

In Confidence

Office of the Minister for Social Development and Employment

Office of the Minister of Health

Chair, Cabinet Legislation Committee

Adjustment to the Residential Care Subsidy as part of the Annual General Adjustment 2025

Proposal

- 1 Every year, changes are made under the Residential Care and Disability Support Services Act 2018 (the Act) to reflect changes in the All Groups Consumers Price Index (CPI).
- 2 It is proposed that the Cabinet Legislation Committee authorise the submission of the following amendment instrument to the Executive Council:
 - 2.1 The Residential Care and Disability Support Services (Annual Adjustment of Applicable Asset Thresholds and Income-from-assets Exemption) Regulations 2025.
- 3 The adjustments made under paragraph 2.1 constitute an annual process that is required by section 75 of the Residential Care and Disability Support Services Act 2018, with any changes taking effect from 1 July 2025.
- 4 The Amendment Regulations are required to:
 - increase the asset thresholds used to determine financial eligibility for a Residential Care Subsidy by 2.53 percent from 1 July 2025, in line with the increase in the CPI for the year ending 31 March 2025¹
 - increase the yearly income-from-assets exemptions used to assess a person's contribution to their residential care by 2.53 percent from 1 July 2025, in line with the CPI for the year ending 31 March 2025.
- 5 An adjustment may also be made by separate amendment instruction when the cumulative change in the CPI Index triggers a \$500 increase in gifting levels, as required by a Cabinet decision made in 2004 [CAB Min (04) 30/08 refers]. An adjustment to the allowable gifting levels was last triggered in the September 2023 Quarter and the subsequent increase came into effect on 1 July 2024. The cumulative change in CPI since September 2023² was 3.67 percent and implies an increase to March 2025 of \$352. This has not triggered a \$500 increase in gifting levels for 2025 and additional amendment regulations are therefore not required this year.

¹ The unrounded CPI actually used is 2.5256511 percent, applied against the unrounded threshold amounts before rounding up to the next whole dollar.

² The cumulative change in CPI used to assess whether an adjustment to the allowable gifting levels is required, is calculated from September 2023 as this is when a \$500 increase was last triggered.

Background

- 6 The Residential Care Subsidy (RCS) provides financial assistance towards the cost of long-term residential care in a hospital or rest home.
- 7 A person must first undergo an asset and income test, known as the financial means assessment, to determine if a person is financially eligible to receive the RCS. If their assets are above the applicable threshold, they are not eligible for the RCS and must pay the maximum contribution rate which is set equal to the contracted cost of rest home level care. If their assets are at, or below, the relevant threshold, they are financially eligible for the subsidy.
- 8 A person's income is then assessed to determine the contribution they must make towards the cost of their care. The amount of subsidy is the difference between the cost of contracted care services and the amount a person is required to contribute.
- 9 A person can gift up to a specific maximum gifting amount within the five-year period leading up to their application for the RCS without it affecting their asset assessment. The maximum gifting amount is not always increased annually, instead it is increased in \$500 increments (on 1 July) when triggered by cumulative changes in the CPI. As the trigger has not yet been met, the gifting amount will not be increased this year.
- 10 Currently there are around 20,000 people receiving RCS.

Residential Care Subsidy asset thresholds

- 11 The asset thresholds are required by law to be adjusted annually on 1 July by the percentage increase in the CPI for the year ending 31 March as set out in section 75(1) of the Act.
- 12 The Amendment Regulations are required to increase the asset thresholds in line with the 2.53 percent increase in the CPI for the year ending 31 March 2025.
- 13 In line with section 75(4) of the Act the CPI increase has been applied against the unrounded opening value and then rounded up to the next whole dollar.
- 14 We are proposing that the Amendment Regulations will make the following changes to asset thresholds:

		Asset threshold	
Circumstance		1 July 2024	1 July 2025
Single person		\$284,636	\$291,825
Both partners in a couple are in residential care		\$284,636	\$291,825
One partner in a couple is in residential care	House and car not exempt	\$284,636	\$291,825
	House and car exempt	\$155,873	\$159,810

Income-from-assets exemptions

- 15 When a person's income is assessed, a portion of any income they receive from their assets is exempt from their income assessment. This amount is referred to as the "income-from-assets exemption".
- 16 The income-from-assets exemptions are required by law to be adjusted annually on 1 July by the percentage increase in the CPI for the year ending 31 March as required by section 75(2) of the Act.
- 17 In line with section 75(4) of the Act, the CPI increase has been applied against the unrounded opening value and then rounded up to the next whole dollar.
- 18 The Amendment Regulations are required to increase the income-from-assets exemptions in line with the 2.53 percent increase in the CPI for the year ending 31 March 2025.
- 19 We are proposing that the Amendment Regulations make the following changes to the income-from-assets exemptions per year:

Circumstance	Income-from-assets exemption	
	1 July 2024	1 July 2025
Single person	\$1,236	\$1,267
Both partners in a couple are in residential care	\$2,472	\$2,534
One partner in a couple is in residential care	\$3,707	\$3,801

The allowable gifting amount

- 20 A person can currently gift up to \$8,000 a year within the five-year period leading up to their application for the RCS without it affecting their asset assessment. This is referred to as "allowable gifting". Allowable gifting includes a maximum amount of \$40,000, within the five-year period. This could include assets, income, or cash an applicant has gifted a family member or to a person (or entity) in recognition of a high level of care they have provided the applicant. The level of care must be determined to meet certain criteria.
- 21 In 2004, Cabinet directed that the allowable gifting amount should be adjusted upwards by \$500 when the cumulative change in the CPI over several years meets the \$500 threshold [CAB Min (04) 30/08 refers].
- 22 An adjustment to the allowable gifting levels was last triggered in September 2023 and subsequently increased in the following AGA on 1 July 2024. Increasing the allowable gifting levels by the cumulative percentage change in the CPI since September 2023 would result in a \$352 increase which does not trigger the \$500 adjustment. Additional amendment regulations are therefore not required this year.

