



Australian Government

Department of Health and Aged Care

Ms Joanna Abhayratna
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Office of Impact Analysis
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Dear Ms Abhayratna

Certification as Impact Analysis Equivalent – *Aged Care Bill 2024*

I am writing to the Office of Impact Analysis to certify that the attached independent reviews (Attachment A) with addition of supplementary analysis (Attachment B) have undertaken a process and analysis equivalent to an Impact Analysis (IA) for the development and delivery of the new Aged Care Bill 2024.

I certify that collectively these documents adequately address all seven IA questions, and is submitted to the Office of Impact Analysis for the purposes of informing the new Bill.

I am satisfied that the scope of the problem and the recommendations identified in the Impact Analysis Equivalents are substantially the same as the identified problem and recommendations in the Bill.

The regulatory burden to business, community organisations or individuals is quantified using the Australian Government's *Regulatory Burden Measurement* framework and is provided below.

Implementation of the new Act will increase the regulatory burden across the sector, however, it is expected there will be improvement in viability of the aged care market, increased choice and stability for aged care recipients due to the changes the new Act and associated regulatory model will deliver. The Department will remain alert to opportunities to further reduce the regulatory burden for affected stakeholders.

The new Act will impose additional regulatory requirements on aged care providers, potentially increasing costs and pressure on the sector. It will also ensure obligations on providers and workers are clear, with a focus on continuous improvement in delivery of high quality care and services.

Regulatory burden estimate table*

Average annual regulatory costs (from business as usual)				
Change in costs (\$ million)	Business	Community organisations	Individuals	Total change in costs
Total, by sector	\$40.06	\$58.46	-\$103.42	-\$4.80

*The table includes costs from OIA supplementary impact analysis post Supplementary Impact Analysis for the Aged Care Bill 2023.

Accordingly, I am satisfied that the attached report is consistent with the *Australian Government Guide to Policy Impact Analysis*.

Yours sincerely



Michael Lye
Deputy Secretary
Department of Health and Aged Care
4 September 2024

Attachment A

Independent reviews for certification

1. Legislated Review of Aged Care, Final Report, 2017
Available at: <https://www.health.gov.au/sites/default/files/legislated-review-of-aged-care-2017-report.pdf>
2. Royal Commission into Aged Care Quality and Safety, Final Report, 1 March 2021
Available at: <https://agedcare.royalcommission.gov.au/publications/final-report>
3. Australian Government response to the final report of the Royal Commission into Aged Care Quality and Safety, 11 May 2021
Available at: <https://www.health.gov.au/resources/publications/australian-government-response-to-the-final-report-of-the-royal-commission-into-aged-care-quality-and-safety?language=en>
4. Final report of the Aged Care Taskforce, 12 March 2024
Available at: https://www.health.gov.au/sites/default/files/2024-03/final-report-of-the-aged-care-taskforce_0.pdf

Attachment B

1. Certification of independent reviews: initial response to the Royal Commission (Quality and Safety) – Strengthening Providers, New Aged Care Act, 8 September 2022
Available at:
<https://oia.pmc.gov.au/sites/default/files/posts/2022/08/Certification%20letter%202024-7%20Registered%20Nurses%20and%20Minimum%20Care%20Minutes.pdf>
2. Certification of independent reviews in lieu of a Regulatory Impact Statement: Care Workforce Reform – National Care and Support Worker Registration. 3 March 2021
Available at:
<https://oia.pmc.gov.au/sites/default/files/posts/2021/09/Certification%20letter%20-%20National%20Care%20and%20Support%20Worker%20Regulation.pdf>
3. Supplementary Impact Analysis for the Aged Care Bill 2023.
4. Responding to the Aged Care Taskforce Report – Accommodation reform, Supplementary Impact Analysis.
5. Responding to the Aged Care Taskforce Report: Higher Fees for Better and Increased Daily Living Services, Supplementary Impact Analysis.
6. Reform Means Testing in Residential Care and Changes to Treatment of Payments for Recipients of National Redress Scheme, Supplementary Impact Analysis.
7. Building a strong regulatory framework for aged care, Supplementary Impact Analysis.
8. Certification of independent review: Response to the Royal Commission into Aged Care Quality and Safety.
Available at: <https://www.health.gov.au/resources/publications/australian-government-response-to-the-final-report-of-the-royal-commission-into-aged-care-quality-and-safety?language=en>
9. Supplementary Impact Analysis, Support at Home Program, Design Features, Services List, Classification and Eligibility, Care management and Assistive Technology and Home Modifications.
10. Support at Home: Participant Co-Contributions, Supplementary Impact Analysis.



Australian Government

**Department of Health
and Aged Care**

Attachment B.3

Development and Delivery of a Bill for a new Aged Care Act - Release of Exposure Draft

Supplementary Impact Analysis

November 2023

Purpose of this document

This Supplementary Impact Analysis has been prepared by the Department of Health and Aged Care (the Department) to inform Australian Government decision-making on the planned release of an exposure draft for the:

- Bill for a new Aged Care Act

The Office of Impact Analysis (OIA) has confirmed the certification of the Royal Commission into Aged Care Quality and Safety (Royal Commission) as an Impact Analysis Equivalent with respect to Phase 1 of the phased approach to the new Aged Care Act (new Act).

This supplementary analysis complements the analysis undertaken by the Royal Commission by addressing questions 5, 6 and 7 of the Impact Analysis Framework. It outlines:

- a **consultation plan** on the ways the Department will incorporate feedback from stakeholders on the exposure draft
- an **implementation plan** on the Department's proposed approach to preparing the aged care sector for the proposed changes
- an **evaluation plan** on the ways the Department would evaluate the success of the new Act and seek to make any changes to its approach following the passage of legislation, and
- the Department's **regulatory burden estimates** (RBEs) for the measures.

Background

Royal Commission into Aged Care Quality and Safety recommendations

On 1 March 2021, the Final Report from the Royal Commission was tabled in Parliament. Its first recommendation was to introduce a new Act to achieve fundamental reform across the aged care system.

The Royal Commission concluded an overhaul of the objectives, regulation and funding of aged care was required to replace complex and piecemeal reforms that did not address systemic problems in the system. The new Act would give effect to the Government's election commitments to deliver improved transparency and accountability, and protect the safety, dignity and wellbeing of people accessing aged care services.

Overview of policy proposal

The Government has committed to delivering the new Act for commencement from 1 July 2024, implementing reforms that respond to the recommendations of the Royal Commission. With the decision in Budget 2023-24 to defer commencement of the new home care program to 1 July 2025, aged care legislative reform is progressing in phases.

- Phase 1 – Deliver budget and election commitments, respond to around 33 Royal Commission recommendations (29 fully and 4 partially), and establish the framework for the new Act.
- Phase 2 – Amendment Bill to introduce a new support at home program and related reforms from 1 July 2025 and deliver a further 17 Royal Commission recommendations.
- Phase 3 – Amendment Bill to address new funding models for specialist programs, delivering a further three Royal Commission recommendations.

Exposure Draft

An Exposure Draft of the Bill (Phase 1) for the new Act has been developed for public consultation, comprising priority matters and addressing 33 recommendations (29 fully and 4 partially) of the Royal Commission. It includes legislation dependent policies which the Government committed to as part of the 2023-24 Budget and 2023-24 MYEFO processes:

- Development and Delivery of a Bill for the New Aged Care Act
- Aged Care ICT to Enable Reform: new Aged Care Act
- Building a Strong Regulatory Framework
- Single Comprehensive Assessment System
- Aged Care ICT to Enable Reform: Establish a National Worker Registration Scheme for Aged Care
- Strengthening Nutrition in Aged Care
- Aged Care ICT to Enable Reform: Places to People - Embedding Choice in Residential Aged Care

The Bill will also implement six components of the Government's overarching election commitment *Fixing the Aged Care Crisis*:

- Stronger Regulation of the Aged Care Sector
- General duty to provide quality and safe care
- Aged Care Complaints Commissioner, which also incorporates:
 - New civil penalties to better protect whistle blowers
- Establish a Registration Scheme for Personal Care Workers
- Better Food for Aged Care Residents

Consultation

Consultation strategy

A primary purpose of the consultation process is to build confidence in, and public support for, the new Act legislation. Effective consultation on the exposure draft will identify issues with the drafting which can be addressed as part of re-drafting prior to the Bill's introduction to Parliament. This will limit the need for Government amendments during passage, and will prepare Government for issues that are likely to be raised during parliamentary processes.

By providing public visibility of the legislation and the scope of reforms it encapsulates, the consultations will also assist in preparing the aged care sector for the changes being implemented once the legislation commences. The Department is separately developing a sector transition plan to prepare the sector for the aged care reforms, with a Transition Roadmap summarising the plan published for consultation.

Drafting of the new Act has been informed by consultation with the Council of Elders, the National Aged Care Advisory Council, an expert advisory group, and consumer and sector advisory groups. The consultation strategy adopts the following approach to engaging and collaborating with stakeholders:

- Bringing people together, building trust and prioritising relationships
- Demonstrating a commitment to listen to different viewpoints
- Recognising complexity, solving problems and designing solutions
- Delivering outcome focussed consultation through targeted discussion
- Presenting inclusive opportunities to engage by offering multiple platforms

The consultation strategy is designed to reach:

- Older Australians, their carers, and families (including those from culturally and linguistically diverse backgrounds and older Australians residing in regional or hard-to-reach locations)
- Aged Care sector representative and peak bodies

- Aged Care providers (including in regional locations)
- Technical specialists and academics and professionals
- Older First Nations people, their families and carers and advocates
- Aged care workers and worker unions

To enable broad-spectrum and comprehensive engagement on the new Act, the Department is taking a staged approach to public consultation.

