Australian Government
Department of Health and Aged Care

Capping Home Care Administration and Management Charges

Regulation Impact Statement

Contents

Introduction

This Regulation Impact Statement (RIS) has been prepared by the Department of Health and Aged Care (the department). Its purpose is to assist the Australian Government (Government) in making a decision on the implementation of the Government's commitment to capping administration and management charges in the Home Care Packages (HCP) Program. The department has prepared a standard-form RIS as the Office of Best Practice Regulation (OBPR) considers that the proposal is likely to have more than minor regulatory impacts.

Background

The Home Care Packages (HCP) Program supports older people with complex care needs to live independently in their own home, using a consumer-directed care approach to support their needs and goals. As at 17 August 2022, there were 860 approved HCP providers. The program's estimated expenditure for 2022-23 is around $6.5 billion, with nearly 275,600 people expected to receive a HCP by the end of 2022-23.

The HCP Program is legislatively underpinned by the:

- *Aged Care Act 1997*
- *Aged Care (Transitional Provisions) Act 1997*
- *Aged Care Quality and Safety Commission Act 2018*

Since 2017, the number of people in the HCP Program has roughly doubled and the expenditure has tripled. With growing demand for HCPs, the Government and care recipients must have confidence that providers are spending funds in line with the objectives of the program.

What is a Home Care Package (HCP)?

An older person is assessed for eligibility and then receives an in-person assessment to be allocated a HCP. There are 4 levels of HCPs – from level 1 for basic care needs to level 4 for high care needs. Care recipients choose a provider in their area that best meets their needs. If a care recipient chooses to change providers, their HCP funds transfer with them to the new provider.

The total amount of funding in a HCP budget is made up of:

- Government subsidy and supplements (see Table 1 for subsidy rates)
- fees payable by the care recipient

Table 1: Home Care Subsidy Rates 1 July 2022

Level	Daily	Fortnight	Annual
Level 1	$25.15	$352.10	$9,154.60
Level 2	$44.24	$619.36	$16,103.36
Level 3	$96.27	$1,347.78	$35,042.28
Level 4	$145.94	$2,043.16	$53,122.16

Providers must arrange a package of care and services to meet the care recipient's needs. Providers work with care recipients to plan, organise, and deliver home care services, which can include:

- help with household tasks
- tasks of daily living (personal care)
- aids and equipment

- minor home modifications
- clinical care such as nursing, allied health, and physiotherapy services.

Further information on the HCP Program can be found on My Aged Care and the department's website.

Who oversees the HCP Program?

The department manages and develops policy for the program. The department also:

- reviews the program to ensure it continues to meet the changing needs of older Australians
- conducts Program Assurance Reviews
- undertakes reforms to the HCP Program.

Services Australia:

- administers payments to providers
- reviews and adjusts fee, subsidy and supplement rates
- provides online claiming services for providers.

The Aged Care Quality and Safety Commission (ACQSC):

- approves providers to deliver home care services
- assess and monitor provider performance against the Aged Care Quality Standards
- provides a complaints resolution service for consumers
- conducts home care investigations
- undertakes compliance and enforcement actions, including monitoring the compliance of approved providers and imposing sanctions where approved providers do not meet their aged care responsibilities
- administers the Serious Incident Response Scheme (future for home care).

Royal Commission into Aged Care Quality and Safety

The Royal Commission into Aged Care Quality and Safety (Royal Commission) was established on 8 October 2018. It was established to review the quality of aged care services and whether those services are meeting the needs of the Australian community. This included:

- the quality and safety of in-home aged care for older people
- the future challenges and opportunities for delivering accessible, affordable, and high-quality aged care services in Australia, including in:
    - the context of changing demographics and preferences, i.e. people's wish to stay in their own home as they age

- remote, rural, and regional Australia.

The Government welcomed the Royal Commission's final report, which was tabled on 1 March 2021. This report provided 148 recommendations to significantly reform the aged care sector. The Government announced a suite of reforms in the 2021-22 Budget, including $18.4 million in measures to put downward pressure on home care administrative costs (see Program Assurance Reviews).

The Royal Commission's final report did not specifically recommend measures to reduce administrative costs in the HCP Program; however, evidence to the Royal Commission showed some organisations are taking as much as 50 per cent of people's packages in administration and management. **Recommendations 6, 115, and 139** relate to the new Aged Care Pricing Authority. The Pricing Authority will have a range of functions, including setting prices for the new in-home aged care program. In the interim, capping prices in HCP will establish some boundaries to reign in high administrative costs in the scheme.

Recommendation 118 of the Royal Commission, establishing a new funding model for care at home, highlights that funding must be established for care management. The recommendation shows the importance of care management in supporting the needs of care recipients with complex needs, such as those in the HCP Program. While it is often included in administration and management charges, care management is a discrete service, which providers must deliver in line with the Aged Care Quality Standards (see care management below).

In-Home Aged Care Reforms

In response to the Royal Commission and underpinned by the development of a new Aged Care Act, the Government is in the process of delivering a reformed and improved in-home aged care program by 1 July 2024, which will take the place of the Commonwealth Home Support Programme (CHSP), the HCP Program and the Short-Term Restorative Care Program (STRC). The Government intends to make improvements to in-home aged care while the design of a new program progresses.

Program Assurance Reviews

The Royal Commission heard that, in some cases, up to 50 per cent of home care subsidy is used for administration and management costs. In response, the Government has launched HCP Program Assurance Reviews, with the inaugural review focusing on administration and management charges. The Program Assurance Review found:

- considerable variation across providers in administration (referred to as 'indirect' charges in the Program Assurance Review) and management charges (referred to as 'care management charges' in the Program Assurance Review)
- significant pricing transparency issues
- value for money is not always evident or justified, such as for third party charges, which in some cases appeared relatively high
- monthly statements do not clearly list third party services/goods handling charges separately.

- some providers were incorrectly charging business costs in package management or other indirect charges, rather than as a component of direct charges.

The findings of the Program Assurance Review have informed the proposed options included in this RIS, as well as other action by Government, including:

- one of the current Program Assurance Reviews (commenced September 2022) will focus on Pricing Transparency
- publication of a factsheet to help care recipients understand how to get the best value for money from their HCP. The factsheet also provides instructions on how to use My Aged Care to compare providers
- further updates to provider and care recipient guidance to support their understanding of pricing in the HCP Program.

Overview of current pricing requirements for providers

Providers must:

- publish a pricing schedule and a full price list on My Aged Care
- do an annual review of their pricing schedule and full price list
- keep their pricing information up to date

For care recipients, providers must:

- include a copy of the pricing schedule in the care recipient's home care agreement
- charge them the prices in that schedule, unless otherwise agreed — providers must include any different prices and the reason in the home care agreement
- not charge separate amounts for any business-related administration costs
- make sure any administration costs are reasonable.

While these requirements, introduced on 1 July 2019, have improved pricing transparency for care recipients, there are no effective caps on what providers can charge for their services and approaches to charging differs across providers, which can make comparing these prices difficult for older people and their families.

Administration and Management Charges

Under the HCP Program some administration and management costs are charged for separately (care and package management, exit amounts) while some are built into the unit price of direct service charges (office rent, insurance, and marketing). Other costs are charged for inconsistently, sometimes separately and sometimes includes in direct services (staff travel, subcontracting and brokerage). The most recent StewartBrown Aged Care Financial Performance Survey (March 2022) found that only 57.4 per cent of subsidy goes to direct care provision, with the other 42.6 per cent going towards administration and management and profit.

Care Management

Care management is a key part of every HCP and is defined in the *Quality of Care Principles 2014* (Part 1 of Schedule 3):

- reviewing the care recipient's home care agreement and care plan
- coordinating and scheduling care and services
- ensuring care and services are aligned with other supports
- liaising with the care recipient and the care recipient's representatives
- ensuring that care and services are culturally appropriate
- identifying and addressing risks to the care recipient's safety

Currently, the understanding and delivery of care management is variable among providers, with care managers performing different duties and roles from provider to provider. The lack of understanding of what care management is and how it supports package delivery means consumers are often unclear on the value of the service, considering it as an extra administrative charge.

Package Management

Package management is the range of ongoing administrative organisational activities associated with ensuring the quality, smooth delivery, and management of a home care package (defined at section 4 of the *User Rights Principles 2014*). The following list provides examples of what can be charged under package management, and what is excluded:

Inclusions	Exclusions

• Administrative tasks related to the delivery of a care recipient's services, including:
  • establishing and managing their home care budget
  • service coordination (outside of clinical decisions)
  • storing and maintaining records
  • preparing invoices and monthly statements
  • responding to enquires about bills
  • organising third party services
  • purchasing equipment e.g., PPE
  • arranging for home modifications
  • submitting claims to Services Australia
  • maintaining and updating fee payments
  • paperwork involved in ceasing care
• Ensuring suitability of staff e.g., police checks and immunisation verification
	• Marketing
	• Office rent, maintenance, and refurbishment
	• Insurance
	• Back-end business
	• Information technology costs e.g., development and upgrading client management systems
	• Maintenance of goods, equipment, and assistive technology
	• Newsletters
	• Printing and postage (unrelated to the care recipient)
	• Franchising costs
	• Service charges associated with personal alarms e.g., VitalCALL
	• Change management activities
	• Costs related to running a call/intake centre
	• Applying for reassessments or interim package where required

- Training and staff education
- Quality improvement, compliance, and assurance activities
- Preparing and submitting reports on quality
- Maintaining COVID-19 vaccination compliance documentation
- Clinical decisions around the coordination and scheduling of services
- Care management activities

Loadings on direct service charges

Providers must incorporate business costs (as defined at section 4 of the *User Rights Principles 2014)* into direct service charges. Prices for direct services also include loadings for ongoing staff costs (superannuation, workers' compensation) and brokerage charges (where these are not charged separately).

The department has access to the published prices for common services, which must be published to My Aged Care as a part of the pricing schedule. These are:

- nursing by a registered nurse
- personal care
- light gardening
- in-home respite
- cleaning and household tasks

Comparison with the National Disability Insurance Scheme (NDIS), whose cost model includes approximately 33 per cent loading for overheads[1] demonstrates likely comparable loadings by HCP providers. However, direct comparison between the schemes is difficult due to design differences including that the NDIS direct care rates include package management.

Using published prices for common services (nursing by a registered nurse, personal care, light gardening, in-home respite and cleaning and household tasks) extracted 17 August 2022, the department compared prices from NDIS[2] and CHSP[3] with HCP Program prices at the median and 75th percentile (see Table 2).

[1] Overheads include: operational and corporate overheads, margin, and temporary loading. See Disability Support Worker Cost Model at: https://www.ndis.gov.au/providers/pricing-arrangements#disability-support-worker-cost-model

[2] Pricing arrangements for NDIS can be found: https://www.ndis.gov.au/providers/pricing-arrangements

[3] Commonwealth Home Support Programme (CHSP) Manual (2022-23) is published here: https://www.health.gov.au/resources/publications/commonwealth-home-support-programme-chsp-manual

Table 2: HCP pricing comparison with CHSP and NDIS (for standard hours)

Service Name	HCP median	HCP 75th percentile	CHSP	NDIS
Cleaning and Household Tasks	$57	$61	$48-$61	$51.81
Light Gardening	$60	$70	$53-$75	$50.87
Registered Nursing	$98	$110	$104-$129	$110.40
Personal Care	$57	$62	$51-$68	$62.17-69.15
In-Home Respite	$57	$62	$51-$67^	$72.87

^CHSP flexible respite

Subcontracting or Brokering

Care and services delivered by a third party may be needed to meet the assessed needs and preferences of care recipients. Subcontracting or brokering is when a provider:

- sources and coordinates care and services for a care recipient through a third party (another service provider/company or individual) on an ongoing or ad hoc basis. This includes where the worker or service provider is requested by the care recipient.
- acts as an intermediary who buys, sells, or coordinates goods, equipment, and assisted technology from a third party for the care recipient, such as a specialised wheelchair purchased from a third party.

Regardless of who delivers care or services, the approved provider remains responsible for ensuring services are delivered as per legislative requirements.

Providers must publish the price they charge, if any, for providing care or services through a subcontracting arrangement that is necessary to give effect to a request by a care recipient. Some providers also charge additional amounts for services delivered by a third party, whether this service was initiated by the provider or care recipient, with some providers charging excessive amounts that they cannot justify. How providers charge for subcontracted services is not always transparent, with some care recipients reportedly experiencing “bill shock” after their provider has added the costs of subcontracting onto the original cost of the service or purchased item. This can result in care recipients having less package funds than they had anticipated to be spent on the actual care and services to be delivered.

