



Australian Government

Department of Health and Aged Care

Deputy Secretary

Mr Jason Lange
Executive Director
Office of Best Practice Regulation
Department of the Prime Minister and Cabinet
1 National Circuit
BARTON ACT 2600

Dear Mr Lange

Regulation Impact Statement – Capping Home Care Administration and Management Charges – Second Pass Final Assessment

I am writing in relation to the attached Regulation Impact Statement (RIS) prepared for Capping Home Care Administration and Management Charges.

I am satisfied that the RIS addresses the concerns raised in your letter of 21 October 2022. Specifically, the RIS has been updated to:

- include further details on the Regulatory Burden Estimate for Option 2, with a new appendix that outlines the upfront tasks an affected provider will have to undertake to be compliant with the measure
- ensure consistency across the RIS for data and descriptions of the proposed measures
- provide further evidence to strengthen the response to RIS Question 1; and
- add an explanation on the evaluation of the proposed set of caps, and what would trigger further government action.

Further detail is in [Attachment A](#).

This RIS covers matters which were the subject of an election commitment and is therefore not required to consider a range of policy options. Only the specific election commitment is the subject of impact assessment, and this RIS focuses on the commitment with reference to the status quo (Option 1) and the manner in which the commitment should be implemented.

There are no ongoing regulatory costs for this proposal. The regulatory cost to implement this measure is estimated to be \$4.7 million across 661 affected businesses. No offset has been identified for this proposal.

Accordingly, I am satisfied that the RIS is now consistent with the six principles for Australian Government policy makers as specified in the *Australian Government Guide to Regulatory Impact Analysis*.

I submit the RIS to the Office of Best Practice Regulation (OBPR) for formal final assessment.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M Lye', written in a cursive style.

Michael Lye
Ageing & Aged Care

27 October 2022

Attachment A: Detailed changes

Overall

- In response to OBPR's comment: Ensure descriptions about proposed caps (e.g. around the two-stage approach) and quantitative data provided (particularly the number of providers) are consistent across the RIS, the Department of Health and Aged Care (the department) reviewed the RIS and rectified these errors.

Introduction

- On pg. 3, the Introduction was updated to reflect that the decision maker is the Australian Government rather than the department.

RIS Question 1 - What is the policy problem you are trying to solve?

- On pg. 13, to address OBPR's comment: Provide quantitative evidence about the magnitude of the problem in RIS Q1 Problem Definition section, the department added Tables 4 and 5 to show how many care recipients and providers are affected by the stated problem issue.
- On pg. 12, the department also added a hyperlink to the Aged Care Quality and Safety Commission's latest sector performance report to show the source of data on complaints.

RIS Question 3 - What policy options are you considering?

- Section 3 was updated indicate why there are only two options being considered, as per Australian Government guidance.

RIS Question 4 -What is the likely net benefit of each option?

- On pg. 39, to address OBPR's comment: Provide explanations for, assumptions behind and caveats of the Regulatory Burden Estimates for Option 2, the department added a summary for what the costs include and mean, with further detail in Appendix B. Appendix B outlines the upfront tasks an affected provider will have to undertake to be compliant. As outlined in the RIS, providers already have to keep these prices updated and comply with regulatory and assurance activities, so ongoing regulatory burden is nil.
- The department considered OBPR's comments on viability and rural and remote providers, but has not made changes to the RIS to reflect these concerns.
- A market strategy for aged care operating in thin markets, and existing programs such as the viability supplement for rural and remote care recipients are being reviewed in response to the Royal Commission into Aged Care Quality and Safety. Home care providers are not limited to operating in one area, and care recipients in rural and remote Australia may choose a metropolitan provider to provide home care if the provider is willing to sub-contract services to local suppliers, provided those suppliers adhere to the requirements in the *Aged Care Act 1997*. For example, a provider who is based in Sydney can hire workers who live at the South Coast or Broken Hill to service care recipients in that region.

- As stated in the RIS (pg. 34), provider viability is a complex issue with limited data to support analysis. From 1 July 2022 home care providers must submit the new Quarterly Financial Report, which will give the department more timely and accurate information. The department will use these new reports to monitor provider viability, in conjunction with claiming data from Services Australia that identifies unspent funds balances and patterns of subsidy spending.

RIS Question 5 -Who did you consult and how did you incorporate their feedback?

- The department did not make changes to this section, as further details could not be made public at this time.

RIS Question 7: How will you implement and evaluate your chosen option?

- In response to OBPR's comment: Explain how evaluation of the proposed set of caps will be used to inform future decisions on whether additional caps are required, the department considered how best to represent this information. However, due to other factors that are not yet at play, such as the pending Fair Work Commission review of aged care wages, the department is unable to provide a quantitative trigger point for any further caps.
- On pg. 48, the department has added a dot point to Section 7 stating: Additional caps may be implemented in July 2023 if departmental monitoring finds that there is a trend in providers moving their prices to the caps for care and package management or if we see significant increases in direct service prices without justification suggesting cost-shifting.