Consultation to date

Public Consultation: Foundations of a new Aged Care Act (4 August – 8 September 2023)

In combination with the five-week consultation period, the Department released *A new Aged Care Act: the foundations – Consultation Paper No. 1* on 4 August 2023. The foundations are some of the core components that make up the new Act, and provide a broad view of how the legislation will work, including:

- the structure and purpose and constitutional basis of the new Act
- the Statement of Rights
- the Statement of Principles,
- the definition of high quality care
- a new duty of care and compensation pathways
- protections for whistleblowers
- embedding supported decision-making, and
- eligibility for funded aged care services.

Public consultation activities included:

- detailed information on the [Aged Care Engagement Hub](#)
- fact sheets on each of the foundational elements and frequently asked questions,
- a general information webinar including the opportunity to submit questions
- a program of workshops
- a survey on individual elements included in the consultation paper, and
- access information about how to prepare and lodge a written submission/response to elements included in the consultation paper.

Exposure Draft

Public Consultation: Exposure Draft of the Bill for a new Aged Care Act (15 December 2023 – 16 February 2024)

An exposure draft of the Bill for the new Act is planned to be released for public consultation on 15 December 2023, subject to Government agreement, providing stakeholders with an opportunity to provide feedback on critical aspects of the Bill. The feedback received will inform final development of the Bill ahead of planned introduction to Parliament in the Autumn 2024 sitting. The consultations will also give the community confidence that work on aged care reforms is proceeding as a priority, consistent with the Government's commitments, even though timeframes have been extended.

The exposure draft of the Bill will be accompanied by a comprehensive consultation paper, *A New Aged Care Act: Exposure Draft – Consultation Paper No. 2*, and will explain the operation of the provisions included in the exposure draft of the Bill and of aspects of the Bill yet to be drafted, including subordinate legislation.

Further consultation will also be conducted in early 2024 on subordinate legislation supporting the operation of the new Act, and on a consequential amendments and transitional arrangements Bill.

Consultation planning –Exposure Draft

To support the delivery of a successful consultation campaign, the Department will procure the services of suitably skilled facilitator/s to assist the planning, coordination, and delivery of key engagement activities during the public consultation process, and to conduct analysis of feedback received including development of a feedback report. Subject to agreement by Government to release the exposure draft for public consultation, the expected activity period for the consultant/s will commence and will be expected to conclude end-March 2024 (inclusive of planning, delivery and reporting). Preliminary findings will be delivered to the Department by end February 2024, with a final report submitted by early March 2024.

A detailed draft consultation and communication activities plan is being developed to maximise consultation on the legislation at this stage of development. The precise activities and events related to these consultations are being settled with Government, but are expected to include:

- five facilitated roundtable discussions exploring the views of aged care advocacy organisations and individuals representing the interests of older First Nations people and people from culturally and linguistically diverse backgrounds,
- around 35 face-to-face consultation activities in capital cities and regional locations,
- online workshops focusing on specific topics in the Bill, and
- at least two public webinars.

Implementation

The new Act will replace current aged care legislation, including the *Aged Care Act 1997*, *Transitional Provisions Act 1997*, *Aged Care Quality and Safety Commission Act 2018* and related delegated legislation. The Department is pursuing a phased approach to aged care legislative reforms, as agreed by Government.

Phase 1 – Bill for the new Act establishing the foundations of the aged care system, including a new constitutional basis, for commencement from 1 July 2024.

Phase 2 – Amendment Bill introducing the new support at home program and related reforms from 1 July 2025.

Phase 3 – A coordinated and targeted approach to the implementation of the consultations on the exposure draft of the Bill for the new Act has been developed to adequately engage, communicate, inform and support the aged care sector and older people to be ready for change. Success will be determined by the level of engagement from key stakeholder groups, as well as the broader Australian community, with the public consultation process.

Aspects of the aged care reforms have been released for public consultation throughout 2023, including most recently the proposed foundations of the new Act. The feedback received has informed the development of the exposure draft.

To support implementation of the exposure draft, the Department has been working closely with the Aged Care Quality and Safety Commission to align plans to support aged care providers to prepare for the proposed legislative changes.

Subject to Cabinet agreement, the exposure draft of the Bill for the new Aged Care Act will be released for public consultation from December 2023 to February 2024. Following this process, the Department will consolidate feedback and prepare the final draft of the Bill for introduction to Parliament in the Autumn sitting of 2024.

Commencement of the new Act from 1 July 2024 is contingent on a number of factors including finalisation of the full legislation package following consultation, parliamentary passage, and ICT development. Implementation and transition planning is progressing separately for policies and programs for which the new Act is the enabling legislative mechanism.

Evaluation

The Department will consider feedback received through the exposure draft consultation process and make changes to the Bill for the new Act where appropriate ahead of introduction of the final Bill to Parliament. Decisions on re-drafting will be informed by the analysis of the feedback received during the consultations, and based on advice of policy leads, the Office of Parliamentary Counsel and the Australian Government Solicitor.

Feedback received both through the consultations and separately on the Transition Roadmap will provide evidence of sector preparedness to inform further drafting of the commencement schedules in the Bill. It will also inform decision-making on arrangements for introduction of the Bill to Parliament and for future drafting of amendment legislation.

The Bill as drafted also includes provision for a review of the legislation within six months of the fifth anniversary of its commencement. Additionally, the Inspector-General of Aged Care, already established through the *Inspector-General of Aged Care Act 2023*, has responsibility for monitoring, investigating and reporting to the Minister and Parliament on the administration of the aged care system.

Evaluation activities associated with policies and programs for which the new Act is the legislative mechanism are managed separately to the evaluation of the consultations on the exposure draft of the Bill for the new Act and are outside of the scope of this Impact Analysis.

Estimate of Regulatory Burden

The regulatory burden to business, community organisations or individuals is quantified using the Australian Government's Regulatory Burden Measurement framework and is provided below.

Implementation of the new Act will increase the regulatory burden, however, it is expected there will be improvement in viability of the aged care market and in stability for aged care recipients. The Department will remain alert to opportunities to further reduce the regulatory burden for affected stakeholders. The new Act would impose additional requirements on aged care providers, potentially increasing costs and pressure on the sector. It would also ensure obligations on providers and workers are clear, with providers encouraged to seek advice and improve their service delivery.

Average annual regulatory costs				
Change in costs (\$ million)	Individuals	Business	Community organisations	Total change in cost
Total, by sector	\$0	\$0.082	\$0.669	\$0.751



Aged Care Taskforce Response: Accommodation Reform

Supplementary Impact Analysis

Department of Health and Aged Care

Introduction

Purpose

This Supplementary Impact Analysis has been prepared by the Department of Health and Aged Care (the Department) to inform Australian Government regulatory decisions to improve residential aged care provider viability and the longer term interests of residents. This would be achieved through a package of reforms including implementing proposed measures which would:

- allow providers to charge more for accommodation without regulatory approval, retain a small portion of the Refundable Accommodation Deposits and index the Daily Accommodation Payments they receive from residents.

This supplementary analysis complements the certification by the Department that the Aged Care Taskforce has undertaken processes and analysis equivalent to an impact analysis (IA) for these regulatory changes.

The Office of Impact Analysis (OIA) found the scope of the independent review covered the policy proposal for the accommodation reform measures and recommended that a supplementary impact analysis be prepared to address questions 6 and 7 of the Impact Analysis Framework:

- Question 6 – What is the best option from those you have considered and how will it be implemented?
- Question 7 – How will you implement and evaluate your chosen option?

Background

Accommodation recommendations from the Aged Care Taskforce

The Aged Care Taskforce (the Taskforce) was established in Budget 2023-24 to review funding arrangements for aged care and develop options for a system that is fair and equitable for everyone in Australia. The Taskforce, comprising consumer and provider representatives, made 23 recommendations in its Final Report designed to support an aged care system that is sustainable, fair and facilitates greater innovation in the sector. A sustainable, or financially sound, aged care sector is necessary to attract additional investment and ensure the sector is set up to deliver quality care for older people into the future.

This proposal forms part of the package of reforms responding to the recommendations made by the Taskforce.

The proposal includes changes that will allow providers to charge more for accommodation, retain a small portion of the RAD, and index the DAPs they receive from residents.

Current setting

How residents pay for their accommodation in residential aged care

Non supported residents currently have three options for payment:

- A Refundable Accommodation Deposit (RAD), which is a lump sum payment set at a price agreed between the provider and resident. The RAD balance is fully refunded to the resident or their estate when they leave the facility.
- A Daily Accommodation Payment (DAP), which is a rental style daily rate that is derived from the agreed RAD using an interest rate known as the Maximum Permissible Interest Rate (MPIR).
- The DAP is calculated as: $DAP = RAD \times (MPIR/365)$
- Any combination of a RAD and DAP.

A DAP is calculated using the MPIR on the day the resident agrees to the room price. The DAP for a resident remains fixed and does not change with the MPIR, unless the resident voluntarily moves rooms and negotiates a new room price.

The resident has 28 days after they enter care to advise their provider how they will pay for their accommodation. If the resident does not make a payment choice within this timeframe, they can only be asked to pay by daily payments.

If a resident chooses to pay a RAD, they have 6 months to pay, and they will be required to pay a DAP until the lump sum is deposited. This allows time for the sale of the family home or other action that may be required to free up cash for the lump sum.

