolonged effects from an injury, which in some cases may be permanent.
- 23 To access treatment, claimants need to be able to afford to pay the co-payment that most providers charge claimants in addition to the payment they receive from ACC. There is no direct information on how price increases affect ACC claimants' access to treatment. However, there is some information available from an ACC commissioned Research New Zealand survey of treatment providers (RNZ survey¹) that asks about co-payments and more, and the annual Ministry of Health survey of New Zealanders (Health survey²) which includes questions about access to medical treatment.
- 24 The RNZ survey found that ACC treatment providers considered cost was a barrier for between 23% and 57% of population groups. The last Health survey unaffected by COVID-19 indicated that 14% of adults were unable to go to the GP because of cost, and that figure had not changed significantly in the prior 7 years. The figure was materially higher for women, Māori, Pacific Peoples, disabled people, and those from the most deprived areas, ranging between 17% and 22%. For children, the figure remained at 2%.

¹ <https://www.acc.co.nz/assets/provider/co-payments-survey-report.pdf>

² <https://www.health.govt.nz/publication/annual-update-key-results-2018-19-new-zealand-health-survey>

Objective two: Costs to ACC are sustainable and affordable

- 25 Part of the purpose of a regular review is to ensure that the level of treatment payments is considered on a timely basis. Small, regular increases are more affordable and predictable than ad hoc larger increases.
- 26 The proposed increases are larger than usual, but this is the first ‘fully-fledged’ biennial review that has been undertaken, and it takes a retrospective approach. If the full increases proposed are not implemented now, further market movements and corresponding increases in price barriers are likely to mean even higher increases are proposed in the 2022 review.

Objective three: Payments are not too dissimilar between the health and ACC systems

- 27 Any proposed increase in payments to treatment providers made by ACC needs to take into account payments being made in the health sector, particularly in those areas where ACC and the health sector fund similar services, like treatment by GPs and nurses. If payments are too dissimilar, that could cause market tensions by affecting the co-payment charged and distort the behaviour of treatment providers and claimants.

Evaluation of options against objectives

- 28 A summary of how all the options have been evaluated is shown in **Table 2** below:

Table 2: Evaluation of options to update treatment payment rates

	Option A: Leave rates unchanged	Option B: Use LCI increase like past reviews	Option C: Use average DHB MECA increase	Option D: Use occupational group increases from DHB MECAs
Objective one: Claimants are able to access treatment because it is affordable	0 Highly likely that co-payments will increase and decrease affordability	+ Affordability for some occupational groups could worsen	+ Affordability for some occupational groups could worsen	++ Affordability better maintained across occupational groups
Objective two: Costs to ACC are sustainable	0 Likely to be even larger cost increases proposed in the next review	+ Costs to ACC are bearable	+ Costs to ACC are bearable	+ Costs to ACC are bearable
Objective three: Payments are not too dissimilar between the Health and ACC systems	0 ACC payments will fall behind those made by Health	+ Overall, payments should keep up with Health	+ Overall, payments should keep up with Health	++ Payments should more closely reflect Health increases
Key: ++ much better than status quo + better than status quo 0 about the same as status quo - worse than status quo -- much worse than status quo				

I propose a nil increase for audiologists

- 29 I recommend consulting on a nil increase for payments to audiologists. ACC considered that with on-going technology changes, an increase in device fitting fees might be inconsistent with market trends. ACC also considered that there had been no increase in cost-related access issues. ACC intends to assess whether audiologist rate increases are warranted in the upcoming 2022 review.

I propose to consult on adding nurse practitioner and nurse combined treatment rate

- 30 I recommend consulting on making a minor change to the regulations to introduce a new combined treatment rate for a consultation that involves both a nurse practitioner and registered nurse. This would be similar to the current combined treatment rate for a medical practitioner and registered nurse consultation. This will allow easier billing for these consultations.
- 31 There is an increasing number of nurse practitioners operating in general practice. They play a vital role in the delivery of primary health care, particularly in rural and lower socio-economic areas.
- 32 For a patient 14 years and over (and not a holder of a community services card) the new rate for combined treatment from a nurse and nurse practitioner is proposed to be \$29.33 (before the 4.6% uplift proposed for combined rates). In comparison, the corresponding medical practitioner and registered nurse combined rate is \$35.74 and the nurse practitioner only rate is \$28.02.