Exit Amounts

An exit amount can be deducted by a provider from a person's unspent funds if a care recipient leaves the provider’s care. This may happen if the person decides to change their home care provider or when they leave home care altogether. With the passage of the *Aged Care Amendment (Implementing Care Reform) Bill 2022* on 27 October 2022, exit amounts will no longer be allowed to be charged from 1 January 2023.

If the Bill does not pass, providers cannot charge exit amounts if they do not hold unspent funds for the care recipient. This means that all care recipients who entered the provider’s

care on or after 1 September 2021 cannot be charged an exit amount as the provider does not hold unspent funds. Any care recipient who entered care prior to 1 September 2021 may be charged an exit amount at the provider's discretion, as long as it is published on My Aged Care and agreed in the home care agreement.

Unspent funds

Unspent funds are the total amount of subsidy and fees that have not been spent on a care recipient's care. Unspent funds build up when a care recipient, in planning with their provider, has not fully allocated their individualised budget. This can happen for many reasons, including if they are planning for a future event, their situation has improved, or they have taken leave from care.

Prior to the introduction of IPA in September 2021, all unspent funds accrued with the provider, and the unspent funds amount was only reported to the Government when the care recipient exited the program. Since the introduction of IPA, unspent subsidy accrues in a home care account held by the Government. Providers were given the option to return the unspent subsidy they held for their care recipients (known as the Commonwealth portion of provider-held unspent funds) or to continue holding the subsidy, and report that amount each month to the Government. Providers must return the subsidy they hold for a care recipient to the Government if they change providers or exit the program. Any unspent fees (known as the provider-held care recipient portion of unspent funds) must be transferred to the new provider or returned to the care recipient, or their estate, should they leave the program.

When a care recipient exits the program, any unspent funds are returned to the Commonwealth.

As at 13 September 2022, there are $2.25 billion in Commonwealth unspent funds in the HCP Program:

- $0.89 billion is held by providers
- $1.36 billion is held in home care accounts

1. What is the problem you are trying to solve?

Problem 1 – Excessive administration and management charges are adversely affecting the care and services HCP recipients receive

One of the top concerns for Australians in the HCP Program are the high administration and management charges set by some providers. The more providers charge for administration and management, the less funding is available to meet the needs of care recipients.

These costs can add up to a substantial amount of HCP funding. Around 40 per cent of providers currently charge more than 25 per cent in combined care and package management charges – this is on top of separate subcontracting charges and loadings on direct services. While providers need to meet costs for staff support and training and other genuine business costs, evidence to the Royal Commission showed some organisations are taking as much as 50 per cent of people's packages in administration and management.

In the ACQSC Sector performance report – April–June 2022, fees and charges were the second most common complaint to the ACQSC. Management fees and charges are consistently among the most frequent issues consumers and their representatives make complaints about to the ACQSC.

The Government recognises private businesses will need to make profit, but home care subsidy should be used for care and services before it goes to profit. The StewartBrown Aged Care Financial Performance Survey (March 2022) found that 6.3 per cent of home care subsidy went to profit despite the increased operating cost from impacts of COVID-19 and decreased package utilisation overall.

What is an acceptable charge?

Care and package management charges are usually set by providers as a percentage of the package level. The department's analysis of existing charges for these services found that, as at 17 August 2022, the median charge for:

- care management was around 15 per cent of a Level 4 HCP ($302 out of $2,043 per fortnight).
- package management was around 10 per cent of a Level 4 HCP ($201 per fortnight).

This equates to a total of $503 per fortnight or 25 per cent of a Level 4 HCP.

We also compared HCP administration and management charges to other government programs, including the NDIS. The pricing model for NDIS includes around 33 per cent for operational overheads. Overheads include operational and corporate overheads, margin, and temporary loading.

Work is underway by the Independent Health and Aged Care Pricing Authority (IHACPA) to determine an efficient price for direct services, including care management, as part of the in-home aged care reforms. This research will not be available to inform charges for the current scheme.

On balance, the department considers that combined charges for care and package management at around the median (26 per cent of the package level) is likely reasonable but that the maximum amount a provider could charge would be 35 per cent of the package level. Table 3 shows these amounts as dollar figures.

Table 3: Maximum fortnightly charges for care and package based on 1 July 2022 subsidy rates

Level	Care management		Package Management	
	20%	16%	15%	10%
Level 1	$70.42	$56.34	$52.82	$35.21
Level 2	$123.87	$99.10	$92.90	$61.94
Level 3	$269.56	$215.64	$202.17	$134.78
Level 4	$408.63	$326.91	$306.47	$204.32

The number of providers charging over these amounts is in Table 4 and the number of care recipients affected is in Table 5. There are 69 providers charging above the maximum amount for both care and package management. Their 12,000 care recipients are being charged more than 35 per cent of their HCP funding in administration and management charges.

Table 4: Number of providers charging above the maximum reasonable amount and the median

Service	Care management	Package management	Either Price	Both Prices
Maximum 20% and 15%	214	162	307	69
Median 16% and 10%	478	460	665	273

Table 5: Number of Care Recipients who are charged above the maximum reasonable amount and the median

Service	Care management	Package management	Either Price	Both Prices
Maximum 20% and 15%	35,755	26,027	49,789	11,993
Median 16% and 10%	118,146	107,081	163,003	62,224

What is the underlying cause of this issue?

There are no effective caps of home care prices and limited understanding in the sector of what a reasonable price might be. Providers and care recipients are not always clear as to what is required as part of care and package management services. In some instances, providers have not been fulfilling their responsibilities as an approved provider to deliver care management, particularly for self-managed care recipients.

The inaugural HCP Program Assurance Review sought to understand providers' pricing methodology. The Review found that some providers had basic pricing methodologies or unsophisticated pricing models. Some providers' pricing approach was based on either market comparison or increasing charges annually to cover increasing costs. Some charged comparable prices as their competitors but could only provide limited explanation of the rationale. While it is not a program requirement to have a mature pricing model, efficient pricing in what is a competitive market can be impacted by providers' lack of understanding of their business model and HCP costs.

Problem 2 – Lack of transparency with pricing information, adversely affecting older people's ability to understand costs and compare market information to make informed choices.

Providers publish their prices inconsistently, with some providers updating their prices regularly, others only once a year and some not at all. Providers also set their prices in ways that reduce comparability between providers, with some incorporating all costs into their published prices and others only publishing the lowest price and adding hidden charges in later. This makes it difficult for older Australians to compare pricing and exercise true choice over their care.

Case Study 1: challenges when comparing service prices

Professional Home Care Services publishes a price for cleaning and household tasks as $60 per hour. Esteemed Service Inc publishes their price as $45 per hour. A care recipient would likely assume that they are getting a better deal from Esteemed Service Inc and sign up to receive their services. Once they are receiving services, the care recipient realises that Esteemed Service Inc charges $45 per hour for cleaning, but subcontracts these services to a third party, and adds $15 onto the price to cover the cost of subcontracting each time they deliver this service. As such, both providers charge the same amount for cleaning, but the care recipient could not tell this from the published prices. This is not best practice, but is common in the sector, even when a care recipient has not requested a specific vendor.

Case Study 2: challenges when comparing service prices

Henry has been assessed as needing a toilet aid from a specialised company and has been quoted $1550 for the item. As his provider manages his HCP funds, he asks his provider to process the invoice for this piece of equipment. Henry's provider charges 10 per cent on top of each invoice with a cap of $300 per invoice. This means that for Henry's $1550 item, his provider will charge him an extra $155.

While Henry had agreed to the charge, he's not sure that what he's been charged is reasonable to the effort involved. Henry's son had thoroughly researched the product, coordinated with the company regarding shipping and delivery and his provider had used the company for other care recipients so have established relationships.

What is acceptable pricing practice?

Limited guidance is currently available from Government regarding pricing practices. The ideal situation would be all providers include or exclude the same costs in their prices.

What is the underlying cause of this issue?

Providers not keeping their pricing updated

The inaugural Program Assurance Review found a lack of pricing transparency, despite pricing transparency requirements being in place since 2019. The Review observed the following practices:

- My Aged Care pricing schedules not being reviewed/updated every 12 months
- pricing schedules not covering all charges (missing care management charges, exit amounts)
- providers charging a single percentage charge for both care management and package management together
- providers not following HCP Program pricing definitions.

A limited number of providers could not submit pricing schedules to the Review team that were meant to be attached to the sampled care recipients' Home Care Agreements. This is a concern as these are essentially 'pricing contracts' between the care recipient and the provider and the inclusion of the pricing schedule in the Home Care Agreement is a legal requirement.

My Aged Care can be difficult to navigate

Care recipients and their families have indicated that My Aged Care can be difficult to navigate, and prices are difficult to find and compare. Many people accessing a HCP are older and are not considered to be tech savvy and as such rely on their family members, who are often people in their 50s or 60s who are time poor and cannot spend a lot of time comparing providers. Non-digital options are available to care recipients wanting to compare providers either via telephone (My Aged Care call centre) and/or face to face through Aged Care Specialist Officers operating out of Services Australia service centres in over 70 locations to date with more to be added.

Providers using different pricing models

Providers set their prices in ways that reduce comparability between prices, with some incorporating all costs into their published prices and others only publishing the lowest price and adding hidden charges in later.

This can contribute to older people not knowing the true price of their services. Even though all prices must be agreed in the Home Care Agreement, it can be difficult for a care recipient to calculate the cost over the year when they don't know how many of their services are going to be subcontracted and whether they will need to be referred for further assessments, such as with an occupational therapist to receive aids and equipment, over the year.

The Program Assurance Review sought to understand providers' pricing methodology. Some providers had basic pricing methodologies or unsophisticated pricing models.

Some providers' pricing approach was based on either market comparison or increasing charges annually to cover increasing costs. Some charged comparable prices as their competitors but could only provide limited explanation of the rationale.

What is currently being done

Pricing transparency

To help older Australians and their families to compare the prices of different providers more easily, providers must:

- publish their prices on My Aged Care so they appear when people search for services
- keep the prices up to date
- provide their pricing schedule to their care recipients
- charge them the prices in the schedule, unless otherwise agreed and recorded in writing
- meet the requirements for administration costs.

To further improve the transparency of HCP pricing for older Australians, their families and carers, the department publishes national median prices for common home care services, care management and package management. This data is updated quarterly.

The department has been working to improve My Aged Care, including developing easy-to-navigate tools to help older Australians better understand HCP pricing. Changes included:

- a new, quick costs checker for common services
- cost-comparison indicators to compare average pricing at a geographic level
- an updated costs tab layout
- a note to show when content was last updated by the provider.

Home care agreements

The HCP Program operates on a consumer-directed care approach. As such, providers must:

- give care recipients enough information about any price changes
- make sure they understand how the changes may affect them
- explain that you cannot make changes to their home care agreement unless they agree.

If they do not agree or do not respond, providers cannot make the changes or stop providing care. Providers are expected to negotiate an agreement that suits them and their care recipient.

Eliminating exit amounts

Exit amounts are no longer considered an acceptable charge under the HCP Program. These charges are being phased out under previous reforms to the program, and subject to passage of legislation, will no longer be allowed to be charged to home care recipients from 1 January 2023. As at 12 September 2022, 415 providers have a published exit amount on My Aged Care. The median charge is $350.

Why is it not working?

Assurance and regulatory activity can only audit so many providers in a short span of time. The current pricing model has incentivised providers to hide their administrative costs to be competitive, meaning the Government and care recipients cannot verify where the subsidy is going. As found in the Program Assurance Review, current provider pricing is variable and does not always reflect the effort required.

The ability of the market to operate in a competitive and fair way has been reduced due to the lack of transparency and the inability for people to easily compare prices with like-for-like services. If prices were easier to compare, and providers could justify their costs, the highest prices may decrease on their own without Government intervention as care recipients and their families push for better value for money. The department has introduced updates to My Aged Care to support price comparison, however, as providers set prices in ways that are not comparable, these updates can only achieve so much.

Other contributors to decreased competitiveness and fairness:

- Some care recipients have a limited number of providers to choose from, especially if living in rural and remote Australia or they require a provider that caters to special needs, and in these instances, there is no incentive for providers to offer lower prices.
- Many care recipients are reluctant to change providers because they develop relationships with the workers who come into their home who won't transfer with them. Less than 5 per cent of care recipients transferred providers in 2021-22.
- There is no guidance or signal from the Government as to what is reasonable to charge.

2. Why is Government action needed?

The Government wants to reduce excessive administration and management costs, ensuring more funds are available for care and services for care recipients in the HCP program. The HCP Program moved to consumer directed care in 2015 and the market has not effectively controlled excessive charging in the program.