When an individual dies or leaves a facility, the provider is required to refund the RAD within 14 days, with interest accruing to the resident from this point.

Residents who meet means-tested criteria may have some or all of their accommodation costs subsidised through the Accommodation Supplement.

Consumers who are eligible for a partial Accommodation Supplement may choose to pay the balance of their accommodation costs through either a Refundable Accommodation Contribution (RAC) or Daily Accommodation Contribution (DAC), or a combination of the two.

Contribution amounts are based on a resident's income and assets. Contribution amounts can change over time due to a change in the resident's personal or financial circumstances, indexation, or the service becoming eligible for a different rate of Accommodation Supplement.

How providers set and agree RADs

Providers are required to advertise their maximum room price (expressed as both a RAD and a DAP) for each room type on My Aged Care and their website to allow for future residents and their families to make informed decisions. Individuals and providers are able to negotiate a lower price than the one advertised.

Aged care providers are able to set their RAD prices up to the maximum room price prescribed in the Fees and Payments Principles (no. 2) 2014 (the Principles). The maximum room price has been \$550,000 since it was introduced in 2014.

To charge above this rate, the provider is required to first obtain approval from the Independent Health and Aged Care Pricing Authority (IHACPA).

How providers may use RADs (permitted uses)

Providers are only permitted to use RAD funds for the purposes detailed in the permitted uses in the *Aged Care Act 1997* and the Principles. These include:

- Capital investment such as:
 - Expenditure to acquire facilities or land to build new facilities.
 - Expenditure to maintain or significantly refurbish existing facilities.
 - To pay down debts (e.g. repay a bank loan).
- To make a loan in relation to which the following conditions are satisfied:
 - Loan not made to an individual
 - Loan is made on a commercial basis
 - There is written agreement in relation to the loan

- To invest in a fund, but not a controlling entity of a fund.

RADs cannot be used for operational costs, including the payment of staff wages.

Providers are responsible for the prudential management and protection of the RADs they hold. Providers also have responsibility for ensuring that they have sufficient funds available to refund the RAD when the resident leaves care.

Accommodation Payment Guarantee Scheme

The Accommodation Payment Guarantee Scheme (the Guarantee Scheme) was established in 2006 to protect residents' funds by enabling the Government to repay outstanding bonds or RAD balances to residents if their provider becomes insolvent and is unable to refund them.

Once triggered, the Commonwealth is required to refund balances as residents leave the facility in accordance with the Principles.

Overview of policy proposal

Accommodation Reform

This proposal would introduce changes to accommodation funding arrangements in the short-term that would improve residential aged care provider viability:

Increase maximum room price

Currently, the maximum room price that aged care homes can charge without approval from the Independent Health and Aged Care Pricing Authority is a RAD of \$550,000 (or equivalent DAP).

From 1 July 2024, this would be increased to \$750,000 and indexed annually.

This is in line with the recommendations of the Aged Care Taskforce and the 2017 Tune Review. This would reduce the regulatory burden on aged care providers and give them greater confidence to develop accommodation that is above the \$550,000 limit.

RAD retention

Currently RADs are fully refundable, whereas Daily Accommodation Payments are fully retained by providers. It is proposed that from 1 July 2025 providers would be required to retain a proportion of the RAD each month. Providers are already required to advise residents of any reductions to their RAD balance and this would be extended to include RAD retention.

This change would not impact existing residents and would only apply to new RADs from 1 July 2025.

RAD retention would also apply to Residential Aged Care Contributions, which are used in place of RADs when residents who pay a lump sum are eligible for Government assistance for some but not all of their accommodation costs. This change would also apply to RACs.

DAP indexation

It is proposed that from 1 July 2025 providers will be allowed to index the DAP paid by all new residents twice per year in the same way that the accommodation supplement paid by Government is indexed. This change would not impact DACs.

This change would not impact existing residents and would only apply to new DAPs from 1 July 2025.

Best option/implementation

Option selection

Three main options were considered:

- One – do nothing
- Two – implement policies in line with the Aged Care Taskforce Report
- Three – immediately move to phase out Refundable Accommodation Deposits.

Taking into account the benefits related to the proposal, the preferred policy option would be to implement these proposed changes to improve aged care viability.

These changes are all designed to support the sustainability of residential aged care by ensuring the viability of residential aged care providers. This long term sustainability benefits current and future residents by ensuring there is a stable, sustainable residential aged care system. Residents benefit from a residential care sector that has the confidence to invest in new projects that increase the availability and quality of aged care stock.

Implementation

Legislation would be required to implement this proposal and would be administered by the Department. Providers would be responsible for putting the changes into practice in line with legislative changes and training their staff to implement them.

Overall, implementation is expected to be relatively straight forward as providers would already have the systems in place to support these changes.

From government approval for formal implementation plan will be developed following consultation with providers.

Following passage of the legislation, the Department would continue to support providers through changes with the new accommodation reforms by closely monitoring the impact and effectiveness of their implementation.

Updates to My Aged Care, in particular the room finder application and provider information packs will also assist the implementation.

Implementation risk and mitigation

The biggest risk to implementation is likely to be around provider understanding of the changes and how it applies. However, this is likely to be low risk as the change are relatively straightforward. The Department will communicate with providers using existing communication channels and forums in the lead up to each change.

Further stakeholder feedback through the Department's ongoing engagement with provider groups in implementing this initiative, together with relevant data, would also be used to further enhance the communication around implementation.

Transition arrangements

It is proposed that the simplest component of this change (increase maximum room price) be implemented first with the other components (RAD retention and DAP indexation) commencing later.

These new arrangements will only impact new entrants to residential aged care from the implementation date of each component. Existing residents would remain under existing arrangements.

Evaluation/review

A critical measure of the success will be the improved financial performance of aged care providers. Post implementation reviews and monitoring will utilise analysis from previous reporting periods including, but not limited to, the Quarterly Financial Snapshot and the annual Financial Report on the Australian Aged Care Sector. The performance of providers will also be monitored through the Financial Monitoring Program.

Success of the measures will also be improved quality of aged care services, as financial viability and incentives drive providers to deliver high quality care and accommodation and provide innovative services for participants. This will be monitored through Star Ratings and other transparency measures.

A proposed independent review in 2030 would assess the state of the sector, including whether it is ready to transition away from RADs. The success of the measures in this proposal to improve sector viability will directly inform that review.

The Department will consult with selected providers and consumer stakeholder groups, for operational feedback on reform measures.

Regular reporting and data on residential aged care accommodation and its prices will be gathered by the Department and the Pricing Commissioner as these reforms are implemented. This data and further consultation processes opportunities to seek views from providers about their practical experiences (e.g., through provider surveys) will help inform subsequent reviews on aged care accommodation.

Key indicators for evaluations will include:

- demonstrated improved viability in accommodation pricing via the Financial Report into Aged Care
- supporting improvements in quality of accommodation through improved viability; and
- reducing reliance on Refundable Accommodation Deposits.

Estimate of Regulatory Burden

The regulatory burden to business, community, and/or individuals is quantified using the Australian Government's *Regulatory Burden Measurement Framework* and is provided below.

Currently, aged care providers already keep and maintain appropriate ICT management systems, including maintaining appropriate financial management systems to support mandatory reporting requirements. They also comply with existing reporting obligations under financial and prudential standards legislation and have obligations to publish information about accommodation payments under existing legislation.

Implementation is expected to be relatively straight forward as providers would already have the systems in place to support these changes.

It also saves time spent by staff in preparing applications to the Independent Health and Aged Care Pricing Authority for approval, which is understood to be time-consuming for many businesses when seeking approval for higher maximum accommodation prices.

Providers would need to understand and adjust to the change requiring an update to their IT systems which would likely amount to only a small compliance cost of this option, which would be expected to decrease over time.

Consumers would need to compare and consider all options available to them and understand what they would be making for a proposed accommodation payment before they enter care. This would only apply to new entrants to residential aged care and would likely result in only a minor impact given consideration of aged care fees by residents prior to entry.

The net result of higher benefits of improved cash flow for business and greater provider viability would outweigh the small administrative costs to providers of this proposal.

The proposal would result in an estimated total average annual regulatory impact for businesses of \$0.36 million and for community organisations of \$0.47 million as set out in Table 1 below. The estimated annual change in costs for individuals would be \$1.16 million (see Table 1).

Table 1: Regulatory burden estimates (RBE) table (Option 2: Taskforce Reform)

Average annual regulatory costs (from business as usual)				
Change in Costs (\$ million)	Business	Community Organisations	Individuals	Total
Total by sector	0.36	0.47	1.16	1.99

Attachment B.5

Responding to the Aged Care Taskforce Report – Higher Fees for Improved Everyday Living Services Supplementary Impact Analysis

Supplementary Impact Analysis

March 2024

Responding to the Aged Care Taskforce Report: Higher Fees for Improved Everyday Living Services

Introduction

The government has invested into residential aged care to improve the quality of care provided to all residents, principally through increasing nursing time in facilities and the care minutes that each resident receives.

Aged care residents can and do purchase services that are additional to the services funded by the government through the Basic Daily Fee paid by all residents and the Hotelling Supplement. There are currently two different fee mechanisms for providers to offer improved everyday living services such as food and recreation to aged care residents. These mechanisms are, however, confusing for residents to understand and complex for providers to administer.