Consultation

Government consultation

- 33 ACC, the Ministry of Health, the Ministry for Women and the Office of Disability Issues were consulted on the proposals in this paper. Any requested changes have been incorporated. The Treasury, the Ministry of Social Development, Te Puni Kōkiri, the Ministry for Pacific Peoples, the Ministry of Disabled People and the Department of the Prime Minister and Cabinet were informed or offered the opportunity to comment.

Public consultation

- 34 If Cabinet agrees I will release the *Consultation on ACC regulated payments for treatment* consultation document. Public consultation will be held for a period of four weeks and my officials will focus on consulting with treatment provider organisations, Māori organisations, stakeholders with knowledge of the disability community, and claimant representatives.
- 35 After the consultation period, submissions will be summarised, and I will present final recommendations to Cabinet later in 2022, taking into account public submissions.

Financial implications

- 36 The proposed increases in payment rates will increase spending by ACC by \$23 million annually.
- 37 However, an estimate of inflation in treatment costs had already been factored into ACC's levy, appropriation, and outstanding claims liability (OCL) calculations. The estimate used was similar to the increases now being proposed, meaning the proposal will have no impact on ACC levies or the ACC appropriation.
- 38 Compared to a scenario where no increase in payment rates has been budgeted for, the proposal would have the following impact in 2023:

- no change in the Work levy
- a one cent increase in the Earners' levy
- a 19 cent increase in the Motor Vehicle levy
- a \$15 million increase in the Non-Earners' Appropriation.

39 The June 2021 OCL is estimated to increase by \$95 million, compared to the alternative position if treatment costs are not increased. For context, the June 2021 OCL estimate for all services covered by ACC cost of treatment regulations was \$860 million.

Human Rights

40 The proposals contained in this paper are consistent with the principles of the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Legislative implications

41 There are no legislative implications as a result of the release of the consultation document. If the proposed increases are agreed following consultation, the *Accident Compensation (Liability to Pay or Contribute to Cost of Treatment) Regulations 2003* would need to be amended. If approved, the amended regulations are expected to come into force on 1 March 2023.

Impact analysis

Regulatory Impact Statement

42 The Treasury's Regulatory Impact Analysis team has determined that the proposal to release the discussion document is exempt from the requirement to provide a Regulatory Impact Statement (RIS). The exemption is based on advice that the discussion document includes the key features of an interim RIS.

43 The MBIE Quality Assurance panel has reviewed the Discussion Document and confirms that it substitutes as an interim RIS. The Discussion Document is likely to lead to effective consultation and support the delivery of Regulatory Impact Analysis to inform subsequent decisions. A full RIS will be completed at a later date to inform Cabinet's final decisions on this proposal once it returns from consultation.

Climate Implications of Policy Assessment

44 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this proposal as the threshold for significance is not met.

Population implications

45 Cost is more likely to be a barrier to accessing treatment for Māori, Pacific peoples, disabled people, ethnic communities and rural communities.

46 The proposals presented for consultation aim to maintain access to treatment for these population groups, by minimising the risk that treatment providers will pass on increased costs by increasing the co-payments generally charged to ACC claimants. The proposals are not expected to increase barriers to treatment for any population groups.

Communications

47 The consultation document will be made available on the MBIE website with a link on the ACC website. Consultation will be specifically targeted to treatment providers and their

IN CONFIDENCE

representative bodies, Māori organisations, stakeholders with knowledge of the disability community, and claimant representative groups. Relevant stakeholders will be emailed a link to the consultation document.

Proactive release

- 48 MBIE will proactively release this Cabinet paper and accompanying Cabinet minute. No redactions are proposed.

Recommendations

The Minister for ACC recommends that the Committee:

- 1 **agree** to release the attached public consultation document proposing bespoke payment increases ranging from 4.6% to 9.36% for treatment providers, a nil increase for audiologists, and the introduction of a nurse practitioner and registered nurse combined rate;
- 2 **note** that these changes are expected to have an annual cash cost of \$23 million to ACC;
- 3 **note** that there is expected to be no impact on ACC levies or the ACC appropriation because a sufficient increase in costs was budgeted for;
- 4 **note** that after consultation I will report back to Cabinet with final recommendations, taking into account public submissions.

Authorised for lodgement

Hon Carmel Sepuloni
Minister for ACC