The Government is not considering reducing their spending in the HCP Program. Care recipients accrue unspent funds, so if providers reduce their administration and management charges, the funding will be available for direct care, even if it is not used immediately. Any unspent funds leftover when a care recipient leaves the program return to the Commonwealth.

Objective 1 – Limit excessive administration and management charges while still allowing providers to cover their genuine costs

While the Government can monitor prices for home care, there is limited legislated ability to control provider charging and limited guidance on what is reasonable.

By January 2023, all published prices for care and package management should be below the amount the department deems acceptable.

This could be achieved by:

- introducing and publishing caps for care and package management
- targeted communications to educate and to remind providers of their obligations regarding pricing (either to the sector or targeted to providers with high prices)
- targeted communications to support care recipients and their families to understand pricing and what they can expect from their package and their provider
- produce guidance on what is or is not reasonable, working with external agencies
- influencing provider behaviour through further Program Assurance Reviews and communicating with providers to improve behaviour.
- increasing assurance activity, such as monitoring published prices, in conjunction with the ACQSC's regulatory activities.

Objective 2 – Improve comparability of providers

Providers publish their prices inconsistently, with some providers updating their prices regularly, others only once a year and some not at all. Providers also set their prices in ways that reduce comparability between providers, with some incorporating all costs into their published prices and others only publishing the lowest price and adding hidden charges in later. To ensure providers update their pricing, while still maintaining their viability, the department could:

- remove providers' ability to charge separately for subcontracted services
- update guidance to the sector on best practice pricing models
- reiterate to providers that pricing must be up-to-date, and that this is a legal requirement

- monitor when providers are updating their prices

Barriers to Achieving Objectives

The key risks associated with meeting the objectives are:

1. provider peaks are opposed to price regulation, citing viability concerns, workforce issues, Social, Community, Home Care and Disability Services Industry (SCHADS) Award changes and inflationary pressures
2. if providers must decrease their prices for care and management, they may recoup lost revenue by increasing direct services prices, which would maintain the current level of excessive administration and management charges
3. any indication of a maximum price could mean providers move their prices up to that amount, which would increase administration and management charges

The department has considered these risks to achieving the Government's objectives, as well as other implementation risks, in Chapter 7: How will you implement and evaluate your chosen option.

3. What policy options are you considering?

This RIS covers matters which were the subject of the capping home care administration and management charges 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.

3.1 Option 1 – Status Quo

Option Outline

This option means the department will not make changes to the program at this time. However, the in-home aged care reforms, which intend to move to an efficient pricing model, are set to commence 1 July 2024. Not introducing regulation now would give providers 18 months respite from pricing regulations; however, the next set of reforms may come as more of a shock to providers without a stepping stone reform.

In-home aged care reforms (1 July 2024)

The new in-home aged care program will introduce new pricing models and new reporting requirements, which would support the Government's objectives to:

- limit excessive administration charges
- improve provider comparability.

Price Transparency (1 July 2019)

The price transparency reforms introduced on 1 July 2019 required providers to:

- publish a pricing schedule and a full price list on My Aged Care
- do an annual review of their pricing schedule and full price list
- keep their pricing information up to date

For care recipients, providers must:

- include a copy of the pricing schedule in the care recipient's home care agreement
- charge them the prices in that schedule, unless otherwise agreed — providers must include any different prices and the reason in the home care agreement
- not charge separate amounts for any business-related administration costs
- make sure any administration costs are reasonable.

The department also uses this data to publish a national summary of home care prices at regular intervals to support care recipients to make informed choices about the value of their care.

Exit amounts (1 January 2023)

An exit amount can be deducted by a provider from a person's unspent funds if a care recipient leaves the provider's care. This may happen if the person decides to change their home care provider or when they leave home care altogether. With the passage of the Aged Care Amendment (Implementing Care Reform) Bill 2022, from 1 January 2023 providers will no longer be able to charge an exit amount. This will support up to 37,359 care recipients who are currently with providers who have a published exit amount who entered their care prior to 1 September 2021.

Other supports

Providers can apply for free, independent, confidential advice to help review operations and gain advice on business management and financial strategies through PricewaterhouseCoopers Australia's Business Advisory Services. The department is promoting these services to support providers to set their prices to reflect their actual cost of service and what is 'reasonable'.

How will these changes fix the identified problems and support Government objectives?

Objective 1 – Limit excessive administration charges while still allowing providers to cover their genuine administration and management costs

The in-home aged care reforms (mid-2024) will introduce pricing regulations that will reduce excessive administration charges. The program will move providers to an efficient pricing model, although this model has not been finalised as yet.

The price transparency changes have not reduced the amount that providers charge for administration and management. The changes did not introduce rules about how to price care and services, instead introducing a requirement for only certain charges to be 'reasonable'.

Removal of exit amounts have generally been viewed favourably by care recipients and providers as a good way to reduce administration and management charges – in a recent provider survey, respondents listed removing exit amounts as the best way for the program to reduce administration and management charges.

The IPA changes to exit amounts have meant that all care recipients who enter the program or who have started with a new provider since 1 September 2021 cannot be charged an exit amount. Removing exit amounts for all care recipients from 1 January 2023 will provide greater consistency across the sector and ensure more HCP funds either follow the care recipient to be used on their care or are returned to the Commonwealth.

Objective 2 – Improve comparability of providers

The price transparency changes have supported positive change in the sector to move towards transparent pricing practices. Providers are more accountable for the prices they publish as care recipients can compare between providers for common services. While there are still issues with information symmetry and care recipients' ability to compare like-for-like

services, without this change, Government would not have a data source that could compare providers' prices on a large scale, thereby continuing to operate in the dark regarding provider pricing practices.

3.2 Option 2 – Staged Approach to Capping

Option Outline

The department proposes to:

a) cap **care management** at 20 per cent of the package level, update definition and require all providers to charge separately for this as a mandatory service

b) cap **package management** at 15 per cent of the package level, update definition and continue to allow providers to roll into direct service costs

c) eliminate the ability for providers to charge **package management** where the care recipient receives no services (other than care management) in a month

d) specify that providers may charge 25 per cent of the agreed price for **care management** when a care recipient receives no other services in a month

e) eliminate charges for **brokerage and subcontracting of third party services** and introduce a definition

f) once implemented, consider the need for additional caps to apply from July 2023.

How will these changes fix the identified problems and support Government objectives?

Objective 1 – Limit excessive administration charges while still allowing providers to cover their genuine administration and management costs

The proposed changes will ensure no care recipient is charged more than 35 per cent of their package funds for separate administration and management charges (noting providers will continue to apply loadings to direct service prices). Given analysis of existing provider charges and noting that the NDIS has in-built operational overheads set at about 33 per cent of the hourly price, capping care and package management at 35 per cent is a reasonable, evidence-based starting cap.

Objective 2 – Improve comparability of providers

Removing providers' ability to charge separately for third party services will improve transparency of pricing and ensure care recipients and their families can easily compare like-for-like prices. The situation outlined in Case Study 1, where two providers charge the same amount for cleaning, but one separates out the third party charges, will no longer be allowed in the HCP Program.

Tightening the definition of care management and making it explicitly a mandatory service that must be delivered will also support improved information comparability. Providers will have to deliver the listed services at minimum and must deliver these to a level that is appropriate for the care recipient's needs. These services are:

- reviewing the care recipient's home care agreement and care plan
- ensuring care and services are aligned with other supports
- liaising with the care recipient and the care recipient's representatives

- ensuring that care and services are culturally appropriate
- identifying and addressing risks to the care recipient's safety

Once all providers are clear on the required inclusions of care management, the department expects that they will set prices that more accurately reflect the genuine costs of delivering this service to their care recipients.

How do these changes support providers' transition to in-home aged care reforms?

No longer allowing providers to charge separately for subcontracting costs will indicate to providers how the Government expects them to price their services in the future. Caps for care and package management will start to show providers and care recipients what prices are reasonable and ensure providers are delivering what's expected of them. Implementing these changes now will support providers to transition more gradually to the efficient price model which will be introduced in the new program.

4. What is the likely net benefit of each option?

4.1 Option 1 – Status Quo

Individuals

Benefits

Care recipients can continue to access published pricing through My Aged Care and can also see the national price summary, which is regularly published.

Care recipients must agree to all price increases for care and services, as listed in their home care agreement. They are also provided with an individualised budget and a monthly statement, which must include what their package has been spent on.

Without any changes to the program, care recipients and their families will not have to:

- understand and consider any changes to pricing
- negotiate additional pricing changes proposed by their provider in response to changes.

Noting providers regularly review pricing and home care agreements with care recipients but capping prices may add an additional review.

Costs

There are no effective caps on what providers can charge for care and services and approaches to charging differ across providers. Administration and management costs can add up to a substantial amount of HCP funding and as such there is less funding available for the delivery of direct care and services. Evidence to the Royal Commission showed some providers are taking as much as 50 per cent of people's packages in administration and management charges. Around 16 per cent of providers are charging over 35 per cent and approximately 4 per cent of providers charging more than 50 per cent in care and package management charges.

According to the department's consultation, care recipients think care and package management charges are too high (76 per cent and 77 per cent respectively) and that current administrative charges are not value for money. The department has found that care recipients have a low understanding of their package charges and expenditure, including that they do not understand why these charges occur and what is and is not reasonable.

Consultations have found that care recipients find it difficult to compare providers based on their pricing due to hidden charges, particularly as applied to third party brokerage and subcontracting. Consultation also found that care recipients are unclear of the difference between care management, package management and brokering and subcontracting administration and management charges.

Businesses

Benefits

Providers will continue to have flexibility in their prices, meaning they can establish what they think is an appropriate amount to charge care recipients.

Providers of home care are required to conduct an annual review of their notice of care and services and prices and fees. Most providers will update their pricing in July 2023, to align with the increase in subsidy at the start of the financial year.

Providers are required to have updated published prices and must renegotiate their care recipients' home care agreements to ensure mutual consent before they increase pricing.

The department uses the published data to develop a national summary of home care prices, which is then published to support care recipients to make choices about the value of their care.

Costs

Smaller providers continue to have no best practice guidance on costing, and no sense from the Government as to what is a reasonable price for home care services. Providers continue to look to the market for pricing models, where providers' pricing is often opaque, and it is difficult to compare service offerings.

The changes to exit amounts are likely to have minimal impact on providers. Those providers who charge exit amounts and have care recipients who are liable to pay an exit amount can increase package management if they have a genuine need to recover costs.

Communities

Benefits

Nil

Costs

Aged care will continue to be represented poorly in the media regarding value for money, lack of transparent pricing models and high administration and management charges.

Government

Benefits

Nil

Costs

The Government committed to capping administration and management charges in the HCP Program. If this commitment is not met, the general population's confidence and trust in the aged care sector may decrease.

Government funding will continue to go to excessive administration and management costs instead of the provision of care and services. The HCP Program aims to support older

Australians with complex needs to age at home. If funding is going more to administration and management, the program is not meeting its objectives.

Care Sector

Benefits

Nil

Costs

Aged care will continue to be represented poorly in the media regarding value for money, lack of transparent pricing models and high administration and management charges. The care sector, including in-home aged care, disability services and residential care, will continue to have a reputational decline.

Regulatory burden estimate (RBE)

Table 6: RBE table for Option 1 – Status Quo

One off regulatory costs						
Change in costs ($ million)	Individuals	Business	Community organisations	Government	Care Sector	Total change in cost
Total, by sector	$0	$0	$0	$0	$0	$0

There are no additional regulatory costs for this proposal. Appendix B provides further detail.

4.2 Option 2 – Staged Approach to Capping

The Government has committed to reducing excessive administration and management charges by capping prices in the HCP Program and removing additional administration charges, such as exit amounts and subcontracting charges. The Government is ensuring more funds are available to meet the direct needs of care recipients. The approach will reduce high levels of administration and management charges without the need for most providers to implement major changes to their business models or ICT systems.

Individuals

As at 17 August 2022, the HCP Program has 221,020 care recipients.

Benefits

Overall, reducing administration and management charges for care recipients will mean there are more funds available for their needs. Even if the care recipient does not need those funds now, they will accrue and be ready when they need them. Any unspent funds that the care recipient does not use before moving out of the program will be returned to the Commonwealth.

Care and package management

Introducing a maximum amount that a provider can charge for care and package management will benefit people who are currently in the HCP Program and who will enter over the next 18 months. The number of care recipients currently in the program who will benefit from the proposed caps are listed at Table 7. Figures 3-5 in Appendix A show how many care recipients are affected at higher and lower caps.