Purpose

This proposal seeks agreement to reforms to non-government fees for everyday living services to make it easier for residents and providers to agree on the fees and services. More easily allowing residents to pay for additional everyday living services (for example pay TV, wine with meals) will improve the financial viability of residential aged care providers and the quality of life of residents.

Specifically this proposal will simplify resident fees and provider administration by replacing the Additional Service Fees (ASFs) and Extra Service Fees (ESFs) with a new Everyday Living Fee which will include improved consumer protections and be easier to administer for provider.

Implementation

A phased implementation approach for each component is detailed in Table 1 below.

Table 1 – Everyday Living Fees

Stage	Consumer & Provider Education	Transition	Compliance
Timing	1 July 2024 – 30 June 2026	15 May 2024 – 30 June 2025	From 1 July 2025
Objectives	To communicate how the new Everyday Living Fees will work to aged care consumers, their families, providers and stakeholders.	To ensure appropriate processes are in place to enable a successful implementation of the measure.	To ensure aged care providers operate within the parameters of the new Everyday Living Fees framework.
Government Action	Develop and implement a comprehensive Communications and Change plan.	Develop and implement appropriate primary and subordinate legislative changes	The Aged Care Quality and Safety Commission to implement and administer the

	Facilitate ongoing engagement and education with aged care consumers, their families, providers and stakeholders.	<p>via the new Aged Care Act process.</p> <p>Develop and implement appropriate changes to My Aged Care.</p> <p>Develop and implement appropriate changes to Aged Care Financial Reporting processes.</p> <p>Run a consultation process to determine if Everyday Living Fees can be charged as a condition of entry.</p>	necessary compliance processes.
Measure of success	A sound understanding by aged care consumers, their families, providers and stakeholders of the new Everyday Living Fees framework.	Commencement of the new Everyday Living Fees framework on 1 July 2025.	A low level of provider non-compliance.
Risks & Mitigation	The details of this initiative are quite simple and communicating them is a low risk proposition.	These changes are not complex so the transition is low risk.	Some providers misunderstanding the parameters of the new Everyday Living Fees framework is an ongoing risk that will be mitigated by ongoing communications and education.

Evaluation

The key metrics for evaluating the success of this measure will be the number of providers offering Everyday Living Fees and the income generated for the residential aged care sector through Everyday Living Fees. This information will be reported to the Department by providers as part of their annual Aged Care Financial Reports, then reported on in the Department's annual Financial Report on the Australian Aged Care Sector.



Reform Means Testing in Residential Care and Changes to Treatment of Payments for Recipients of National Redress Scheme

Supplementary Impact Analysis

Department of Health and Aged Care

Introduction

This supplementary Impact Analysis has been prepared by the Department of Health and Aged Care (the Department) to inform Australian Government regulatory decisions.

This supplementary analysis complements the certification by the Department that the Aged Care Taskforce has undertaken process and analysis equivalent to an impact analysis (IA) for these regulatory changes.

The Office of Impact Analysis (OIA) found the scope of the independent review covered the policy proposal for Reform Means Testing in Residential Care and Changes to Treatment of Payments for Recipients of National Redress Scheme and recommended that a supplementary impact analysis be prepared to address questions 6 and 7 of the Impact Analysis Framework:

- Question 6 – What is the best option from those you have considered and how will it be implemented?
- Question 7 – How will you implement and evaluate your chosen option?

Background

Reforming means testing

Residential aged care funding is made up of three components: care, accommodation (room and capital expenses) and everyday living (food, cleaning and laundry). Each component has different funding arrangements. Government largely funds care and provides a supplementary funding for the other components for lower means residents, although they are intended to be largely funded by residents where they have the means to do so.

All residents are required to pay a basic daily fee (BDF) which is set by government at 85% of the single base rate of the Age Pension. Because this fee does not cover the full cost of hotelling services, since 2023 the government has topped up hotelling funding through the Hotelling Supplement which is not means tested (currently the government pays the full amount for every resident regardless of means).

Funding for accommodation is tightly targeted to those with limited financial means. Residents with assets under \$59,500 or income under \$32,820 receive a full Accommodation Supplement. Residents with assets over \$59,500, income over \$32,820 or a combination of the two have a means tested Accommodation Supplement paid by the government on their behalf. Residents with assets of \$201,231, income of \$82,426 or a combination of the two are responsible for paying all of their accommodation as negotiated with their provider.

Residents with assets over \$201,231 (excluding the former family home), income of over \$81,063 or a combination of the two also make a contribution towards their care.

The current means assessment includes:

- Income test, each year residents contribute:
 - 50% of all income above the income free area (\$32,820 for singles)
- Assets test, each year residents contribute:
 - 17.5% of assets valued between \$59,500 and \$201,231
 - 1% of assets between \$201,231 and \$484,694
 - 2% of assets above 484,694
 - For the assets test, the family home is only considered if not occupied by a protected person (such as domestic partner or dependent child) and only up to a maximum value of \$201,231

Note: the high initial taper rate ensures that any resident with \$201,231 of assessable assets fully funds their accommodation. Lower taper rates after this point reduce the rate at which they are required to contribute to care costs.

National Redress Scheme

Under the National Redress Scheme, a person who has experienced institutional child sexual abuse can receive a Redress payment of up to \$150,000. By default these payments are considered an assessable asset for aged care purposes. Including this payment in the aged care means test increases the accommodation and care fees that these residents must pay.

Question 6: What is the best option from those you have considered and how will it be implemented?

Indicate which of the identified options you are recommending.

Reforming Means Testing

Introduce a means tested hoteling fee

Means test the Hoteling Supplement so that residents contribute 7.8% of assets over \$238,000 or 50% of income over \$95,400 (or a combination of both), up to a limit of the hoteling supplement (currently \$11.24 per day).

Abolish the means tested care fee and introduce a non-clinical care fee

Abolish the means tested care fee and replace it with a new part contribution to the non-clinical component of care which involves residents contributing 7.8% of their assets over \$502,981 or 50% of their income over \$131,279 (or a combination of both) up to a daily limit of \$101.16.

Abolish the existing annual and lifetime caps; Introduce a combined Support at Home and non-clinical care contribution cap and introduce a four-year cap for the new non-clinical care payment

Abolish the current annual cap (\$33,309) and lifetime cap (\$79,942) and apply a combined lifetime Support at Home and non-clinical care contribution cap of \$130,000 in addition to introducing a time-limited cap of 4 years to the non-clinical care fee to protect those residents who remain in care for a long time. If an individual paying a non-clinical care fee remains in residential care for 4 years, or they reach \$130,000 in contributions across Support at Home and non-clinical care contributions in residential care, whichever comes first, the government will cover their full care costs for the remainder of their time in residential care.

Grandparenting

These new arrangements for means testing will only apply to new entrants to residential aged care from 1 July 2025. All existing residents will have their current arrangements maintained until they leave care or move to a new provider.

Exempt Redress payments

Exempt National Redress Scheme payments from the aged care means assessment for all existing and new residents. Under the National Redress Scheme, a person who has experienced institutional child sexual abuse can receive a payment of up to \$150,000.

Explain the decision making process

Reforming Means Testing

This proposal, coupled with reforms to living and accommodation funding arrangements, will increase the contribution of non-supported residents towards their living and accommodation but reduce the contribution towards care for many residents, particularly less wealthy non-supported residents. This is in line with recommendations of the Aged Care Taskforce and the Royal Commission into Aged Care Quality and Safety.

Accommodation and everyday living are areas where people are used to exercising choice and control over the amount and/or standard of the services that they receive and can more readily understand what services they are buying for their contributions.

Due to its interactions with the reforms to accommodation and everyday living funding arrangements, if this proposal is not agreed then it would result in a significant increase to how much less wealthy non-supported residents have to pay for their residential aged care.

This proposal ensures that aged care contribution arrangements are progressive. People who have the means still make a fair contribution towards their hotelling costs and those with the greatest wealth continue to make a contribution towards their non-clinical care costs.

The current lifetime cap only protects the wealthiest 7% of residents so the \$130,000 cap and 4 year time-based cap in residential care is fairer. These caps do not apply to the contribution towards the hoteling supplement.

National Redress Scheme

This proposal will support the Government's response to the Royal Commission into Institutional Responses to Child Sexual Abuse by helping ensure Redress recipients don't feel re-traumatised when re-entering an institutional setting like an aged care home. To remove the negative impacts this is causing Redress recipients when they enter aged care, this proposal seeks to exempt Redress payments from the aged care means assessment.

Explain how the Government will implement the recommended option

Reforming Means Testing

Necessary amendments to ICT systems and administrative processes for the Reforming Means Testing completed by July 2025

The reduction in fees payable by this wealthier cohort in residential care should be implemented in conjunction with changes to accommodation and everyday living expenses which will see increases in what this cohort pays providers.

National Redress Scheme

Department of Social Services (DSS) will seek agreement from the states and territories to amend the National Redress Scheme for Institutional Child Sexual Abuse Rules 2018 (the Rules) to enable the Government to access payment information with the sole purpose of excluding the payment from the aged care asset test.

Simultaneously, the Department of Health and Aged Care will seek to amend the Subsidy Principles 2014 to exclude Redress payments from the aged care asset test.

Necessary amendments to ICT systems and administrative processes for Redress payments will need to be completed. Services Australia and the Department of Veteran's Affairs will commence administering exemption / deducting Redress payments from payment recipient and partner means assessments, resulting in removal of negative impacts on this cohort due to current aged care means assessment process.

Alternatively, Services Australia and the Department of Veteran's Affairs will need to make amendments to the existing ICT systems to administer the exemption, in addition to amending the aged care means assessment forms to provide individuals the opportunity to self-identify.

