



# Health Report

## COVID-19: Additional funding for managed isolation and quarantine

<b>Date due to MO:</b>	15 July 2020	<b>Action required by:</b>	17 July 2020
<b>Security level:</b>	CONFIDENTIAL	<b>Health Report number:</b>	20201119

**To:** *Ministers with the Power to Act during the July adjournment*  
(CAB-20-Min-0331 refers)

Rt Hon Jacinda Ardern, Prime Minister  
Rt Hon Winston Peters, Deputy Prime Minister  
Hon Kelvin Davis, Minister of Corrections  
Hon Grant Robertson, Minister of Finance  
*Portfolio Ministers*  
Hon Dr Megan Woods, Minister of Housing  
Hon Chris Hipkins, Minister of Health

### Contact for telephone discussion

Name	Position	Telephone
Sue Gordon	Deputy Director-General, COVID-19 Health System Response	s 9(2)(a)
Darryn Webb	Air Commodore	
Megan Main	Deputy Chief Executive, Managed Isolation and Quarantine (Transition)	

### Action for Private Secretaries

Minister Wood's office to organise sign-off from Ministers with Power to Act.

**Return** the signed report to the Ministry of Health.

**Date dispatched to MO:**

# COVID-19: Additional funding for managed isolation and quarantine

## Purpose of report

This report seeks agreement to an additional \$100 million for managed isolation and quarantine (MIQ) facilities in 2020/21 as it is possible MIQ funded capacity will be reached by 21 July 2020. Funding is required to enable contracting for additional MIQ facilities to take place immediately before the planned reports to Cabinet from 20 July 2020 on a sustainable MIQ system and co-payment options.

## Key points

- Control of the border including the system of managed isolation and quarantine is a fundamental pillar to New Zealand's COVID-19 pandemic response and elimination strategy.
- On 15 June 2020 Cabinet approved \$298 million for the provision of managed isolation and quarantine to 31 December 2020.
- Numbers of arrivals have continued to exceed prior estimates and our ability to commit to further six-month contracts for MIQ facilities will be reached over the coming weeks.
- \$100 million is required immediately to enable contracting with up to 10 more hotels to ensure MIQ can continue to be provided for arrivals through to the end of August.
- Responsibility for MIQ is being transferred from the Ministry of Health to Ministry of Business, Innovation and Employment (MBIE) from 13 July 2020. The new funding will enable MBIE to take over contracting for additional MIQ capacity.

s 9(2)(f)(iv)

## Recommendations

The Ministry of Health and MBIE recommend that Ministers (with Power to Act for Cabinet from 6 to 20 July 2020):

- a) **Note** managed arrivals have exceeded estimated volumes and our ability to commit to additional six-month contracts for MIQ facilities has been reached.
- b) **Note** that responsibilities for MIQ are being transitioned from the Ministry of Health to MBIE from 13 July 2020.
- c) **Note** that funding is required in Vote Building and Construction to contract with more hotels for additional MIQ capacity.

- d) **Agree** to appropriate \$100 million to Vote Building and Construction to fund costs related to the contracting of 10 additional quarantine and managed isolation facilities for a six-month period. **Yes/No**
- e) **Approve** the following changes to appropriations to give effect to the policy decision in recommendation c) above, with a corresponding impact on the operating balance. **Yes/No**

	\$m - increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24 & Outyears
<b>Vote: Building and Construction</b>					
<b>Minister of Housing</b>					
<b>Multi-Category Expenses and Capital Expenditure:</b>					
Isolation and Quarantine Management MCA		100.000	-	-	-
<b>Total Operating</b>		<b>100.000</b>	-	-	-
<b>Total Capital</b>	-	-	-	-	-

- f) **Agree** that the proposed change to appropriations for 2020/21 above be included in the 2020/21 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply. **Yes/No**
- g) **Agree** that the expenses incurred under recommendation e) above be charged against the COVID-19 Response and Recovery Fund established as part of Budget 2020. **Yes/No**
- h) **Direct** MBIE to seek any additional funding required for MIQ over the next six months from Cabinet in August 2020. **Yes/No**