Table 7: Number of Care Recipients Benefiting from Proposed Caps

Service	Care management	Package management	Either Cap	Both Caps
Recommended 20% and 15%	35,755	26,027	49,789	11,993

Depending on how high the providers' current prices are, some care recipients will benefit more than others. For example, a care recipient on a level 4 package who is being charged around the 95th percentile of all care management charges ($537 per fortnight) will have their care management charges reduced by around $129 per fortnight. The care recipient would have about $3,354 extra a year they could spend on other home care services (that would get them roughly an extra hour a week of personal care services at $62 per hour).

Figures 1 and 2 show the spread of care and package management charges in the HCP Program. The end of each box indicates the recommended maximum price and the middle is the median price as at 17 August 2022. Those care recipients who are further along the plotted line will have a higher benefit than those closer to the box.

Figure 1: Care Management price per fortnight by package level

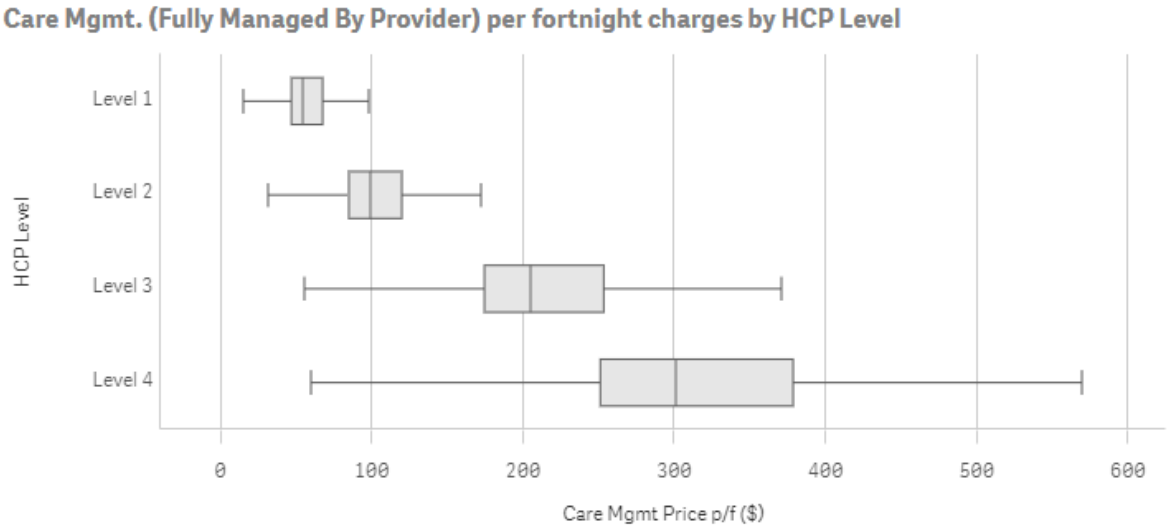
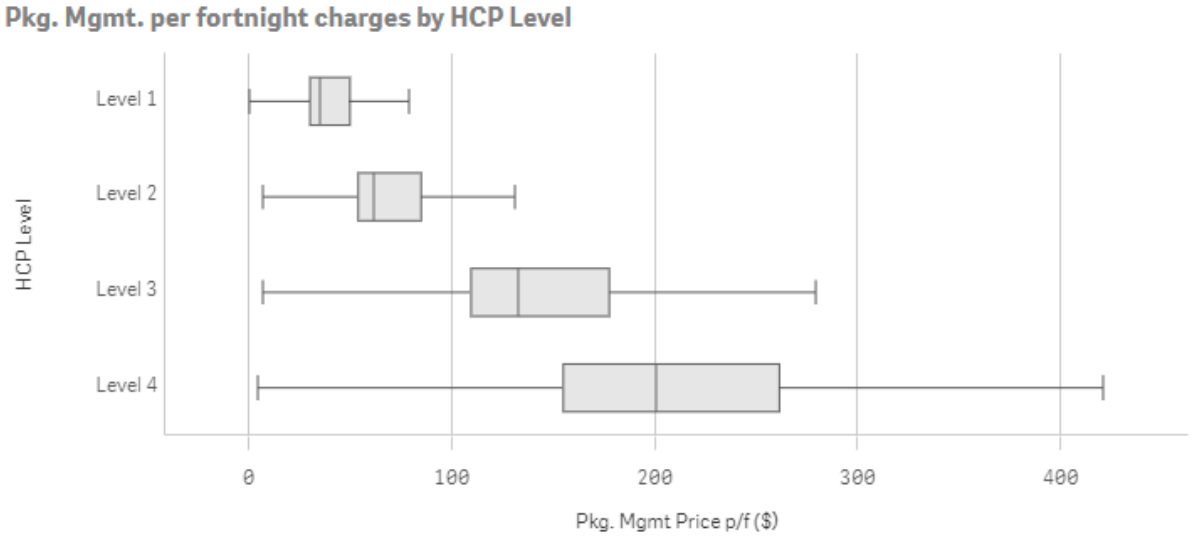


Figure 2: Package Management price per fortnight by package level



Setting clear expectations around what should be delivered in care and package management will give care recipients a greater understanding of the program. When care recipients understand what their provider is doing, it can strengthen the relationship between care recipient and provider.

In the cases where a provider is not delivering services as expected, care recipients may complain to the ACQSC.

Third party service charges

The Program Assurance Reviews found that charges in the program were variable, with many providers unable to justify their prices and some providers not keeping their published pricing updated. Currently, 159,617 care recipients receive home care through providers who publish a price for subcontracted services.

Removing providers' ability to charge separately for third party services will ensure greater clarity and transparency for direct services. Case Study 1 shows that some providers will list a price for a direct service charge, but in fact have hidden additional charges for third party service delivery. With this change, care recipients will be able to better assess value for money, making it easier to choose a provider. Care recipients will also have more confidence that the price they pay, such as in Case Study 2, is reflective of the effort involved.

Costs

Care recipients being charged above the caps

Providers who must reduce their charges to below the caps may increase prices for direct services to compensate for lost revenue. This could impact all care recipients whose providers currently charge above the caps, however, care recipients with a higher utilisation of services will be impacted more. This is because care and package management charges are flat monthly rates, whereas the costs for direct services are variable, with higher costs in the months that a care recipient needs more services. For example, a care recipient who receives a personal carer three times a week, if that price increases, will have a higher increase in utilisation of HCP funds than a care recipient who only uses a personal carer once a week.

In these instances, providers will still have to publish these increased prices and renegotiate home care agreements with existing care recipients. If providers increase their prices and are no longer competitive, some care recipients will choose to move on – however, as noted previously, not many care recipients change providers, with less than 5 per cent changing providers in 2021-22.

Care recipients being charged below the caps

The proposed caps to care and package management are at a generous level. There are 553 providers and 171,231 care recipients who currently offer these services below the caps. Some of these providers may try to increase their prices up to the cap. To mitigate this care recipients must agree to any price increases through the home care agreement. In markets with diverse choice of aged care services, providers who increase their prices will be less competitive.

Care recipients under the caps, including those in self-managed arrangements (5 to 10 per cent of care recipients), will see minimal downward pressure on charges. In some cases, there may be potential for price increases as providers adjust prices for care management to meet mandatory requirements reinforced through legislation and additional guidance. To mitigate this, the department will provide further information to care recipients to boost their understanding about care and package management services and pricing for all services. For example, many care recipients may not be aware that charges also need to pay for staff

training, time for the worker to write up notes or business costs. Communicating the potential for further capping measures if required will also mitigate unreasonable price increases.

Care management is a mandatory service, which will be made clearer through legislative amendments, even for self-managed care recipients. Currently some providers are abdicating their responsibilities for self-managed care recipients, and not meeting their obligations as an approved provider. Changing the definition of care management will clearly set the minimum standard for service. As such, the price for care management for self-managed care recipients may go up, causing increased costs to their package, but quality of service is expected to increase.

Limiting consumer choice

Provider peaks have raised concerns that pricing regulation could limit consumer choice in home care. However, due to the lack of transparency and inability for people to easily compare prices with like-for-like services, the market is not operating effectively to control excessive prices.

Ensuring that care recipients can easily compare prices with a good understanding of the nature and quality of service provided is necessary to support competition and value for money. The department has introduced updates to My Aged Care to support price comparison, however, as providers set prices in ways that are not comparable, these updates can only achieve so much.

Other contributors to decreased competitiveness and fairness:

- In thin markets, some care recipients have a limited number of providers to choose from and in these instances, there is no incentive for providers to offer lower prices.
- Many care recipients are reluctant to change providers because they develop relationships with the workers who come into their home who will not transfer with them. Less than 5 per cent of care recipients transferred providers in 2021-22.
- There is no guidance or signal from the Government as to what is reasonable to charge.

As such, the Government is not concerned that introducing pricing regulation will limit consumer choice and instead Government intervention will support care recipients to get the most out of their HCP.

Case Study 3: How changes will affect a care recipient

Mary is a care recipient in the HCP Program who is on a level 3 package. This means the Government pays around $35,000 a year ($1347 a fortnight) in subsidy to support Mary to receive aged care services in her home.

Care and package management

Currently, Mary pays $337 a fortnight in care management charges and $94 a fortnight in package management. With the introduction of price caps to care and package management, Mary can no longer be charged as much for care management. From 1 January 2023, her care management charge must go down to $269 or lower (a reduction of $68 per fortnight). Her provider decided that to cover the lower care management price they would increase her package management to $135 a fortnight (an increase of $41).

They explain to Mary that they have moved the costs of coordinating and scheduling services from care to package management. Mary is still saving $27 per fortnight in administration and management charges.

Third party services charges

Mary's provider has a published price for cleaning that is $40 an hour. Mary receives cleaning once a week. When Mary receives her monthly statement, her provider has charged her an additional $15 for the service, because they had to use a third party organisation to deliver the service. Mary did not realise the provider would do this and is annoyed at how much more the service costs.

From 1 January 2023, Mary will no longer experience this kind of bill shock. Her provider has increased their cleaning service costs to $55, to accurately reflect the cost of delivering this service. Mary's provider discussed the change with her, and Mary consented to the price increase, which has been updated in her home care agreement. Mary can now look on My Aged Care and compare prices for her home care services more easily, and can choose to move providers if she wants to.

Mary needs some handrails installed in her home to support her to move around safely. She has been quoted $935 for the service and has booked in the contractor to install them. Mary's home care agreement states that she will be charged 15 per cent on top of this to process the invoice. While Mary understands the provider will need to process the invoice, she does not see how the price reasonable when she organised the contractors and coordinated the assessment.

From 1 January 2023, these changes mean providers cannot charge separately for delivering services or equipment through third party services and must incorporate these costs into their care and package management charges as appropriate.

Businesses

As at 17 August 2022, there are 860 providers in the HCP program.

Benefits

Fairer competition

Providers who already have established and justifiable pricing models will benefit from a fairer playing field where it is easier for care recipients to compare charges. Once all providers incorporate subcontracting charges into their direct services, providers who already do this will no longer be perceived as having 'higher' charges when in fact total charges are similar. Consultation showed that providers want to ensure a fair playing field and a number commented on the hidden subcontracting charges of other providers as a key concern.

Cost models

Smaller providers, including those just entering the market, will benefit from this policy as it will provide guidance on establishing their cost model – providing some caps on what are considered excessive charges and more detail on what care and package management should cover. The Program Assurance Review found that even some larger providers do not have justifiable cost models, and as such, the department expects that this policy will help them as well.

Improved relationship with care recipients

Setting clear expectations around what should be delivered in care and package management will give providers and care recipients a greater understanding of the program. When care recipients understand what their provider is doing, it can strengthen the relationship between care recipient and provider. Care recipients will have more faith that their provider is not trying to rip them off and understand what they are getting from their HCP.

Costs

Consultations with providers identified financial viability as one of their biggest risk factors for capping administration and management charges in the HCP Program. This was followed by the reduction in the quality of care of services and loss of revenue. Figures 3-5 in Appendix A show how many providers are impacted at higher and lower caps.

Provider viability

Provider viability is a complex issue with limited data to support analysis. Improved financial reporting will provide enhanced data, however it is difficult to assess how any measure may impact provider viability. The biggest impacts cited by providers in the last 12 months were COVID-19, changes to the SCHADS Award and inflation rates.

The department analysed available data to determine the impact of proposed changes and whether specific allowances/exemptions would be appropriate to address viability concerns. On balance, the data did not point to the need for special provisions. In summary:

- There is no material difference in care and package management charges based on size, location, or specific care recipient group (see Figures 6-9 in Appendix A).
- There is a large amount of unspent funds in the sector held by either providers or Services Australia ($2.25 billion in total in September 2022).
- Most care recipients do not spend the full monthly subsidy allocation (e.g., in June 2022 the monthly average spend was around 86 per cent of the HCP subsidy, with around 28 per cent of care recipients claiming the full subsidy (including those accessing additional unspent funds).
- Only 69 providers (around 8 per cent) would be impacted by both care and package management caps.