Implementation issues and mitigation strategies

Reforming Means Testing

Most wealthier residents will have to make a greater contribution to the costs of their aged care services. However they should see an increase in the quality of the accommodation and everyday living services. There will need to be careful communication of the purpose of the reforms.

National Redress Scheme

Payment recipients have been assured anonymity under Redress so it will be important to administer the exemption with care and discretion to avoid re-traumatising them. As such, communication about the changes will also need to be delivered sensitively.

Outline transitional arrangements in moving from one policy to another

Means testing reform

These new arrangements will apply to all new entrants to residential aged care from 1 July 2025. All residents who are in care prior to this day will continue to be subject to existing arrangements, meaning they will not be required to make a contribution towards the Hoteling Supplement but will continue to pay their assessed means tested care fee.

National Redress Scheme

Nil

Question 7: How will you evaluate your chosen option against the success metrics?

Describe how the performance of your policy will be monitored and evaluated against the objectives and success metrics set out at question 2, during and after implementation.

The financial performance of aged care providers will be analysed and reported on through the Quarterly Financial Snapshot and the annual Financial Report on the Australian Aged Care Sector. The performance of the residential aged care system will be reported on through the Department of Health and Aged Care annual report and star rating indicators.

The Department will consult with selected providers and consumer stakeholder groups on an ad hoc basis, for operational feedback on reform measures.



Attachment B.7

Building a strong regulatory framework for aged care

Supplementary Impact Analysis

30 May 2024

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Glossary

BCR	Benefit Cost Ratio
CBA	Cost benefit analysis
CHSP	Commonwealth Home Support Programme
The Commission	Aged Care Quality and Safety Commission
The Department	Australian Government Department of Health and Aged Care
HCP	Home Care Packages Program
IA	Impact Analysis
IA Questions	The 7 Impact Analysis questions from the Office of Impact Analysis
My Aged Care	A Department of Health and Aged Care website
NATSIFACP	National Aboriginal and Torres Strait Islander Flexible Aged Care Program
NDIA	The National Disability Insurance Agency
NDIS	The National Disability Insurance Scheme
NDIS Review	<i>The NDIS Review: Working together to deliver the NDIS</i> ¹
New Aged Care Act (Cth)	<p>Currently, aged care is governed under many aged care laws. The new Aged Care Act will replace the:</p> <ul style="list-style-type: none"> • <i>Aged Care Act 1997</i> • <i>Aged Care (Transitional Provisions) Act 1997</i> • <i>Aged Care Quality and Safety Commission Act 2018.</i> <p>The new Aged Care Act will be introduced in Parliament in 2024.</p>
NPV	Net present value adjusts the value of future costs and benefits to present day values using a discount rate.
Non-corporations	Non-corporate entities including sole traders and partnerships
OIA	The Office of Impact Analysis
Partnership	A partnership is a business structure made up of 2 or more people who distribute income or losses between themselves.
PPH	Potentially preventable hospitalisations

RBE tables	Regulatory burden estimate tables
RAC	Residential Aged Care
The Royal Commission	The Royal Commission into Aged Care Quality and Safety
SIRS	Serious Incident Response Scheme
Sole trader	An individual who runs their own business
STRC	Short-Term Restorative Care
TCP	Transition Care Program

Executive Summary

In 2021, the Royal Commission into Aged Care Quality and Safety (the Royal Commission) found the aged care regulatory framework was contributing to “high levels of substandard care in Australia’s aged care system.” In particular, the Royal Commission found without an increase in supply, this problem is likely to increase in impact as the proportion of older people is expected to grow over the coming decades. Whereby, the number of Australians aged 85 years and over “will increase from 515,700 in 2018–19 (2.0% of the Australian population) to more than 1.5 million by 2058 (3.7% of the population).”² The Royal Commission found the lack of expected supply of aged care services is driven in part by the absence of non-corporate entities providing services. These entities are unauthorised to become regulated providers under the current model.

New aged care regulatory model

Since the Royal Commission, the Australian Government has been developing and consulting on a range of reforms of the aged care sector. This includes 5 proposed policy elements.³

- Policy element 1: Expanding the eligibility criteria to allow non-corporations to register as providers of Commonwealth funded aged care services
- Policy element 2: Shifting from a one-off provider approval system for aged care providers to a model where providers register for a specified period into one or more service categories
- Policy element 3: Strengthening the set of obligations on providers by making them more meaningful, and rationalising them down from the current set of 300 rules
- Policy element 4: A strengthened set of Aged Care Quality Standards which providers of inherently higher risk services will need to meet
- Policy element 5: Moving away from a pass/fail system to graded assessments of the Aged Care Quality Standards.⁴

These 5 policy elements form the basis of the new regulatory model, and as such are in scope for analysis. As part of the new regulatory model for aged care, there will be 6 registration categories into which providers can register to deliver Commonwealth funded aged care services. These categories are grouped according to common characteristics and associated risk to older people (see table 1 below).

NOTE: The below registration categories reflect a point-in-time in the development of the registration categories, and regulatory model more broadly (as at 20 May 2024).

Executive Summary

Table 1: Registration categories

Registration category	Service description	Aged Care Quality Standards
Registration category 1: Home and community services	<ul style="list-style-type: none"> • Domestic assistance • Home maintenance and repairs • Meals and nutrition • Transport 	Not applicable
Registration category 2: Assistive technology and home modifications	<ul style="list-style-type: none"> • Goods, equipment and assistive technologies (non-digital) • Home modifications 	Not applicable
Registration category 3: Advisory services	<ul style="list-style-type: none"> • Assistance with care and housing 	Not applicable
Registration category 4: Personal and social care in the home or community (including respite)	<ul style="list-style-type: none"> • Allied health • Personal care • Social support and community engagement • Flexible, centre based and cottage respite 	Standard 1: The Person Standard 2: The Organisation Standard 3: The Care and Services Standard 4: The Environment
Registration category 5: Nursing and care management	<ul style="list-style-type: none"> • Nursing • Care management • Restorative Care Management • Transition Care Management 	Standard 1: The Person Standard 2: The Organisation Standard 3: The Care and Services Standard 4: The Environment Standard 5: Clinical Care
Registration category 6: Residential care	<ul style="list-style-type: none"> • Accommodation and everyday living • Care and services • Residential respite 	Standard 1: The Person Standard 2: The Organisation Standard 3: The Care and Services Standard 4: The Environment Standard 5: Clinical Care Standard 6: Food and Nutrition Standard 7: The Residential Community

The Department is required to prepare an Impact Analysis for the 5 proposed policy elements, consistent with Office of Impact Analysis (OIA) guidance.⁵ To date, the Department has submitted to the OIA for assessment and had certified a supplementary IA for policy elements 2 to 5,

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addressing most of the IA questions, except for how they will be implemented and evaluated (questions 6 and 7).

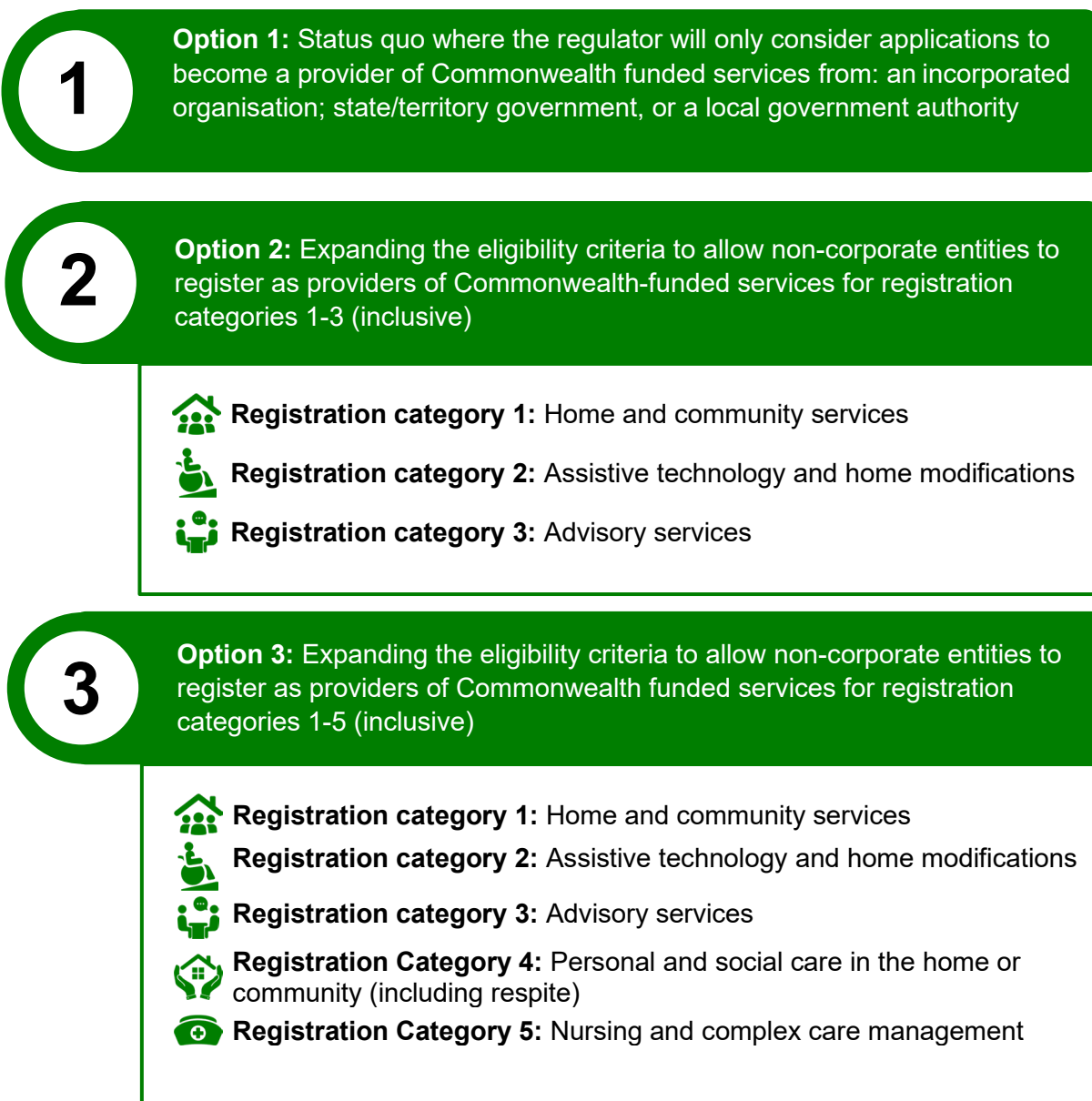
Allowing non-corporations to register as providers of Commonwealth funded aged care services.