Consultation

- 23 Health New Zealand will provide and fund the RCS. The Ministry of Social Development administers the financial means assessment. This paper was developed jointly by Health New Zealand, the Ministry of Health and the Ministry of Social Development. The Treasury was consulted. The Department of Prime Minister and Cabinet has been informed.

Financial implications

- 24 Increasing the asset thresholds is estimated to increase the cost of the RCS by around \$2 million a year out of forecast expenditure of \$1,600 million on aged residential care. This cost will be met by Health New Zealand from funding for health and disability support services in 2025/26 and no annual specific changes to appropriations will be made for the increase in the thresholds.
- 25 Health New Zealand budgets for the yearly increases to the cost of aged residential care including the cost of the Residential Care Subsidy as a result of the Annual General Adjustment. Health New Zealand also pays the difference between what the resident has to pay and the contracted cost of care. This means that the 1 April 2025 increase in New Zealand Superannuation reduces Health New Zealand expenditure on aged residential care by more than \$16 million. Health New Zealand can accommodate the increases that this paper covers.

Timing and the 28-day rule

- 26 The Executive Council date will be on 26 May 2025. The Amendment Regulations will need to be Gazetted by 30 May 2025 to comply with the 28-day rule before the Regulations come into force on 1 July 2025.

Compliance

- 27 The Amendment Regulations comply with:
- the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993
 - the principles and guidelines set out in the Privacy Act 2020
 - the principles of the Treaty of Waitangi
 - relevant international standards and obligations; and
 - *Legislation Guidelines: 2021 Edition*, published by the Legislation Advisory Committee.

Regulations Review Committee

- 28 There are no grounds for the Regulations Review Committee to draw the Amendment Regulations to the attention of the House under Standing Order 327.

Certification by Parliamentary Counsel Office

- 29 The Parliamentary Counsel Office has certified that the Amendment Regulations are in order for submission to the Executive Council.

Regulatory impact analysis

- 30 The Ministry for Regulation has determined that this proposal is exempt from the requirement to provide a Regulatory Impact Statement on the grounds that it has no or only minor economic, social, or environmental impacts.
- 31 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.

Publicity

- 32 The new income-from-assets exemptions will be published in the New Zealand Gazette. Health New Zealand is required to notify residents of any changes to the asset thresholds and allowable gifting amounts. The changes to the asset thresholds and income-from-assets exemptions will be set out in public brochures updated on 1 July 2025. Copies of the Amendment Regulations will be able to be accessed through the website www.legislation.govt.nz.

Proactive Release

- 33 This paper will be proactively released, subject to any necessary redactions under the Official Information Act 1982, within 30 business days of decisions being confirmed by Cabinet (CO (23) 4).

Recommendations

- 34 It is recommended that the Committee:
 - 1 **note** that sections 75(1) and 75(2) of the Residential Care and Disability Support Services Act 2018 require the asset thresholds and the income-from-assets exemptions to be increased on 1 July every year in line with “upwards movement (if any) in the index number of the CPI for the year ending on the previous 31 March.”
 - 2 **note** that the Residential Care and Disability Support Services (Annual Adjustment of Applicable Asset Thresholds and Income-from-assets Exemption) Regulations 2025 increase:
 - 2.1 the asset thresholds used to determine financial eligibility in line with the 2.53 percent increase in the CPI for the year ending 31 March 2025
 - 2.2 the maximum income-from-assets exemptions per year in line with the 2.53 percent increase in the CPI for the year ending 31 March 2025
 - 3 **note** that in 2004 Cabinet agreed that the allowable gifting amounts prescribed in the Residential Care and Disability Support Services Regulations 2018 should be reviewed annually for adjustment in line with the CPI and that such adjustments should be in \$500 increments [CAB Min (04) 30/08 refers]

- 4 **note** that the allowable gifting amounts will not be increased because the accumulated change based on movement in the CPI since September 2023 does not trigger the \$500 adjustment
- 5 **note** that the Residential Care and Disability Support Services (Annual Adjustment of Applicable Asset Thresholds and Income-from-assets Exemption) Regulations 2025 are estimated to increase the cost of the Residential Care Subsidy by around \$2 million a year
- 6 **note** that the fiscal cost of increasing the asset thresholds and income-from-assets exemptions will be met by Health New Zealand from funding for health and disability support services in 2025/26 and no annual specific changes to appropriations will be made for the increase in the thresholds
- 7 **authorise** the submission to the Executive Council of the Residential Care and Disability Support Services (Annual Adjustment of Applicable Asset Thresholds and Income-from-assets Exemption) Regulations 2025
- 8 **note** that the Residential Care and Disability Support Services (Annual Adjustment of Applicable Asset Thresholds and Income-from-assets Exemption) Regulations 2025 will come into force on 1 July 2025.

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Minister for Social Development and Employment

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Authorised for lodgement