Aged Care Funding Report findings

Each year, the now dissolved Aged Care Financing Authority (ACFA) presents the Aged Care Funding Report (ACFR) to the Government, which is a report on aged care funding and

financing. The most recent data, covering 2020-21 (not published) shows that of the 824 HCP providers 202 (25 per cent) recorded a net loss in 2020-21.

Cross analysis of the ACFA data with My Aged Care data, focusing on median care and package management pricing across different HCP levels, provider sizes, locations and Aboriginal and Torres Strait Islander (ATSI)/ Culturally and Linguistically Diverse (CALD) compositions did not reveal any notable differences between providers that recorded a profit or loss in 2020-21.

Cost models and loss of revenue

Introducing a maximum amount that a provider can charge for care and package management will impact providers already operating in the HCP Program. The number of providers who will be impacted by the proposed caps are listed at Table 4.

Table 8: Number of Providers Impacted by Proposed Caps

Service	Care management	Package management	Either Cap	Both Caps
Recommended 20% and 15%	214	162	307	69

There is limited information as to why these providers charge more for care and package management. Analysis of current care management, package management and direct service charges listed on the My Aged Care website showed little to no difference between prices across different remoteness classifications, provider sizes and composition of ATSI and CALD care recipients, regardless of HCP level.

The Program Assurance Reviews found that charges in the program were variable, with many providers unable to justify their prices and some providers not keeping their published pricing updated. Currently, 531 providers (62 per cent) publish a price for subcontracted services, although this may not accurately reflect the number of providers who charge separately for subcontracted services.

Providers impacted by the price caps and removal of separate subcontracted service charges will need to adjust their cost model to ensure they are not charging above the cap and are still covering their expenses. Providers will also need to update their published prices and existing home care agreements, which are required to be updated annually or when requested by the care recipient. In a recent survey, 30 per cent of providers have reported they review all home care agreements twice a year or as needed. As such, the department anticipates that ongoing regulatory burden for providers is likely to be limited, but there will be an upfront cost to renegotiate home care agreements where a provider may not have already scheduled a review.

Reduced quality of care

Providers have raised concerns that the quality of care will be reduced with the introduction of price caps. The department understands this concern; however, most providers are delivering quality and competitive services under the current caps. Additionally, all providers must meet the existing Aged Care Quality Standards and there is no past evidence that quality of care reduces during or after reforms.

The department acknowledges that there is a resource impost on providers to vet additional third party workers where the care recipient requests that service. However, providers are required to vet all staff and organisations who deliver services on their behalf, and this cost should be included in package management. Providers who rely on separate subcontracting charges to cover this amount are either “double dipping” or will need to increase package management to ensure they can cover this cost. For providers who are not double dipping, this will not save the care recipient any money but will support transparent published prices and the removal of hidden charges.

Case Study 4: How changes will affect a provider

Sweet Valley Care is a medium size provider who has been operating for 10 years. They struggle to pitch their prices, mainly relying on competitor prices as a guide. Their prices for care and package management are just above the 75th percentile compared to other providers. They justify this as they are a popular provider who prides themselves on high quality service whilst maintaining a competitive edge. They work with their care recipients to ensure they understand prices and charges but continue to get queries, particularly from self-managed or pro-active care recipients who are particularly concerned about value for money.

Care and package management

Sweet Valley Care currently charges a set amount for care management (22 per cent of the package level) and package management (18 per cent of the package level).

This enables Sweet Valley Care to set a blanket base amount which covers the cost of care and service delivery and enables them to have reliable and regular earnings to ensure business viability and planning. On occasion they receive complaints from care recipients that their prices are too high and not reflective of the amount of services received, particularly when no direct services have been delivered in a claim month.

From 1 January 2023, Sweet Valley Care must lower their prices, as they are above the cap. Sweet Valley Care will reduce their care and package management to the cap to ensure they are in line with the revised caps when they commence. They will need to consider their cost model and work with care recipients to negotiate updates to pricing schedules and individual home care agreements. This also gives Sweet Valley Care an opportunity to review and adjust their direct service prices to ensure they are reasonable and justifiable.

From 1 January 2023, Sweet Valley Care will no longer be able to charge care recipients for package management when there are no direct services delivered in that claim month. This excludes where a care recipient is entering the service and requires package management to set up supports for them prior to delivery. This will require an adjustment to their IT systems.

Third party service charges

Sweet Valley Care has relied on third party services to deliver the full suite of care and services their care recipients have been assessed as needing. This activity involves practices such as identifying appropriate services, vetting and monitoring to ensure

legislative compliance, coordinating and scheduling, and invoicing and handling goods, equipment and assistive technology.

Prior to 1 January 2023, where they had made the business decision to deliver services through a third party, Sweet Valley Care had rolled the cost of these activities into the direct services charge. Where a care recipient had requested a specific third party to deliver care and services, Sweet Valley Care charged 10 per cent of each invoice price and a cap of $300 per invoice on top of the invoice price. This meant that the price charged for a service could vary from the published price and care recipients sometimes felt these charges were not reasonable.

For example, Sweet Valley Care charged a care recipient $235.50 on top of $2,355.00 for processing the invoice for the purchase of a pressure relieving mattress of their choice from a specialised company. The care recipient's representative had thoroughly researched the product, coordinated with the company regarding shipping and delivery and Sweet Valley Care had used the company for other care recipients. Despite agreeing to the charging practice in the home care agreement, the representative complained to Sweet Valley Care noting it was unreasonable given all the work they had contributed to the process and that they were paying package management which they thought would cover invoicing.

From 1 January 2023, Sweet Valley Care will no longer be able to charge additional amounts for coordinating a third party and must adjust their pricing schedules, update home care agreements and cost modelling to accommodate this change to ensure they have reasonable and justifiable charges, as well as continued business viability. Care recipients continue to be able exercise choice and request care and services from preferred third parties, as long as Sweet Valley Care vet and monitor them in line with legislative requirements.

To cover the costs of procuring third party services and ensure Sweet Valley Care can continue to meet their legislative requirements, they must roll all third party costs into direct services, care management and/or package management prices. Noting that they are already above the caps for care and package management, it is likely they need to consider how to best cover their costs going forward.

Communities

Benefits

This proposal has been developed in direct response to consistent complaints that the Government has not done enough to stop providers "rorting" the system. This policy will restore the faith of the public that the HCP Program is achieving its intended objectives, by ensuring funding is predominantly spent on the care of older Australians and not going to the profit margins of corporations.

Costs

Nil

Government

Benefits

Transparency in prices leading to higher confidence in data

The introduction of this policy and the associated requirements will improve the quality of data on pricing as providers will be updating their prices to reflect the changes. We know from the Program Assurance Review that some providers have not updated their pricing on My Aged Care in some time (despite requirements to do so) and as such any data the department pulls from this source must come with caveats that this data could be inaccurate. This makes it difficult to use the data to meaningfully inform reforms, such as this policy and the future in-home aged care program. Confidence in the data collected from My Aged Care will mean the Government can form stronger policy positions on pricing in the future.

These changes will also support the Government to understand how their investment is being spent in the sector and ensure the investment represents value for money. Any funding that is removed from administration and management charges that is not spent on direct care will accrue as unspent funds with care recipients. These funds will be saved to be spent on the care recipient later or will be returned to the Government when care recipients leave the program.

Fewer complaints

This policy will provide the Government an opportunity to develop better communication and guidance to the sector, with the backing of legislation, on topics such as:

- Care and package management
- Subcontracting and brokerage for the third party services
- Pricing, and what is “reasonable”.

This should also lead to a reduced number of complaints to the ACQSC and to the department.

Costs

Nil

Care Sector

Benefits

Tightening the definition of care management will help providers who deliver services through more than one program to delineate the roles of their care management staff more clearly from the staff who deliver similar roles in other programs, and from those who deliver package management and other administrative roles.

Introducing rules around subcontracted services will ensure costs between programs are more easily comparable. For example, NDIS pricing includes an approximate 33 per cent loading to cover all overheads. HCP prices may look lower, as most overheads are currently charged for outside of the service price (e.g., package management, separate subcontracting

charges). With this policy, HCP prices will begin to move towards an efficient price model and become comparable to NDIS prices.

Costs

Nil

Regulatory burden estimate (RBE)

Table 9: RBE table for Option 2 – Staged Approach to Capping

One off regulatory costs						
Change in costs ($ million)	Individuals	Business	Community organisations	Government	Care Sector	Total change in cost
Total, by sector	$0.000	$4.741	$0.000	$0.000	$0.000	$4.741

As at 17 August 2022, there are 661 providers who have a published price that is above the proposed caps for care and/or package management, or who publish a price for subcontracting services. All calculations have been based on published prices, noting that some providers have not been keeping their pricing updated, and as such, these numbers may not be truly reflective of the number of providers who will be affected.

The department estimates there will be around $4.7 million in costs across the sector to implement pricing changes, noting there are no ongoing regulatory costs associated with this proposal. This comes to about $7,000 per affected provider in the sector to make the changes required to be compliant with the proposed regulations.

These costs were calculated by identifying tasks that affected entities would have to undertake to be compliant with the proposal. The tasks were:

1. Update cost model
2. Publish new prices
3. Seek mutual agreement to update home care agreements with existing care recipients

All costs were calculated using the Regulatory Burden Measure Tool.

5. Who did you consult and how did you incorporate their feedback?

The department conducted a broad range of consultations to inform the policy options in this proposal. Based on evidence collected through the Royal Commission and Program Assurance Reviews, the department was aware there was a problem with high administration and management charges in the HCP Program. Once the Government made an election commitment to cap home care administration and management charges, the department commenced scoping options, working with a wide range of stakeholders to finalise the policy.

Roundtable – 4 July 2022

Objective: to get first thoughts on policy from the National Aged Care Advisory Council (NACAC) to inform the development for the Government's election commitment to cap home care administration and management charges.

Areas of agreement

- Extensive consultation and immediate action are required to protect consumers.
- Effective communication of these changes to consumers can be supported by peak bodies.

Areas of disagreement

- Tiered approach to funding, allowing higher charges in thin markets.
- Extensive consultation and immediate action are required to ensure the viability of providers.
    - Additional funding (e.g., supplements direct to provider) based on a number-of-client-threshold.
    - Supplements to be paid against specific criteria and evidence of ongoing hardship for providers experiencing financial difficulties.
    - Temporary funds pool for provider hardship (e.g., sustainability and provider viability).

Impact on options/impact analysis

- Extensive consultation was undertaken, and the proposed actions will be implemented quickly to ensure immediate benefit for care recipients.
- Using a percentage of the package level provides cashflow certainty for providers – reducing the risk of negative impacts on quality of services or provider exits.
- There is no data to suggest that the proposed changes should affect provider viability. There is an existing viability supplement for care recipients/providers in regional, rural and remote locations, and the proposed approach will continue to allow providers to charge appropriate prices for services in these areas.

Special Meeting – 7 July 2022

Objective: to get first thoughts on policy from the Council of Elders to inform the development for the Government's election commitment to cap home care administration and management charges.

Areas of agreement

- Setting the percentage of prices of care and package management at the current average or mean.
- Develop definitions for care management and package management.
- Care recipients can be informed about changes by a well-designed fact sheet sent via Australia Post as well as by email, presented at focus groups either face to face or online via webinars.

Areas of disagreement

- Regulating prices could be achieved by implementing a price schedule. Cap the hourly rates for all components of a package and enforce compliance with the required figures that are publicly available on the internet.
- Taking the overhead costs out of packages, so consumers get hours rather than dollar entitlement.
- Develop mandatory training packages for Directors of companies which provide aged care services to ensure they understood their duty of care to use taxpayer's monies responsibility.
- Supplements should be based on location and size of facility.
- Consideration should be given to supporting a workforce of volunteer citizen advocates to support older people to make decisions about the management of their care packages.

Impact on options/impact analysis

- Feedback in relation to setting caps at the current average was taken into consideration and the department will evaluate the effectiveness of the higher caps before potentially moving to lower caps.
- The need to implement changes quickly meant that a comprehensive costing study was not undertaken, though caps were based on concise data provided by the sector and collected by the department.
- Although the *Quality of Care Principles 2014* and *User Rights Principles 2014* provide explanations of care management and package management respectively, they are not definitive definitions. Feedback supported the proposal to clarify the definitions of care and package management and ensure that the sector understands the difference between the two services.
- A viability supplement is available to support care recipients in MMM4-7 locations.

Peak Provider Workshop – 8 July 2022

Objective: to get first thoughts on policy from Provider Peaks (ACPPA) to inform the development for the Government's election commitment to cap home care administration and management charges.