Rt Hon Jacinda Ardern

**Prime Minister**

Date:

Rt Hon Winston Peters

**Deputy Prime Minister**

Date:

Hon Kelvin Davis

**Minister of Corrections**

Date:

Hon Grant Robertson

**Minister of Finance**

Date:

Hon Dr Megan Woods

**Minister for Housing**

Date:

Hon Chris Hipkins

**Minister of Health**

Date: 17/7/2020



Megan Main

Deputy Chief Executive, Managed Isolation  
and Quarantine (Transition)

**Ministry of Business, Innovation and  
Employment**



Sue Gordon

Deputy Director-General

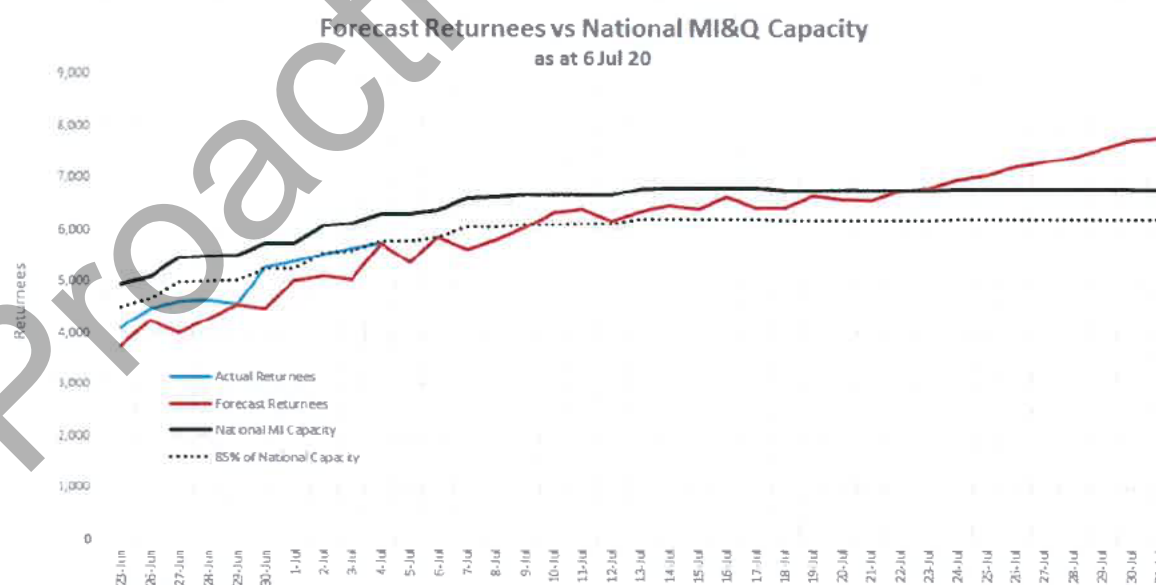
**COVID-19 Health System Response**

## Background

1. Border controls are a key pillar to the Government's overall public health strategy for the COVID-19 pandemic response to stop the introduction and spread of new cases from overseas. Since 9 April 2020, all people arriving in New Zealand have been required to enter quarantine or managed isolation for 14 days. Quarantine and managed isolation are expected to be ongoing features of New Zealand's border response for the near future.
2. On 15 June, Cabinet agreed to appropriate \$298 million to the Vote Health Public Health Service Purchasing appropriation to fund costs related to the delivery of MIQ until 31 December 2020 [Cab-20-Min-0284 refers]. Cabinet also agreed that MBIE would assume the role of lead agency for the provision of managed isolation and quarantine arrangements. A Cabinet report-back on transition arrangements is due in July 2020.

## Pressure on quarantine and managed isolation facilities

3. On 3 June 2020 there were 3,029 people staying in 16 MIQ facilities with capacity to maintain an inflow of arrivals of 228 people per day. \$298 million was appropriated for the six months to 31 December 2020 assuming a growth in arrivals of 4 per cent per fortnight to up to 288 arrivals per day. A total of approximately 52,000 arrivals were forecast over the six months to 31 December 2020.
4. However, arrivals continue to exceed estimates. As of 7 July 2020, there were nearly 6000 people in 28 managed isolation facilities with, on average, approximately 400 arrivals per day. The \$298 million appropriated for MIQ will be fully committed once 32 facilities have been contracted to accommodate approximately 6400 guests. This is expected to occur in the next few weeks, but may be later, depending on whether flights into New Zealand remain paused, and when an MIQ booking system can be introduced.