This Supplementary Impact Analysis (IA) sets out the Department's impact assessment of policy options for policy element 1. This policy element seeks to expand the eligibility criteria to allow non-corporations to register as providers of Commonwealth funded aged care services. Policy element 1 responds to the Royal Commission, which recommended to the Australian Government that intervention was needed to address the lack of supply and choice in the aged care market.⁶ The objective of policy element 1 is to increase the supply of aged care providers and deliver greater choice to older people in Australia.

There are three policy options in this supplementary IA for policy element 1. Option 1 represents the status quo where the regulator will only consider applications to become a provider of Commonwealth funded services from: an incorporated organisation; state/territory government, or a local government authority. Option 2 contemplates non-corporate entities being able to register to provide Commonwealth funded aged care services for registration categories 1 to 3 (inclusive), and option 3 provides for non-corporate entities being able to register to provide Commonwealth funded aged care services for registration categories 1 to 5 (inclusive).

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Figure 1: Policy options for policy element 1



Based on the analysis within this document, it is considered that allowing non-corporate entities to provide Commonwealth funded aged care services (option 3) for registration categories 1 to 5 is the most effective way to achieve the objectives of policy element 1.

Option 3 is expected to increase the number of providers and diversity of services within the aged care sector by enabling registration of non-corporations for categories 1 to 5. In comparison, option 1 will prevent non-corporations from registering as providers and option 2 will increase the number of Commonwealth funded providers delivering services in categories 1 to 3 but will not increase the number of Commonwealth funded providers delivering other services (categories 4 and 5).

By increasing the number of providers, option 3 will support older people having more choice in which service provider they choose. An increased range of services would enable older people in Australia to have greater agency and choice in selecting care and services which align with their individual needs, preferences, and goals.⁷ This option also supports a key recommendation and

Executive Summary

overarching theme of the Royal Commission which is the right of older people in Australia to self-determination, wherein they have choice and control over their own life, with involvement in decision making.⁸ The opportunity for choice is a key component of self-determination for people of all ages.⁹ Having greater agency over one's life has been shown to improve mental health, wellbeing, and cognitive outcomes for older people.¹⁰ Older people in Australia will also have improved opportunity to switch providers should their contracted services be inappropriate or dissatisfactory. In contrast, under option 1, providers would be unable to comprehensively service older people in Australia. This is expected to lead to substantial wait times for care and many Australians receiving a lower intensity of care than what they are identified as needing.¹¹ This will be heightened in regional and rural areas, where there is high inequity in service availability and access.¹²

Option 3 is also expected to greatly benefit consumer safety by increasing competition within the market for categories 1 to 5. Under this option, providers will be incentivised to become a provider of choice with older people, their families, and carers. To remain competitive, it is expected that existing and new providers will need to demonstrate high quality service offerings to older people and their carers, including how their service promotes safety and wellbeing. It is expected this will promote a more quality improvement focused culture within the sector.

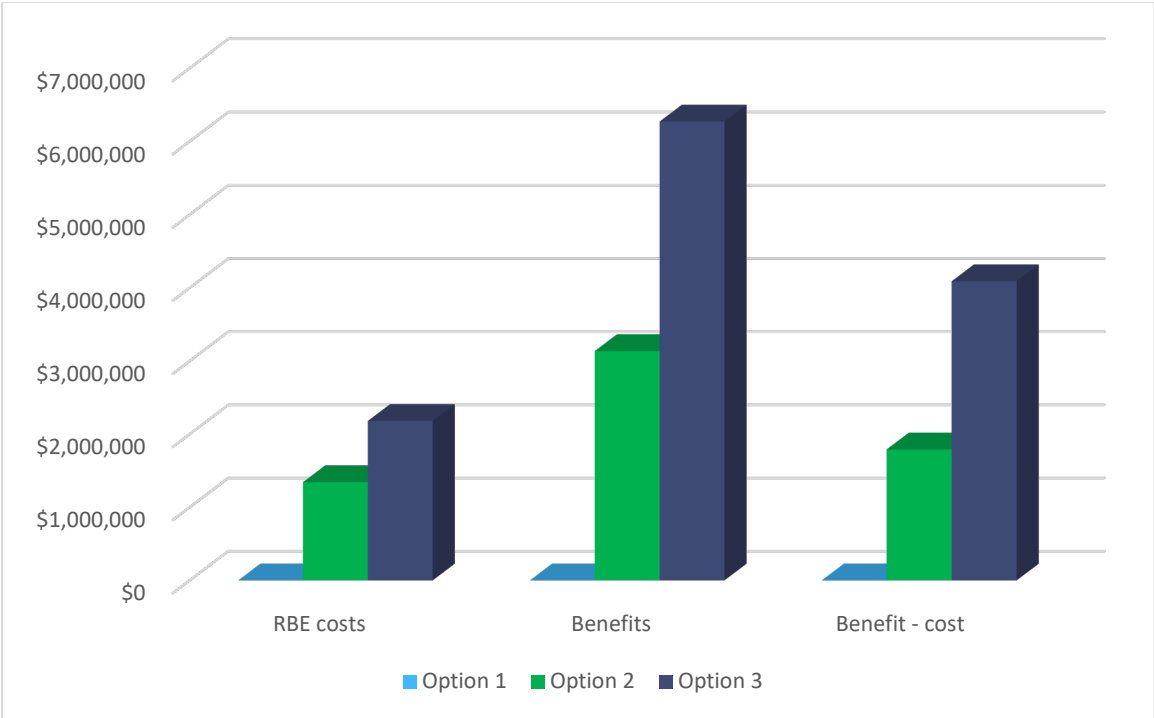
Noting that some non-corporations may already be delivering aged care services, either as sub-contractors or privately without government funding and oversight, option 3 will also provide the greatest regulatory oversight of the sector, by enabling the Commission to regulate the performance of registered non-corporations for registration categories 1 to 5. Under this option, registered non-corporations will need to meet the increased quality expectations demanded by the new aged care model. In contrast, option 2 only allows non-corporations to register for categories 1 to 3. Meaning, the Commission will not be able to assess the compliance and quality performance of non-corporations for categories 4 to 5. Option 1 provides the least regulatory oversight of the sector, by not providing for the registration of any non-corporations to deliver Commonwealth funded aged care services. Without being registered, non-corporations will not be subject to the new Aged Care Act, and therefore, will not be regulated by the Commission. This means the regulator, the Commission, would not have oversight and authority to act on complaints from older people in Australia, their carers, and families, the aged care workforce, and the public regarding unregistered sole traders and partnerships.

Over a ten-year period, when examined in isolation of all 5 policy elements, policy element 1, option 3 is expected to deliver a net benefit of \$4 million each year – equivalent to a benefit cost ratio (BCR) of 2.88 – due to reduced hospitalisations, complaints, and incidents.

Overall however, the net benefit of the 5 policy elements (cumulative) is estimated to be from \$7.6 million to \$14.2 million per year over ten years, with \$9.99 million being the central estimate, equivalent to a BCR of 1.31. Without aged care reform, the costs associated with potentially preventable hospitalisations, complaints and incidents is estimated to increase from \$835 million in 2023-24 to \$1,085 million by 2031-32. The total cumulative cost of not undertaking the proposed reforms is estimated to be \$9,651 million across the sector.

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Figure 2: Regulatory Burden Estimate and benefit (NPV annualised), per option



Implementation and evaluation

This Supplementary IA also sets out the Australian Government’s proposed [implementation and evaluation](#) approach for policy elements 1 to 5, as required by OIA guidance. The new Aged Care Act, once established, will be the key mechanism to facilitate the implementation of the 5 policy elements. The Aged Care Quality and Safety Commission (Commission) and Department will be responsible for the ongoing implementation and evaluation of the policy elements, using a range of information and data to monitor the effectiveness of the regulatory interventions.

Chapter 1: Introduction

Background

In 2021, the Royal Commission found the aged care regulatory framework was contributing to “high levels of substandard care in Australia’s aged care system.” Overall, the Royal Commission made 148 recommendations to change how aged care is delivered and regulated in Australia, including for the Government to have greater stewardship of the aged care system.¹³

Since the Royal Commission, the Australian Government has been developing and consulting on a range of reforms of the aged care sector. This includes designing a new regulatory model for aged care to address recommendations 92 and 93 from the Royal Commission on provider approval and accreditation. Recommendation 92, the approval of providers, asserts that the new Aged Care Act should encompass new approval requirements for all providers to ensure they are suitable, viable and capable to deliver the services for which they receive funding.¹⁴ Under the recommendation, providers would seek approval from the Commission to provide specific kinds of aged care services.