Areas of agreement

- There needs to be consideration for ICT builds and impacts associated with an interim measure prior to a future in-home aged care program.
- Prices are still settling from SCHADS Award changes.
- Focus on the most egregious charges –particularly that capping should address providers who charge the highest 75th percentile for care and package management.
- Changes need to align with the future in-home aged care program.

Areas of disagreement

- Provider viability is paramount.
- Price increases may wipe out small innovative providers – they will not have the scale to run a quality and safe business and will exit the market. If the benchmark is set too high, new providers will not have the capital to start a business despite growing need.

Impact on options/impact analysis

- Initial caps care and package management will focus on the most egregious charges first.
- The higher caps allow time for market to settle/re-adjust in light of capping and recent SCHADS Award changes.
- Using a percentage of the package level for care and package management provides cashflow certainty for providers no matter where they operate – reducing the risk of negative impacts on quality of services or provider exits.
- Proposed changes are in line with the the future in-home aged care program. Introducing a cap to home care prices, and no longer allowing providers to charge separately for third party service costs, will indicate to providers how the Government expects them to price their services in the future and will start to show providers and care recipients what is too high a price. Implementing these changes now will support providers to transition more gradually to the efficient price model which will be introduced in the new program.

Consumer Peaks Workshop – 8 July 2022

Objective: to get first thoughts from Consumer Peaks to inform the policy development for the Government's election commitment to cap home care administration and management charges. Peak bodies included Older Persons Advocacy Network (OPAN), COTA, National Seniors Australia (NSA), and Council of Elders.

Areas of agreement

- Be generous with the cap – the higher the prices, the more honest the provider. The lower the price, the more additional charges.
- Focus on the most egregious charges.

- Boost care recipient understanding of their package charges and expenditure – care recipients need to understand why these charges occur and what is and is not reasonable.
- Ensure clear and consistent sector messaging – the sector has undergone a lot of reform and needs to know what to expect so they can deliver and receive it well.
- Be transparent about evidence base for capping.
- Care recipients see package funds as their own money to spend.

Areas of disagreement

- Nil

Impact on options/impact analysis

- Proposed caps to care and package management focus on the most egregious charges.
- Introducing a higher cap earlier provides flexibility to evaluate the success of the change and implement any necessary changes before the start of in-home aged reforms.
- Implementing changes provides an opportunity to re-educate sector and care recipients on what care and package management cover.
- Sector and care recipient communication to commence post-Budget and primary legislation passing (Oct-Nov 2022 onwards)
- Feedback from Peak Bodies supported the proposed changes to ensure transparency of information.

Consultation with the ACQSC – July to September 2022

Objective: to get ongoing feedback on policy from ACQSC

Areas of agreement

- Concerned prices capped at the 75th percentile may entice providers currently charging below that amount to raise their charges up to that benchmark. This may be counterproductive as there is a risk less funds will be available for care.
- Must ensure providers can still meet the Aged Care Quality Standards.
- Providers should not have to absorb genuine costs, otherwise there is an increased risk that they may cut costs elsewhere and consumers lose out in other areas of care and services. If providers are forced to absorb the cost this can lead to liquidity issues and viability concerns.
- Providers with brokerage/subcontracting arrangements are required to monitor the provision of third party care to meet the legislative requirements, which have associated costs involved.
- There is a need to provide guidance material and educational material to sector on the changes.

- There is the potential to cost shift into areas not being capped resulting in a loss of transparency with consumers being no better off, the impact may increase particularly with vulnerable consumers.

Areas of disagreement

- If the provider is above the cap, there is potential for providers to limit/discontinue some services, which could present as a risk to continuity of consumer care. Particularly with smaller providers or those with unsophisticated models who do not have costing data/break down of all costs and tend to have more a bulk fee system.

Impact on options/impact analysis

- The department has developed mitigation strategies to ensure providers do not move to the cap *en masse*.
- Guidance for this measure will include information on how to cover the genuine costs of from administration and management activities, including using subcontracted arrangements.
- The department is not concerned that providers who are above the caps for care and package management will discontinue these services. The department is proposing a cap that removes excessive charges, which do not seem to reflect the actual cost of delivery.

Survey

The survey was open from 1-14 August 2022 online and in paper form to providers, care recipients and informal carers nation-wide. The department received a total of 1,542 responses – 928 (60 per cent) providers/professionals, 341 (22 per cent) informal carers and 273 (18 per cent) care recipients and older people.

Objective: The survey aimed to hear directly from affected stakeholders to inform the policy development for the Government's election commitment to cap home care administration and management charges.

Areas of agreement

Care Management

- 76 per cent of care recipients and/or informal carers who responded thought that the current median prices were too high.
- Most providers indicated a cap between 16 per cent and 20 per cent for care management is fair.
- Only 64 per cent of care recipients and/or informal carers indicated they understood care management and only 49 per cent understood why it is charged, indicating a need for additional guidance material and education in the sector.

Package Management

- 77 per cent of care recipients and/or informal carers who responded thought that the current median prices were too high.

- In relation to both care management and package management, removing the ability to charge when no services are delivered appears to be a popular option.
- Most providers indicated a cap between 10 per cent and 15 per cent for package management is fair.
- 61 per cent of care recipients and/or informal carers indicated they understood package management and 48 per cent understood why it is charged, indicating the need for additional guidance material and education in the sector.
- Survey results supported the proposal to prohibit the ability to charge for care and services when no care or services are delivered.

Brokerage, subcontracting and additional charges

- Nearly half of responses from care recipients and/or informal carers indicated that they were unsure if they were receiving services and/or goods from third parties.
- Incorporating subcontracting/brokerage into a set cap of package management was seen as a viable option, as was capping the dollar value that can be charged for subcontracting.

Areas of disagreement

- Financial viability, reduction in quality of services and loss of revenue were the top three risks of capping care and package management.

Impact on options/impact analysis

- The survey results generally agreed with the thinking for the policy development.
- A need was identified to provide additional definitions and guidance as to what are care and package management is and what should be provided under these services.
- The need for provider transparency in relation to brokerage and subcontracting was indicated by care recipients being unclear if they were provided with care and services delivered by a third party. Implementation of a brokerage and subcontracting definition and proposed changes to brokerage and subcontracting will ensure that care recipients have a clear understanding of what is brokerage and subcontracting, if they are receiving it, and how administrative costs are charged.

Submissions to Senate Community Affairs Legislation Committee – August 2022

Objective: to get feedback via submissions to the Aged Care Amendment (Implementing Care Reform) Bill 2022.

The Bill did not include details of the proposed capping options but did introduce a broad power to cap call prices in the HCP Program and ban exit amounts in Schedule 2.

Areas of agreement

- **Palliative Care Australia (PCA) Limited** supported the intent of Schedule 2 and notes a mechanism needs to be developed to prevent cost-shifting to direct care costs and seeks

greater transparency from providers about what is included in the case management and administration fees charged to people.

- **UnitingCare Australia** noted service delivery costs are greater outside urban and metro areas. Recommends caps to be tailored to reflect package level and locations.
- **Anglicare Sydney** noted the need to prevent unscrupulous providers from diverting funds from care recipient need. Caps should be regularly reviewed to ensure no unintended consequences.
- **Baptist Care Australia** supported Schedule 2, notes concern capping home care charges will force providers to recoup the cost of providing care in less transparent ways.
- **Aged and Disability Advocacy Australia (ADA)** noted providers may respond by raising direct care costs, and therefore greater transparency of fee arrangements is required, as well as robust reporting and audit functions.
- **Law Council of Australia** proposed amending broad powers given to the Minister to prescribe regulation in a legislative instrument, to ensure powers employed are consistent with intended purpose. This includes the power to impose requirements regarding capping home care charge
- **Aged right advocacy service inc. (ARAS)** noted the recent attention paid by the Advertiser and other media outlets to the current complex pricing arrangements and suggests price arrangements be simplified and able to be easily understood.

Areas of disagreement

- **Uniting NSW ACT** suggested phased implementation over two years to allow providers to adapt their service delivery and pricing approach to the new standardised price structure.
- **UnitingCare Australia** noted if pricing is too narrowly prescribed then models of care will be impacted.
- **Anglicare Sydney** noted design of any cap must appropriately reward and incentivise prudent investment in improving care.
- **United Workers Union** broadly supported provision, however, concerned changes to the income mix for providers may lead to increased pressure on home care workers to deliver “efficiencies” to otherwise make up for lost revenue.

Impact on options/impact analysis

- Providers may cost shift from administration charges to direct care and services charges. The department is developing further mitigation strategies to reduce the likelihood of providers raising prices to the caps.
- It was noted that service delivery costs are greater outside urban and metro areas, which the department considered, however, did not reflect in the caps to care and package management. The department considers this would be more likely needed if a cap to direct charges was implemented.

6. What is the best option from those you have considered?

Consultation

As described above, the department undertook extensive consultation to inform the policy options included in this document. Based on findings from consultation, the department:

- confirmed current settings were not working as well as hoped
- increased the proposed caps on care and package management from the median
- considered options to make subcontracted service charges transparent and decided to remove them altogether.

Preferred Option

The department recommends Option 2 to quickly remove the highest administration and management charges. Improving cost models will increase transparency for care recipients and their families and support the sector to move to the new in-home aged care program.

Decision-making process

In developing the policy proposal, the main limitation was access to data on pricing and information about how the sector establishes prices. As identified throughout this document, while providers are expected to keep their prices up to date, many do not. This meant when analysing the data, analysts had to operate on the assumption that all published prices were correct and matched the care recipient's home care agreement, regardless of whether they had updated in the last 12 months or not.

Other limitations with the data were:

- Data was extracted 17 August 2022, as figures kept changing each time analysts cut the data, presumably due to annual increases and as a response to SCHADS Award changes, so future extracts may yield different results.
- Data presented at the provider level was presented at the median service value. Analysts chose this method mainly to roll charges up to 'one charge per level per provider' where providers had multiple services at various price points, presumably due to location.
- Analysts found that 95 per cent of providers had completed 100 per cent of required fields. This may mean that up to 39 providers did not have accurate prices.
- Some analyses (box and whisker plots mainly) required analysts to use the 1.5IQR rule to eliminate clear outliers.

The department had also recently conducted a series of site visits with 12 providers to inform the in-home aged care reforms, which were helpful in helping the department understand how providers operate, and to an extent helped us understand how care and package management are charged. While the department purposefully selected a broad cross section of providers, the providers likely were not worried they were non-compliant or not meeting the Government's expectations. The site visits formed the basis of assumptions as to how providers should be operating in the sector.

7. How will you implement and evaluate your chosen option?

Recommended implementation approach

The department recommends implementing the changes from 1 January 2023. With transition work to commence in late October or early November 2022. The changes include:

- cap care management at 20 per cent of the package level (reducing charges for 35,755 care recipients and impacting 214 providers); update definition and require all providers to charge separately for this as a mandatory service
- cap package management at 15 per cent of the package level (reducing charges for 26,027 care recipients and impacting 162 providers) and update definition
- eliminate the ability for providers to charge package management where the care recipient receives no services (other than care management) in a month
- specify that providers may charge 25 per cent of the agreed price for care management when a care recipient receives no other services in a month
- eliminate charges for brokerage and subcontracting of third party services and introduce a definition
- eliminate charges when a care recipient transfers or exits the program
- once implemented, consider the need for additional caps to apply from July 2023.
    - 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.

The department will also support providers to transition to these changes by:

- developing guidance for providers to set their prices to reflect their actual cost of service and what is ‘reasonable’ including through guidance and referral to existing Business Advisory Services.

The recommended approach:

- implements the Government’s election commitment to reduce administration and management charges in the HCP Program
- targets providers charging the highest administration and management prices first, putting downward pressure on prices while limiting impacts on their viability
- reflects provider concerns about viability, in the context of external cost pressures
- allows for continued competitive pricing, so providers may distinguish themselves both by quality and price to the market
- will not require major changes to provider business models and ICT systems, and
- clarifies expectations and further informs providers and care recipients about pricing and what should be delivered as part of care and package management.

Assessment of Implementation Risks

Risk 1 – providers increase prices to the cap

It is **possible** that providers who are currently under the cap for care and package management (553 providers) will try to increase their prices to the cap for care and package management. The department sees this as one of the biggest risks to achieving government objectives for this proposal.

If providers move to the cap, either up or down, it will **cost around $668 million** over the financial year (based on 2022-23 subsidy rates), reducing the overall benefit to care recipients and government. While some price increases are expected and appropriate, such as when a provider assesses their delivery model and realises they need to increase their prices to cover their genuine costs, the department expects that many providers will try to move to the cap without reason.