5. Given the current growth rate, estimates now anticipate approximately 100,000 arrivals over the 6 months from 1 July 2020 to 31 December 2020, with up to 8000 guests



needing to be accommodated on any given day (571 arrivals each day) by the end of August 2020.

#### *Additional funding now required*

6. MBIE and the Ministry of Health are due to report back to Cabinet in July 2020 regarding the various arrangements to transition operational responsibility for MIQ to MBIE, and the various policy options for MIQ ongoing. Appropriation of additional funding will best occur once these policy options have been considered.
7. However, as current funded MIQ capacity could possibly be reached in the upcoming weeks, officials recommend joint Ministers approve funding now to enable contracting for additional facilities and ensure sufficient MIQ capacity to the end of August when Cabinet will have made decisions on broader MIQ settings.
8. \$100 million will enable contracting for an additional 10 hotels (based on prior averages) to accommodate an additional 2000 people daily, with six-month contract terms. There is funding available within the \$298 million already appropriated to fund health services associated with additional facilities until the end of August 2020.

9.

s 9(2)(f)(iv)

#### **Managing demand, supply and costs**

10. The largest cost category in the quarantine and managed isolation arrangements is accommodation costs. Hotels are generally contracted on an 'exclusive use' basis to minimize the interaction of arrivals with the general public during the isolation period. This means that even if rooms in a facility are not occupied, there is a cost to the Crown to maintain exclusive use. Volumes of arrivals are the primary driver of costs and the main source of uncertainty as the Government has limited control over the number of arrivals landing on a daily basis.
11. Various mechanisms are being considered or employed to smooth and pace demand for MIQ including pausing Air New Zealand flights and bringing in a booking system to ensure flights cannot be booked unless rooms in managed isolation and quarantine are available. A co-payment scheme is also being considered to reduce the cost to the Crown of MIQ.
12. The Ministry has led a robust negotiation and procurement process to achieve value for money in contracts with MIQ facilities. This process has leveraged the large value of six-month exclusive use to ensure appropriate rates. Bench marking analytics were used to compare proposed pricing with hotel prior revenue, standardized star rating room rates and comparing other proposals across the hotel groups. Robust negotiations were undertaken to reduce room and food prices where analysis showed there was opportunity for improvement.

13.

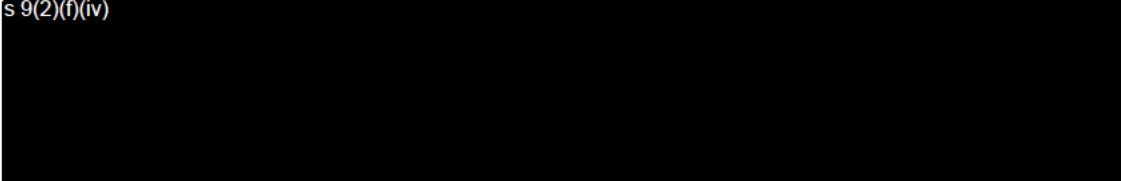
s 9(2)(i)

s 9(2)(i)



### Next steps

14. MBIE will have the ability to commence contracting for an additional 10 hotels for MIQ following your approval of the additional funding. Additional hotels will be contracted if demand requires it. A 'just in time' model is run when contracting hotels to ensure additional capacity is available when required and funding is not wasted with surplus capacity. The Ministry of Health and MBIE will continue to work together to transition current MIQ funding and contracting arrangements to MBIE over the next few months.
15. On Monday 20 July 2020, Cabinet will receive advice on co-payment options for MIQ. On 29 July 2020, the Social Wellbeing Committee will receive advice on MIQ model options for a sustainable system.

16. s 9(2)(f)(iv)
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ENDS.

