

Phone call notes Laura Fergusson Trust and Ministry of Health 7 November 2019 (1.10pm – 2pm)

Present:

Adri Isbister, Deputy Director General, Disability, MOH

Phil Wysocki, Principal Advisor, MOH

Dr Simon Barclay, Deputy Chair, LFT

- There was agreement to ensure all parties are working together and collaborating
- LFT noted that the funding model left the Trust in a shortfall situation
- MOH noted that the agency was notified by LFT's CEO a couple of weeks ago but on a confidential basis
- There has been no formal approach from LFT about financial sustainability, MOH noted that we would have been willing to work with LFT on this. We have worked with others in the past.
- The MOH only found out about the decision after the Board had approved it. MOH asked why the funding model was not raised with us before the decision to exit the contract was made.
- The Ministry of Health was made aware of such things as the state of buildings and retaining staff before the decision was made, but this did not include financial sustainability or that LFT were considering exiting.

LFT notified MOH that PWC have been working with them for four years. PWC provided a report to LFT 4-5 months ago. MOH asked for clarity about the decision to exit the contract with no heads up.

- LFT commissioned PWC to develop a cost care model four years ago.
- LFT have essentially been a price-taker.
- Phase 2, PWC produced a further report - effectively a time and motion study – this showed a significant funding deficit. LFT spent § 9(2)(b)(i) on this report. They wanted to be sure they had looked at everything before making any decisions
- LFT has a financial responsibility of trustees not to erode asset base
- For LFT, it was a question of money at the end of the day
- 1 year ago, LFT advised MOH that they cannot operate under the current funding model and was impacting on their business (MOH has no record of this)
- LFT noted that they are not the only provider in this situation
- MOH asked for a copy of the PWC report that LFT commissioned.

MOH asked LFT what can be done to support LFT.

- LFT noted that the decision has been made and would not change.

More rationale for LFT's decision to exit their contract

- LFT noted that every building is not fit for purpose. The amount of money required to bring the site up to a fit for purpose state is enormous.
- Both parties need to work together to support clients through the transition and find alternative places
- Alternative providers could consider leasing arrangements on a case by case basis (this does not appear to be a preferred option)
- Staffing issue has been a major problem (nurses and rehab coaches). Immigration has been extremely unhelpful in extending work visas.
- Nurses have been moving to DHBs which has been very difficult – significant pay gap.
- Difficulty in Fee For Service (FFS) model of funding from DHB, ACC and MOH
- LFT noted that they provide long-term care on short-term funding.
- The rehab model prescribes inputs rather than funding for outcomes.
- LFT have been privately funded s 9(2)(b)(ii) over the last 10 years to develop a stroke programme, which hasn't been taken up by DHBs or anyone.
- LFT are looking into options regarding the site. s 9(2)(b)(ii) :
 - 79% of fixed cost wages
 - Dependent on third parties to refer people to LFT – referral rates are variable
 - Difficult to adapt to reduced referrals when wages are fixed costs
 - NASC practice changed and more people are discharged directly to the community rather than residential care, which made running their business difficult and in turn, cost control very difficult.
 - Referral fluctuations are too difficult to manage in terms of an FFS model
 - Left with an unresponsive infrastructure
 - Business model is flawed
 - Want to work with people who are able to influence the government
- There has been a particularly long period of inaction from the previous government

Where to Next

LFT would welcome support through the transition of clients :

1. Additional funding would be helpful to support their current financial position
2. A key senior person (decision at the Ministry) be assigned as the single point of contact to get things happening
3. Adri, Amanda Simon (Deputy Chair), Heather (CEO) to meet in Auckland Tuesday 12 November