To **manage** this risk, the department will:

- communicate to the sector that the caps reduce only the most excessive charges and are not an indicator of what is a 'reasonable' or efficient price
- provide guidance on what is 'reasonable', including comparisons to other government programs
- work closely with the ACQSC and the department's internal HCP Program Assurance Branch to monitor provider pricing behaviour, noting that as a regulator, the ACQSC will at all times take a proportionate and risk-based approach to assessing and monitoring provider performance.

Risk 2 – providers cost shift

It is **possible** that providers who must reduce their care and package management charges below the caps will increase direct service prices to compensate for lost revenue.

While some adjustment of pricing is expected (and appropriate), this behaviour may **reduce benefits to care recipients**. When all providers who currently charge over the proposed caps to care and package management reduce their prices, the charges for the sector will reduce by $135 million. The department recognises that there would be no benefit to care recipients if all providers move those costs into direct service charges.

To **manage** this risk, the department will:

- work closely with the ACQSC and the department's internal HCP Program Assurance Branch to effectively monitor provider pricing behaviour.

Risk 3 – provider opposition

It is **possible** that some providers will oppose the introduction of pricing regulation to the program. Provider peaks have cited viability concerns, workforce issues, SCHADS Award changes and inflationary pressures as reasons to not introduce price regulation to the sector.

Provider peaks have **gone to the media** in the past to raise their concerns about regulations introduced to the sector, including in response to the introduction of the Aged Care

Amendment (Implementing Care Reform) Bill 2022, which introduces a broad power to cap prices in the HCP Program.

To **manage** provider concerns, the department has:

- proposed generous caps based on an analysis of current charging by providers
- undertaken thorough consultation with providers and peak bodies to understand the risks to providers in this proposal.

To further **manage** provider concerns, the department will:

- provide guidance to the sector on the expectations for pricing and delivering services, particularly care management
- implement a communications strategy, including updated guidance materials, webinars, newsletters, and letters
- collaborating with the ACQSC and Program Assurance on their ongoing work on pricing.

Risk 4 – care recipient concern

It is **possible** that some care recipients will be concerned that the changes do not go far enough (**likely** for self-managed care recipients). Care recipients are likely to think the caps are too lenient and may resist any increase in prices as providers adjust their cost models, even if they are appropriate. In the survey undertaken for this proposal, 76 per cent of care recipients and carers considered charges for care and package management too high at the median (16 per cent and 10 per cent respectively).

Care recipients under the caps, including those in self-managed arrangements (5 to 10 per cent of care recipients), will see **minimal downward pressure on charges**. In some cases, there may be potential for **price increases** as providers adjust prices to meet clearer mandatory requirements, particularly for care management.

To **manage** care recipient expectations, the department will:

- support care recipients to understand what they should expect from their providers when delivering services
- boost understanding around what their HCP funds should cover, such as staff training, time for the worker to write up notes, reasonable business costs.

Transitional Arrangements

From 1 January 2023, the department expects that providers will no longer charge care recipients:

- above the caps for care and package management
- package management in months where they do not deliver services (except the first month)
- separately for subcontracted services
- for ceasing care (exit amounts)

The department acknowledges that for larger providers, renegotiating home care agreements to reflect the price changes could take longer, and as such they may not meet the deadline.

The department and the ACQSC as regulator will be looking to see the provider has made appropriate efforts towards updating and renegotiating home care agreements. Providers will be allowed to charge a price that is lower than documented in the home care agreement, but not higher until they have received consent from the affected care recipient.

Evaluation

Policy objective	Evaluation metric	What data stakeholders need to contribute
Limit excessive administration charges while still allowing providers to cover their genuine administration and management costs	Prices for care and package management are below the caps Prices for care and package management do not increase to the cap Direct care costs do not increase more than is justifiable by the provider	Providers must adhere to existing requirements publish their prices on the My Aged Care website, which can then be monitored, assessed and evaluated by the department and the ACQSC.
Improve comparability of providers	Published prices will reflect care recipient's monthly statements and home care agreements	The HCP Program Assurance area of the department is considering how to approach a review of this information. Providers are required by law to provide information as requested for the purpose of Program Assurance. Program Assurance uses a risk-based approach to select a sample of providers to review.

Additional Information

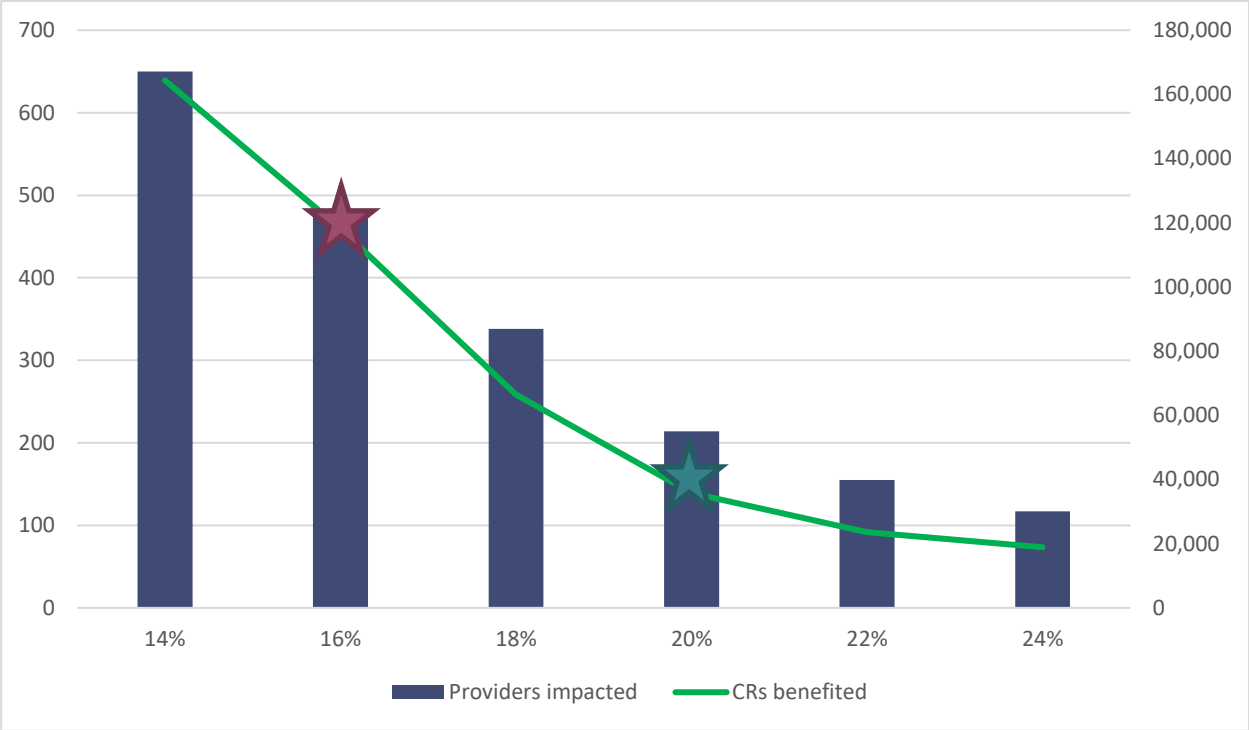
RIS status at each major decision point

The issues addressed in this RIS were considered as part of the department's decision-making process relating to this measure. This RIS follows a Preliminary Assessment (PA) submitted to OBPR on 10 June 2022. No draft version of this RIS was used to inform earlier decisions of Government due to this being an election commitment.

The RIS has been prepared in accordance with the *Australian Government Guide to Regulation* and relevant guidance notes. The issues raised in this RIS were considered by the department at each major decision point. The need for regulatory action, proposed solution, industry feedback, estimates of regulatory burden and alternative options were considered by the department throughout the development and consultation process.

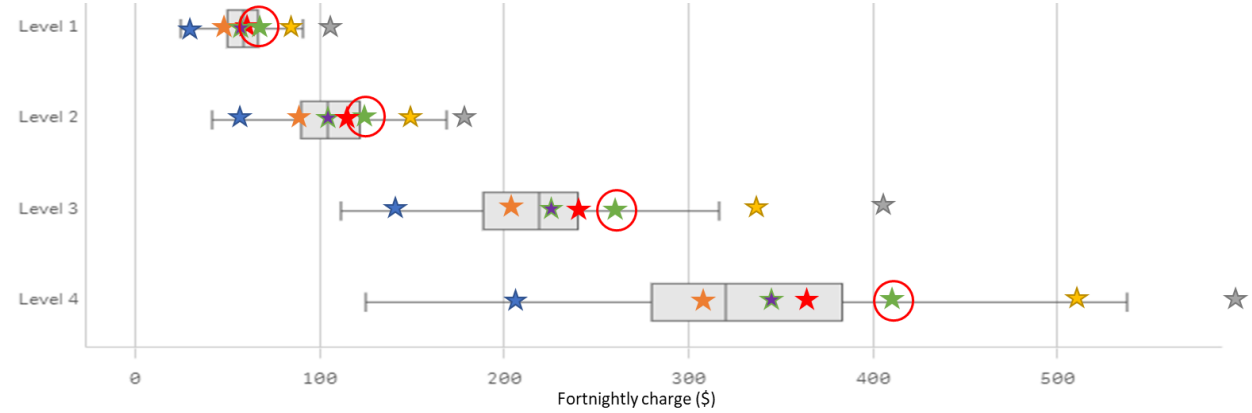
Appendix A – Figures for Impact Analysis

Figure 3: Number of providers and care recipients impacted by caps to care management



* indicates 75th percentile price of 20% of package level
* indicates median price of 16% of package level

Figure 4: Distribution of fortnightly charges vs. percentage caps (care management)

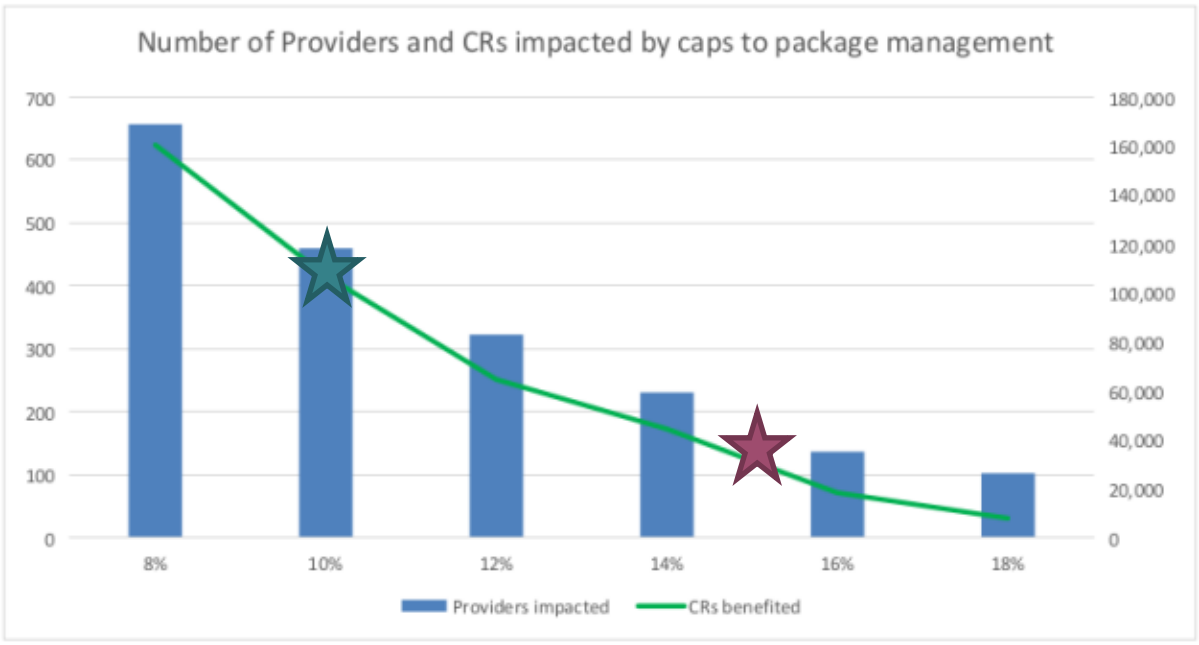


Percentage of fortnightly subsidy rate (July 2022)

	10%	15%	17%	18%	20%	25%	30%
L1	$ 35.21	$ 52.82	$ 59.86	$ 63.38	$ 70.42	$ 88.03	$105.63
L2	$ 61.94	$ 92.90	$ 105.29	$ 111.48	$ 123.87	$ 154.84	$185.81
L3	$ 134.78	$ 202.17	$ 229.12	$ 242.60	$ 269.56	$ 336.95	$404.33
L4	$ 204.32	$ 306.47	$ 347.34	$ 367.77	$ 408.63	$ 510.79	$612.95

