

Social Security (Long-term Residential Care—Budget Measures) Amendment Bill

Government Bill

Explanatory note

General policy statement

This Bill amends the Social Security Act 1964 to change the amount of the annual increase in the applicable asset thresholds used in determining the amount residents in aged residential care have to contribute to the cost of their care. Current increases of \$10,000 each year in the thresholds are replaced with Consumers Price Index (CPI) indexation of the thresholds.

The Bill sets the thresholds for 1 July 2012 to 30 June 2013 to \$213,297 and \$116,806. (Those amounts are the 2011–12 year thresholds adjusted to reflect the movement in the CPI.) It also requires those amounts to be CPI-adjusted by Order in Council for each later year beginning on 1 July. This Bill also ensures that the thresholds will continue to operate, and to be CPI-adjusted for each year beginning on 1 July, after the close of 30 June 2026.

Regulatory impact statement

The Ministry of Health produced a regulatory impact statement on 16 May 2012 to help explain the main policy decisions taken by the Government relating to the contents of this Bill.

A copy of that regulatory impact statement can be found at—

- <http://www.health.govt.nz/about-ministry/legislation-and-regulation/regulatory-impact-statements>
- <http://www.treasury.govt.nz/publications/informationreleases/ris>

Clause by clause analysis

Clause 1 is the Title clause.

Clause 2 is the commencement clause. The Act resulting from this Bill comes into force on **1 July 2012**.

Clause 3 identifies the principal Act amended: the Social Security Act 1964. A reference in this analysis to a provision is, unless the context otherwise requires, a reference to a provision of that Act.

Part 1

Applicable asset thresholds: Indexation

Part 1 amends the principal Act for the purpose specified in *clause 4(1)*. That purpose is to ensure that the long-term residential care applicable asset thresholds for the year 1 July 2011 to 30 June 2012 are on 1 July in 2013, and on every following 1 July, subject to a required annual Consumers Price Index (or CPI) adjustment.

The applicable asset threshold is, as *clause 4(2)* explains, the value of assets applied to determine whether a resident assessed as requiring care must use his or her assets to pay the cost of contracted care services provided to the person. Under current law, the applicable asset thresholds, which differ depending on the resident's circumstances, are not indexed, but are to increase by \$10,000 for every year beginning on 1 July in 2012 to 2025. The principal Act as amended by *Part 1* on **1 July 2012** applies in respect of residents assessed as requiring care before, on, or after **1 July 2012**: *clause 4(3)*.

Clause 5 amends section 155(1)(i), (2), (2A), and (3) for the purpose specified in *clause 4(1)*.

Part 2

Applicable asset thresholds: General

Part 2 amends the principal Act for the purpose specified in *clause 6(1)*. That purpose is to ensure that the long-term residential care applicable asset thresholds for the year 1 July 2011 to 30 June 2012—

- (a) also apply to all later years beginning on 1 July; but
- (b) are, for the year 1 July 2012 to 30 June 2013, Consumers Price Index (or CPI) adjusted.

The applicable asset threshold is, as *clause 6(2)* explains, the value of assets applied to determine whether a resident assessed as requiring care must use his or her assets to pay the cost of contracted care services provided to the person. Under current law, the applicable asset thresholds, which differ depending on the resident's circumstances, are to increase by \$10,000 for every year beginning on 1 July in 2012 to 2025. The principal Act as amended by *Part 2* on **1 July 2012** applies in respect of residents assessed as requiring care before, on, or after **1 July 2012**: *clause 6(3)*.

Clause 7 replaces clauses 1 and 2 of Schedule 27 for the purpose specified in *clause 6(1)*.

Hon Paula Bennett

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The Parliament of New Zealand enacts as follows:

- 1 Title**
This Act is the Social Security (Long-term Residential Care—Budget Measures) Amendment Act **2012**.

2 Commencement

This Act comes into force on **1 July 2012**.

3 Principal Act

This Act amends the Social Security Act 1964 (the **principal Act**).

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Part 1**Applicable asset thresholds: Indexation****4 Purpose and application**

- (1) This **Part** amends the Social Security Act 1964 to ensure that the long-term residential care applicable asset thresholds for the year 1 July 2011 to 30 June 2012 are on 1 July in 2013, and on every following 1 July, subject to a required annual Consumers Price Index (or CPI) adjustment. 10
- (2) By way of explanation, the applicable asset threshold is the value of assets applied to determine whether a resident assessed as requiring care must use his or her assets to pay the cost of contracted care services provided to the person. 15
- (3) The principal Act as amended by this **Part** on **1 July 2012** applies in respect of residents assessed as requiring care before, on, or after **1 July 2012**. 20

5 Section 155 amended (Regulations relating to this Part)

- (1) In section 155(1)(i), after “increasing”, insert “the applicable asset thresholds and”. 25
- (2) In section 155(2), before “income-from-assets exemption”, insert “applicable asset thresholds set out in Part 1 of Schedule 27 must be increased on 1 July 2013, and on every following 1 July, and the”. 25
- (3) In section 155(2A), before “must”, insert “insofar as they are required for the income-from-assets exemption (but not insofar as they are required for the applicable asset thresholds)”. 30
- (4) In section 155(3), after “the adjusted amount of”, insert “an applicable asset threshold or, as the case requires, of”. 30
- (5) In section 155(3)(b), after “based on the”, insert “applicable asset threshold or the”. 30

Part 2

Applicable asset thresholds: General

6 Purpose and application

- (1) This **Part** amends the Social Security Act 1964 to ensure that the long-term residential care applicable asset thresholds for the year 1 July 2011 to 30 June 2012—
- (a) also apply for all later years beginning on 1 July; but
 - (b) are, for the year 1 July 2012 to 30 June 2013, Consumers Price Index (or CPI) adjusted.
- (2) By way of explanation, the applicable asset threshold is the value of assets applied to determine whether a resident assessed as requiring care must use his or her assets to pay the cost of contracted care services provided to the person.
- (3) The principal Act as amended by this **Part** on **1 July 2012** applies in respect of residents assessed as requiring care before, on, or after **1 July 2012**.

7 Schedule 27 amended

In Schedule 27, replace clauses 1 and 2 with:

“1 Applicable asset thresholds

- “(1) This clause specifies the applicable asset thresholds that apply annually for the year 1 July 2012 to 30 June 2013 and for all later years beginning on 1 July.
- “(2) Threshold A is \$213,297 and applies to every resident assessed as requiring care—
- “(a) who has no spouse or partner; or
 - “(b) whose spouse or partner is also a resident assessed as requiring care; or
 - “(c) whose spouse or partner is not a resident assessed as requiring care but who has elected, under **clause 2**, to have Threshold A apply to him or her rather than Threshold B.
- “(3) Threshold B is \$116,806 and applies to every resident assessed as requiring care—
- “(a) whose spouse or partner is not a resident assessed as requiring care; and
 - “(b) who has not elected, under **clause 2**, to have Threshold A apply to him or her.

