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MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT
HIKINA WHAKATUTUKI

Cost of Treatment Regulations

Targeted engagement on further changes



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3 April 2023

Introduction

On behalf of the Minister for ACC, ACC and the Ministry of Business, Innovation & Employment (MBIE) are undertaking targeted engagement with the sector on the Minister’s proposals to increase the amounts that ACC pays towards the cost of rehabilitation, as prescribed in regulations.

The proposed changes to the regulations set out in this document, if agreed and implemented, would be in addition to recent uplifts that took effect from 1 April 2023. The proposals presented here follow the latest review by ACC, and consider the impact of the more recent period of high inflation and wage growth on health professionals.

Background

ACC contributes to the cost of treating people with covered injuries

As you know, ACC pays, or contributes towards, the cost of treating and rehabilitating people who have been injured and have ACC cover. Payments are set through contracts with treatment providers, or prescribed under regulations, or set at an appropriate agreed amount if not covered by regulation or contract.

Cost of treatment regulations

The proposals discussed in this document apply to providers who don’t have a contract with ACC, and/or provide services listed under:

- the Accident Compensation (Liability to Pay or Contribute to Cost of Treatment) Regulations 2003 (known as the Cost of Treatment Regulations) and
- the Accident Compensation (Apportioning Entitlements for Hearing Loss) Regulations 2010.



These regulations set the amount paid to providers by ACC.

Providers have discretion to set what they charge claimants, so in many cases claimants need to make an additional payment directly to the treatment provider (a co-payment) to cover the portion of the cost of the treatment not met by ACC.

ACC regularly reviews these regulations

ACC has a statutory obligation under the Accident Compensation Act 2001 to review, every second year, the amounts prescribed by regulations. The purpose of the review is to assess whether adjustments are required to take into account changes in the costs of rehabilitation. After completing the review, ACC must make appropriate recommendations to the Minister for ACC.

After considering these recommendations, the Minister must consult with appropriate parties before finalising the recommended changes to the regulations. To meet this consultation requirement for this round of review, the Minister for ACC has asked MBIE and ACC to undertake targeted engagement with the sector groups affected.

Relative timing of different reviews

The '2020 review' of these regulations faced a number of delays. Proposals were considered and consulted on in 2022, and the resulting changes to payment rates were implemented from 1 April 2023.

The current '2022 review' now follows directly on from the last review. The Minister recognises ongoing pressures on the health sector, including inflationary pressures, and is therefore interested in progressing any potential uplifts from this review round without delay. The intention of progressing this review now is to more quickly implement changes that would better support providers and clients in the current environment.

Objectives of the biennial review

Setting regulated rates at an appropriate level is important to support affordable access to treatment for claimants. ACC and MBIE have developed various options to address the cost pressures faced by the sector and providers (such as inflation and labour cost pressures) and, as with previous reviews, these have been assessed against the following policy objectives:

1. Claimants have access to treatment, meaning co-payments should be affordable
2. Costs to ACC are sustainable
3. Payments are not too dissimilar between the health and ACC systems.

These objectives need to be appropriately balanced against each other, and in seeking to achieve them we must acknowledge that wider system issues can constrain the degree to which changes to the regulations can support these objectives.



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Scope of the review

The changes proposed from this review are primarily focused on the amounts (rates) prescribed in regulations for rehabilitation consultations, treatments, imaging and devices.

We're aware of several broader sector concerns about the Cost of Treatment Regulations, not all directly related to payment rates. For example, concerns relating to the categorisation of certain providers and their eligibility for specific rates, the potential need for additional rates and procedure codes for some services, and suggested alternative mechanisms to make access to treatment more affordable for clients.

ACC and MBIE are interested in exploring these issues further and would welcome information on these broader concerns that can inform longer-term work. However, given the significant analysis required, including them in this review round would delay the ability to progress the more straight-forward rate changes that we believe are important for the sector.

Process and timing

ACC and MBIE are engaging directly with sector groups affected by these proposals, on behalf of the Minister for ACC.

You can submit your feedback on these proposals to cotr@acc.co.nz. Submissions on the proposals close on 1 May 2023.

Your feedback will be considered carefully and will inform MBIE's subsequent advice to the Minister for ACC on how to proceed. The Minister will then seek Cabinet agreement to the changes.

Should Cabinet agree to new rates, regulatory amendments would then need to be drafted and approved, with the updates coming into force at least 28 days after the approved regulations are publicly confirmed.



Proposed increases in treatment payment rates

The table below sets out the rate increases proposed through this review. These are bespoke rates developed by provider type. The proposed adjustors are largely based on relevant Multi-Employer Collective Agreement (MECA) increases since July 2021, as well as additional employer costs identified.