Median ~ 16% 75th percentile ~ 19%

Figure 5: Number of providers and care recipients impacted by caps to package management



* indicates 75th percentile price of 15% of package level
* indicates median price of 10% of package level

Figure 6: Care management costs by Modified Monash Model (MMM) regions

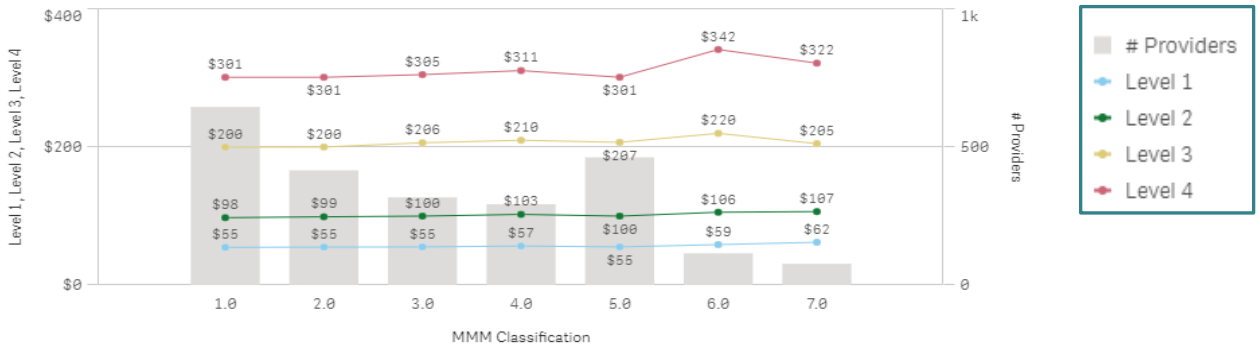


Figure 7: Package management costs by Modified Monash Model (MMM) regions

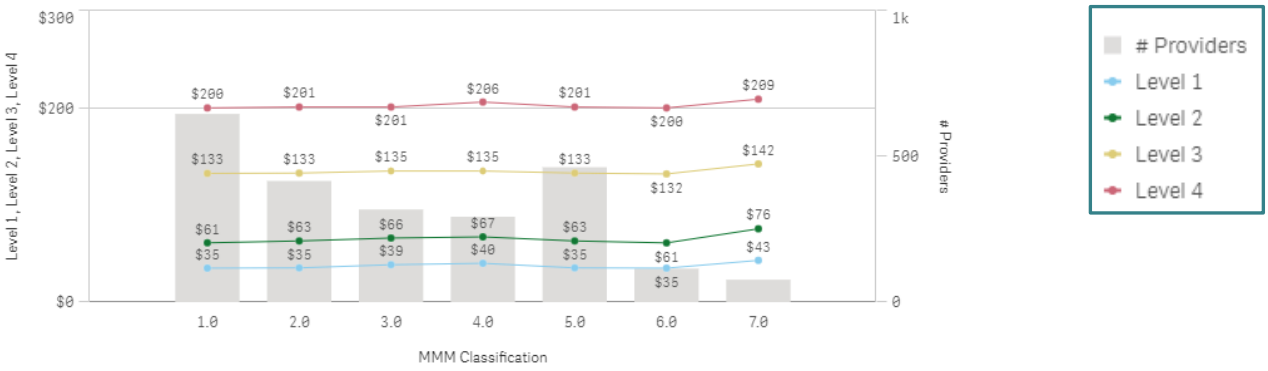


Figure 8: Care management charges by provider size

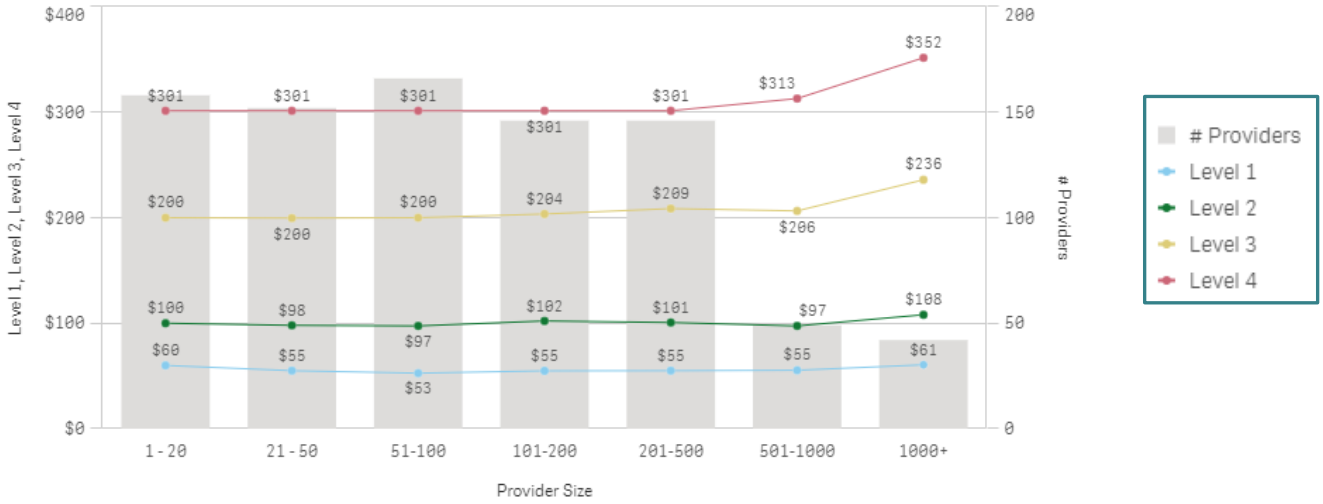
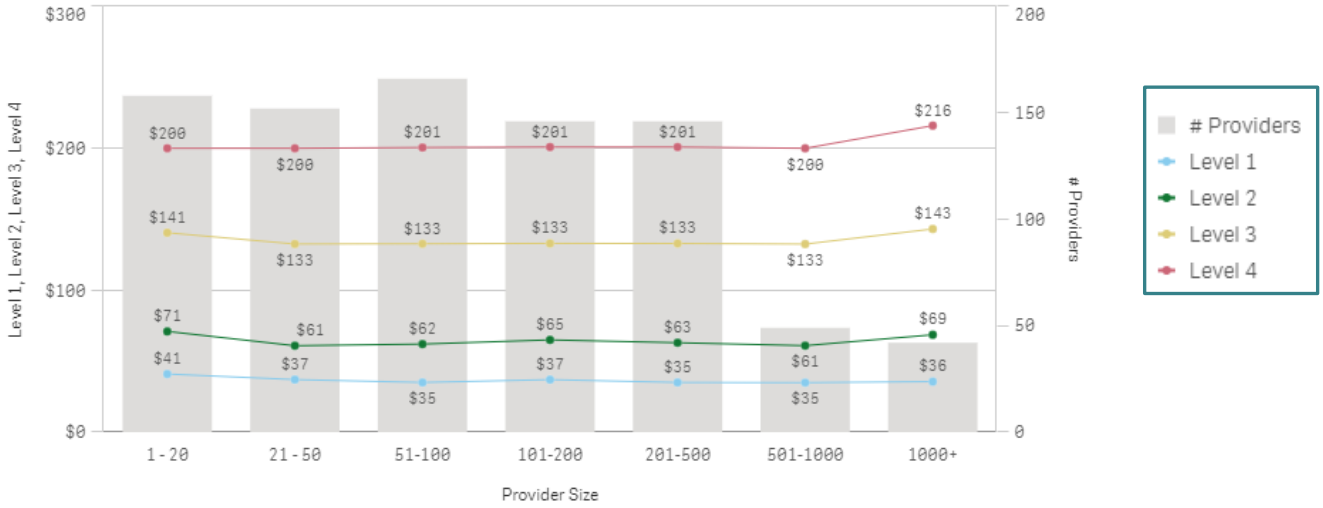


Figure 9: Package management charges by provider size



Appendix B – Regulatory Burden Estimator (RBE) – Detailed report

Option 1 – Status Quo

This option introduces no new regulations, and as such there is no regulatory burden for Individuals, Business, Community organisations, Government, or the Care Sector.

Option 2 – Staged Approach to Capping

This option introduces regulations to Business, and as such there is no regulatory burden for Individuals, Community organisations, Government, or the Care Sector.

Business

As at 17 August 2022, there are 661 providers who have a published price that is above the proposed caps for care and/or package management, or who publish a price for subcontracting services. Not all affected providers are impacted by all three changes. Some providers will only need to make changes to one price, while others will need to make changes to all three. The effort required has been averaged out where needed, as outlined below.

All calculations have been based on published prices, noting that some providers have not been keeping their pricing updated, and as such, these numbers may not be truly reflective of the number of providers who will be affected.

The department estimates there will be around $4.7 million in initial costs across the sector, noting there are no ongoing regulatory costs associated with this proposal as providers must continue to keep their prices updated and comply with regulatory and assurance activities. This comes to about $7,000 per affected provider in the sector to make the changes required to be compliant with the proposed regulations.

These costs were calculated by identifying tasks that affected entities would have to undertake to be compliant with the proposal. The tasks were:

1. Update cost model
2. Publish new prices
3. Seek mutual agreement to update home care agreements with existing care recipients

All costs were calculated using the Regulatory Burden Measure Tool. All costs have been rounded to the nearest $1,000 when presenting the data.

The breakdown of costs and time for affected entities presented in Table 10 are explained below.

Table 10: Compliance costs for businesses

Change	One off cost per entity	One off time per entity	Total cost for all entities	Total time for all entities
Update cost model	$2,000	41 hrs	$1,097,000	27,210 hrs
Publish new prices	$0	0.5 hrs	$13,000	330 hrs
Update home care agreements	$5,000	142 hrs	$3,631,000	94,319 hrs
Total	$7,000	183.5 hrs	$4,741,000	121,859 hrs

Task 1: Update cost model

Each affected provider will have to update their cost model, no matter which part of the proposal affects them. This task was broken down into:

- Incorporate subcontracting costs
- Update care management
- Update package management

Labour cost was calculated based on the median administrative assistant hourly wage in Australia, $34.75 with an added 16% for staff on-costs, equalling $40.31 per hour. For each price a provider had to change, it was calculated that two staff would need to contribute 15 hours of effort each at this wage would be necessary. It is likely that providers will not need this much time but may require higher paid staff to make the changes.

Also, for providers who have to make changes due to two or more of the proposed measures, there are likely to be efficiencies so hours and cost will be less than the sum total of multiple changes. To calculate the time and cost amounts per entity for all three changes, the department apportioned the total time and costs across the 661 affected providers.

- $1,097,000 / 661 = $1,660, which is rounded to $2,000
- 27,210 / 661 = 41 hours

Due to these difficulties in assessing the true cost, the confidence in this estimate is low.

Table 11: Compliance costs for updating cost model

Change	# of affected entities	One off cost per entity	One off time per entity	Total cost for all entities	Total time for all entities
Third party charges	531	$1,000	30 hrs	$642,000	15,930 hrs
Care management	214	$1,000	30 hrs	$259,000	6,420 hrs
Package management	162	$1,000	30 hrs	$196,000	4,860 hrs
Costs for all changes	661	$2,000	41 hrs	$1,097,000	27,210 hrs

Task 2: Publish new prices

Once the cost model has been updated, the department estimates it will take 30 minutes per provider to publish the prices on My Aged Care and the provider's website. The labour cost for this task was calculated using the same wage as the first task (update cost model). The confidence in this calculation is medium.

Table 12: Compliance costs for publishing new prices

Change	# of affected entities	One off cost per entity	One off time per entity	Total cost for all entities	Total time for all entities
Publish new prices	661	$0	0.5 hrs	$13,000	330 hrs

Task 3: Seek mutual agreement to update home care agreements with existing care recipients

To calculate the cost of this task, the department used the SCHADS Award, using the pay rate for a personal care worker (level 2.4) of $33.23 with an added 16% for staff oncosts, equalling $38.55 per hour. The amount of time per entity will vary depending on the number of care recipients in that providers' care. As such, the department has calculated the total cost based on the number of care recipients with providers who publish prices currently not in line with the proposal. Assuming a staff member takes 30 minutes to update a home care agreement on average, this gave the number of hours required to update every home care agreement.

Table 13: Compliance costs for seeking mutual agreement to update home care agreements with existing care recipients

Change	# of affected entities	One off cost per entity	One off time per entity	Total cost for all entities	Total time for all entities
Update home care agreements	661	$5,000	142 hrs	$3,631,000	94,319 hrs

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All information in this publication is correct as at October 2022