Recommendation 93, accreditation of high-level home care services, asserts that the new Aged Care Act should require a home care service that provides care management, personal care, clinical care, enabling and therapeutic care, or palliative and end-of-life care to be accredited to receive Australian Government subsidies. The recommendation states that the Commission should have the power to limit the services a provider can deliver through the approval, accreditation and sanctions process.¹⁵ Both recommendations are addressed by the proposed new regulatory model for aged care.

Proposed regulatory model

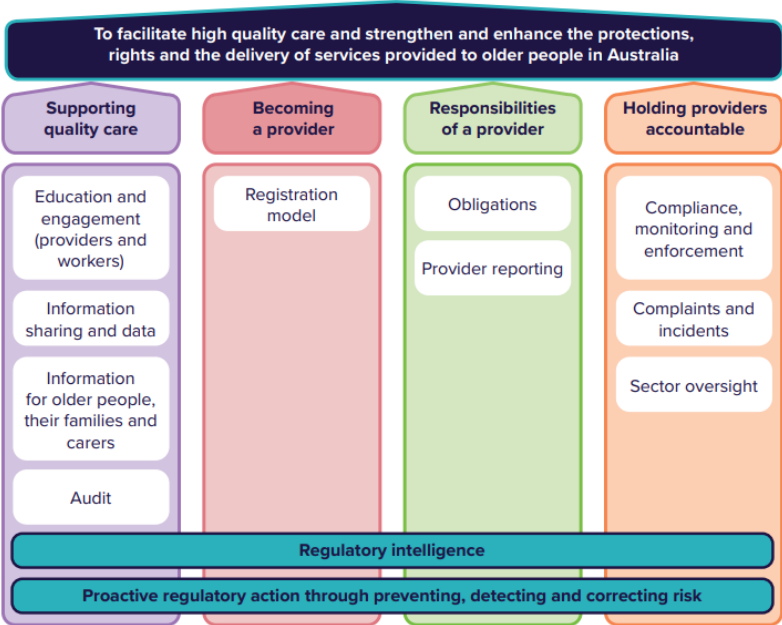
The proposed new model for regulating aged care is based on four foundations that build an approach that is:

- rights-based
- person-centred
- risk-based (risk-proportionate)
- continuous improvement based.¹⁶

This will replace the provider-centred and one-size-fits-all approach in the current regulatory framework. The aim of the model is to strengthen and enhance the protections, rights and delivery of services to older people in Australia.¹⁷ The four safeguards have guided the design of the regulatory model, which will help to ensure quality and safety for older people in Australia (see **Figure 3** below).¹⁸

Chapter 1: Introduction

Figure 3: Proposed safeguards and regulatory tools¹⁹



These safeguards can be summarised as:

- Supporting quality care – focuses on working with providers and helping the sector to lift the quality and safety of aged care service delivery
- Becoming a provider – the way entities will become an aged care provider and remain suitable to continue delivering services to older people
- Responsibilities of a provider – the obligations providers must meet to facilitate the delivery of high-quality care and enhance the protections, rights and delivery of services provided to older people
- Holding providers accountable – the ways in which outcomes for older people will be achieved by facilitating high quality care and deterring poor performance through monitoring, compliance, and enforcement activities.²⁰

The new regulatory model is primarily comprised of 5 policy elements²¹, as set out in Figure 3.

Under the proposed new Act, the Commission is responsible for exercising regulatory functions including, safeguarding functions; engagement and education functions; complaints functions; registration of providers functions including a worker screening database.

Figure 4: Elements of the proposed new regulatory model for aged care

Proposed regulatory model				
Policy element 1	Policy element 2	Policy element 3	Policy element 4	Policy element 5
Expanding the eligibility criteria to allow non-corporate entities to register as providers of Commonwealth subsidised aged care services	Shifting from a one-off provider approval system for aged care providers to a model where providers register for a specified period into one or more service categories	Strengthening the set of obligations on providers by making them more meaningful, and rationalising them down from the current set of 300 (currently underway)	A strengthened set of Quality Standards which providers of inherently higher risk services will need to meet	Moving away from a pass/fail system to graded assessments of the above requirements

Impact Analysis certification processes to date

The Department is required to prepare an IA for the proposed regulatory model for aged care, consistent with Office of Impact Analysis (OIA) guidance.²² The IA must address the 7 IA questions:²³

1. What is the policy problem you are trying to solve and what data is available?
2. What are the objectives, why is government intervention needed to achieve them, and how will success be measured?
3. What policy options are you considering?
4. What is the likely net benefit of each option?
5. Who did you consult and how did you incorporate their feedback?
6. What is the best option from those you have considered (6a) and how will it be implemented (6b)?
7. How will you evaluate your chosen option against the success metrics?

Since the regulatory model arises from the recommendations of the Royal Commission, the Department has been able to draw on this work, as well as complementary government reviews, to address the IA questions.

To date, the Department has submitted to the OIA for assessment and had certified an IA for policy elements 2 to 5, addressing most of the IA questions, except for how they will be implemented and evaluated (questions 6 and 7). The Department has also prepared a preliminary Supplementary IA, addressing IA questions for policy element 1 - expanding the eligibility criteria to allow non-corporate entities to register as providers of Commonwealth subsidised aged care services.

This supplementary analysis complements the certification by the Department that independent reviews undertook a process and analysis equivalent to an IA for certain aged care quality measures including the development of a new regulatory model for aged care. The OIA found the

Chapter 1: Introduction

scope of the certified reviews covered the policy proposal except for the element of the measure allowing non-corporations to register as a provider of Commonwealth funded aged care services.

Purpose of this Supplementary IA

The purpose of this Supplementary IA is to:

- analyse policy element 1 against the 7 IA questions
- set out how policy elements 2 to 5 will be implemented and evaluated
- provide Regulatory Burden Estimates (RBE) for the 5 policy elements.

The analysis of policy element 1 will again draw on the recommendations of the Royal Commission and previous consultation processes to answer the IA questions. It will set out potential options to address the policy problem, and identify why the preferred option has been chosen. It will also describe how the preferred policy option will be implemented and evaluated.

This Supplementary IA will set out how all of the proposed policy elements (1 to 5) will be implemented and evaluated (referred to as the best option or proposed new regulatory model for aged care). This assessment will address IA questions 6 and 7. IA question 6 seeks determination of the preferred option, as well as how it will be implemented. However, for policy elements 2 to 5, this section will be focused on implementation only as the preferred option has already been determined through the Royal Commission. The preferred option for policy element 1 will be addressed in [chapter 2](#) of this Supplementary IA.

Finally, this Supplementary IA will include the requisite RBE tables for each policy element. For policy element 1, these are set out in [chapter 2](#). For the remainder of the policy elements, the RBE tables will be captured in the [appendix](#) of this Supplementary IA.

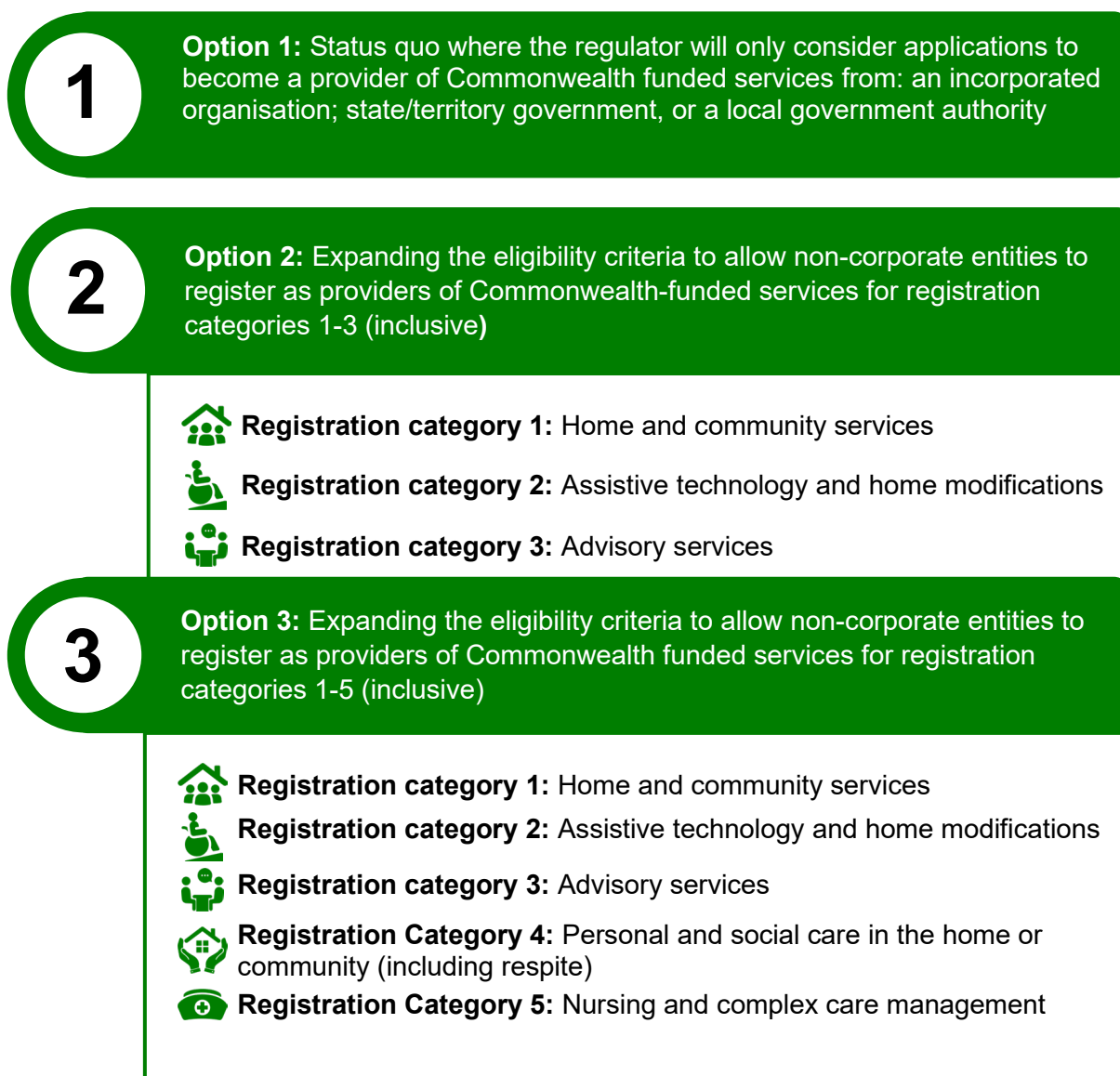
Chapter 2: Supplementary IA – Policy element 1

