



Australian Government
Department of Social Services

Mr Darrell Porter
Deputy Executive Director
Office of Best Practice Regulation
Department of Finance and Deregulation
John Gorton Building
King Edward Terrace
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Email: helpdesk@obpr.gov.au

Dear Mr Porter

Details-stage Regulation Impact Statement – for assessment

I am writing in relation to the attached final details-stage Regulation Impact Statement (RIS) prepared by the Department of Social Services (the Department) for the approval of accommodation prices for residential aged care above the Minister's threshold.

I note that the OBPR has re-categorised the RIS as having a 'C' significance (from a 'B' significance), in light of the changes made to the proposal – including an increase to the threshold and ability for providers to receive conditional approval for proposed facilities – that reduce the likely impact of the proposal on the sector and broader economy.

I am satisfied that the final details-stage RIS (Attachment A) addresses the concerns raised in your letter of 23 December 2013. Specifically, the RIS incorporates changes to take account of the key points raised by the Office of Best Practice Regulation (OBPR). I have outlined the changes that have been made at Attachment B.

Your letter noted that an options-stage RIS was not prepared for the announcement of a revised refundable accommodation deposit threshold of \$550,000 and a simplified process for providers setting prices under the threshold made on 20 November 2013 by the Assistant Minister for Social Services. However, with respect to the setting of prices below the accommodation deposit threshold, I note that the impact of the Minister's announcement was not to impose any new regulation whatsoever nor even amend or remove existing regulation. Rather, the Minister decided not to proceed with a proposal of the previous Government which, if implemented, would have imposed a significant regulatory burden on the sector.

With respect to the process for setting prices above the accommodation deposit threshold, this was included in the Regulatory Impact Statement in December 2012 (refer addendum 14551 to RIS 12602). The only change since that time is that the Minister has now exercised his

authority to set the level of the threshold, which he will do annually. The Department has liaised closely with the OBPR throughout this process and prior to the announcement of 20 November 2013. Development of the subordinate legislation regarding accommodation payments scheduled to occur this month is the appropriate point at which to further document the regulatory impact, as per the attached draft RIS.

In light of the changes now made to the RIS, I am satisfied that the final details-stage RIS now meets the Government's best practice regulation requirements. Accordingly, I submit the RIS to the OBPR for formal assessment.

Yours sincerely

David Martine
Deputy Secretary
Department of Social Services
January 2014

Response to matters raised in OBPR letter of 23 December 2013

The first point raised in Attachment A to your letter relates to the data provided to detail the scale of the impact of the proposal. The RIS now includes the absolute number of residential aged care providers that will be affected by the changes. The absolute number of new accommodation bonds collected is not available, as this data is collected by survey and the return rate is less than 100%. Percentages have been calculated based on a weighted formula.

Additional text to highlight the possible reduction in the number of accommodation payments above the Minister's threshold in comparison with the current system is included at page 6 as suggested.

The third point raised in your letter notes that most cost-based price regulation regimes do account for risk. The RIS now clarifies that while the more rigid cost-based pricing regime of option 1 does allow for consideration of risk, it is limited in its capacity to reflect other factors, such as the type of facility development and location factors, that are not directly related to costs, and which therefore may not provide sufficient incentive for development of those facilities (page 11).

The fourth point relates to the quantification of costs that could result from this proposal and the assumptions underlying these calculations. The RIS now includes description of the assumptions and information informing the quantification of compliance costs used in the business cost calculator to produce the costings table in this RIS. The estimated number of hours for the compliance activities – such as gathering appropriate information and documentation and completing the application form – takes into account that pricing approvals by the Aged Care Pricing Commissioner will be effective for four years. The quantification of costs associated with the business cost calculator was agreed by OBPR on 10 January 2014.