Service Provider Type, as identified in the regulations	Proposed price adjustor ¹	Methodology	New employer obligations ²	Impact of MECA increases
Audiology	4.89%	<i>Based on Step 12 of the Allied Health MECA, and new employer obligations</i>	1.83%	3.00%
Counsellors	4.89%	<i>Based on Step 12 of the Allied Health MECA, and new employer obligations</i>	1.83%	3.00%
Dentists	3.56%	<i>Based on Step 4 of the Medical Specialist MECA (less the 1.9% placeholder applied in 2020/21 recommendations), and new employer obligations</i>	1.83%	1.70%
Hyperbaric Oxygen Treatment	4.36%	<i>Based on a composite rate (using the Labour Cost Index and Consumer Price Index)</i>	NA	NA
Medical Practitioners	3.56%	<i>Based on Step 4 of the Medical Specialist MECA (less the 1.9% placeholder applied in 2020/21 recommendations), and new employer obligations</i>	1.83%	3.00%
Nurses	7.90%	<i>Based on Step 5 of the Community Nurse MECA (less the 2% placeholder applied in 2020/21 recommendations), and new employer obligations</i>	1.83%	5.95%
Nurse Practitioners	7.90%	<i>Based on Step 5 of the Community Nurse MECA (less the 2% placeholder applied in 2021 recommendations), and new employer obligations</i>	1.83%	5.95%

¹ These totals are based on a compounding percentage of the new employer obligations and MECA impacts, not a simple arithmetic total.

² "New employer obligations" represent the impact of an additional public holiday (Matariki) and additional sick leave requirements.



Combined Nurse and Medical Practitioner	4.17%	<i>Based on weighted average of GP workforce provided by TAS, and new employer obligations</i>	1.83%	2.29%
Combined Nurse and Nurse Practitioner	7.90%	<i>Based on Step 5 of the Community Nurse MECA (less the 2% placeholder applied in 2021 recommendations), and new employer obligations</i>	1.83%	5.95%
Radiologists	4.36%	<i>Based on a composite rate (using the Labour Cost Index and Consumer Price Index)</i>	NA	NA
Specialists	3.56%	<i>Based on Step 4 of the Medical Specialist MECA (less the 1.9% placeholder applied in 2020/21 recommendations), and new employer obligations</i>	1.83%	1.70%
Specified treatment providers	4.89%	<i>Based on Step 12 of the Allied Health MECA, and new employer obligations</i>	1.83%	3.00%

Alternative options considered for rate changes

The following options were also considered, but were not recommended in the initial advice given to the Minister:

1. no change to rates from this review round
2. apply a blanket increase across all provider types, based on the health subindex of the Labour Cost Index (LCI). We have calculated this option as resulting in a 4.08% increase
3. apply a blanket increase across all provider types, based on a composite calculation comprising 60% weighting from the LCI (health subindex), 20% weighting from the Consumer Price Index (medical products, appliances and equipment subindex), and 20% weighting from the Consumer Price Index (hospital services subindex). We have calculated this option as resulting in a 4.36% increase.

Questions for the sector:

- Do you agree that adopting the tailored payment increases outlined in the table above, reflecting labour cost increases in the main occupational groups, best meets the objectives set? If not, why not? Please provide reasons for your view.
- Do you consider that the proposed tailored payment increases are based on appropriate methodology and information sources? If not, why not? Please provide reasons for your view.

You can submit your feedback on these proposals to cotr@acc.co.nz. Submissions on the proposals close on 1 May 2023.



New rate relating to birth injury clients

With the recent amendment to the Accident Compensation Act to enable cover for maternal birth injuries, ACC has made several operational and contractual changes to enable payment for a wider range of rehabilitation services for maternal birth injury clients. Many of these new services have been implemented through existing pricing codes in the Cost of Treatment Regulations and through specific contract changes.

However, we have identified the need for one additional service item to be included in the Cost of Treatment Regulations, to cover the additional consumable and time requirements for GPs undertaking an internal examination, where it is clinically appropriate.

The details of the proposed new service item are as follows:

Description	Code	Details	Price
Internal Exam Procedure GP	ME1	<20 mins + consumables	\$41.34

Questions for the sector:

- Do you agree that this additional service item be added to the regulations, to support the appropriate provision of services for clients with maternal birth injuries? If not, why not? Please provide reasons for your view.

You can submit your feedback on these proposals to cotr@acc.co.nz. Submissions on the proposals close on 1 May 2023.