Overview

This chapter of the Supplementary IA sets out the overarching assumptions of the IA and the Department's assessment of policy element 1, against IA questions 1 to 6a.

This Supplementary IA considers 3 potential options against policy element 1, including status quo (option 1), non-corporations eligible for registration in some categories to provide Commonwealth funded aged care services (option 2), and non-corporations eligible to register in categories 1-5 (inclusive) (option 3). It provides an RBE for each option, assesses qualitative costs and benefits, identifies relevant stakeholder views, and details the preferred option and why.

Figure 5: Policy options for policy element 1



Assumptions

This IA has been developed based on overarching assumptions about the aged care market, the impacts of the Royal Commission and the design of the new regulatory model. These overarching assumptions are detailed in [Appendix A](#). The overarching assumptions for the RBE tables are detailed in [Appendix B](#). All regulatory burden and costing estimates are shown across the sector, over a 10-year period, unless otherwise stated.

IA Questions 1-6a

IA Question 1 – What is the problem you are trying to solve and what data is available?

The intent of options 2 and 3 in policy element 1 is to increase the supply of aged care providers and deliver greater choice to older people, potentially enabling older people to stay at home for longer. The Royal Commission noted, “older people overwhelmingly prefer to remain living in their own homes. In the current system, however, older people are not well supported in this preference.”²⁴

The Royal Commission found the current aged care system is unresponsive to the needs of older people in Australia, with many older people in Australia facing barriers to accessing the care they want and need due to the lack of availability and range of providers.²⁵ For example, 27% of respondents to the Royal Commission raised concerns about choice in the aged care market, including choice as to who provides their care.²⁶ The Royal Commission also found there is a particular lack of aged care services available outside of metropolitan areas. The Royal Commission noted, “a number of witnesses described the scarcity of aged care services and the limited choice in regional, rural and remote locations.”²⁷ Further, the Royal Commission noted that regardless of the region of Australia that Aboriginal and Torres Strait Islander people reside in, they experience limited or no choice of specialised providers.²⁸ For example, 12% of eligible Aboriginal and Torres Strait Islander people currently receive aged care as opposed to approximately 30% of eligible non-Indigenous people.²⁹ The Royal Commission reflected, “while individual needs in the aged care system have changed, and acuity in residential care has increased, controls over the supply of services and the standards of services have not properly reflected these changes.”³⁰

Without an increase in supply, this problem is likely to increase in impact as the proportion of older people is expected to grow over the coming decades. The 2023 Intergenerational report noted that over the next 40 years the demand for care and support services is expected to rise, “particularly among the growing population of over 85-year-olds.”³¹ The Royal Commission noted that the number of Australians aged 85 years and over “will increase from 515,700 in 2018–19 (2.0% of the Australian population) to more than 1.5 million by 2058 (3.7% of the population).”³²

The lack of supply of aged care services is driven in part by the absence of non-corporate entities providing services. These entities are unauthorised to become regulated providers under the current model. Based on the experience of the National Disability Insurance Scheme (NDIS), the exclusion of non-corporate entities is potentially reducing the number of providers.³³

Current estimate of non-corporations

There is no readily available data available to identify the number of non-corporations who are currently involved in delivering Commonwealth funded services under sub-contracting arrangements. Our approach estimates the number of sole traders and partnerships expected to enter the aged care market using:

1. The relative market size of the NDIS to the combined market size of the Commonwealth Home Support Programme (CHSP) and Home Care Packages (HCP) based on the number of providers (resulting in an estimated 728 new entrants).^{34, 35}
2. The proportion of the NDIS market that is comprised of registered sole traders and partnerships (resulting in an estimated 1,023 new entrants).^{36, 37}
3. The mid-point of points 1 and 2 above (resulting in 876 new entrants).³⁸

IA Question 2 - What are the objectives, why is government intervention needed to achieve them, and how will success be measured?

The objective of policy element 1 is to increase the supply of aged care services to older people in Australia, to ensure that older people have access to high quality care and achieve value for money through the choice and control to shop around for a provider. This includes the choice to remain at home and have access to providers who make that possible outside of residential care homes. It also provides a benefit to providers, by promoting an expansion of their services.

The Royal Commission recommended to the Australian Government that intervention was needed to address the lack of supply and choice in the aged care market.³⁹ This included legislative change through the creation of a new Act to regulate the provision of aged care services to older people in Australia.⁴⁰ The objectives of the new Act include enabling “people entitled to aged care to exercise choice and control in the planning and delivery of their care.”⁴¹ The Royal Commission also recommended that the new Act list the rights of people seeking and receiving aged care.

Therefore, Australian Government action is needed to promote an increase in supply of aged care services to provide older people with choice. An effective way to do this while ensuring older people receive care in a high quality, safe and caring manner (as recommended by the Royal Commission)⁴² is by expanding eligibility criteria to allow non-corporations to register to provide Commonwealth funded aged care services.

Currently, non-corporations provide their services to older people without government funding due to their ineligibility to become approved providers. Unapproved non-corporations are not incentivised to provide their services to older people because they cannot access Commonwealth funding. Enabling registration as a provider of Commonwealth funded services will promote new non-corporate providers to register into the market. It is anticipated that this increase in supply will address some of the existing inequity in service access, particularly for First Nations people and older people living outside of metropolitan areas.⁴³ Without government intervention, services provided by non-corporations will not be regulated under the new Act. Services provided by non-registered corporations are instead covered by the Australian consumer laws as are any other private transactions. This means that currently consumers of aged care services from non-corporations do not have access to the same level of protections as consumers of registered aged care providers, thereby creating disparity and inequity in the market. This is expected to have a disproportionate impact on First Nations communities and remote communities, due to the already limited number of service providers in these areas.

Further, option 2 creates the opportunity to service the aged care sector even if they are not an incorporated entity and to focus on quality care as more providers enter the aged care sector decreasing pressure in an overcrowded industry.

Measuring success

The success of the policy to allow non-corporations to enter the market will be measured in conjunction with efforts to measure the success of the new regulatory model as a whole.

In the first year of implementation of the new regulatory model, detailed data will be gathered in relation to providers within each proposed registration category. This will continue when the market is opened to non-corporations, the timing of which is currently subject to a decision of Government. Data will be gathered from new and existing sources, including from potential community sentiment surveys and Aged Care Sector Pulse Survey⁴⁴ and Consumer Experience Report.⁴⁵

This data will allow for ‘course correction’ or any necessary adjustments to the placement of providers into registration categories (based on risk and services provided), the design of the categories and the conditions and statutory duties. All providers, including non-corporations will be subject to ongoing risk-based monitoring by the Commission, the level of this monitoring will be driven by the type of care and services provided.⁴⁶

The implementation of the new model could be considered successful under a number of indicators following full implementation. An indicator of success will be a 10% average quarterly decrease in

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the average number of consumers waiting in the HCP, Short-Term Restorative Care (STRC) or CHSP¹ at their approved level, over 10 years.⁴⁷

Implementation and evaluation are further discussed in [chapter 3](#) of this Supplementary IA.

IA Question 3 - What policy options are you considering?

Three policy options to deliver policy element 1 are being considered. These include:

1. status quo, where the regulator will only consider applications to become a provider of Commonwealth funded services from: an incorporated organisation; state/territory government, or a local government authority
2. organisations seeking to deliver aged care services would be required to be registered to become Commonwealth funded aged care providers
3. expanding the eligibility criteria to allow non-corporate entities to register as providers of Commonwealth funded aged care services.

The 3 policy options reflect different regulatory and non-regulatory approaches to deliver policy element 1. This section details each option.

Note – It is anticipated that sole traders, partnerships, and other non-corporate entities will predominantly register to provide aged care services under registration categories 1-3, with some registering into categories 4 and 5, under the expanded eligibility criteria.

While not a requirement of the new Aged Care Act or related obligations, providers of residential aged care are expected to remain as constitutional corporations, or state and government entities, noting the higher risks involved in delivery of these services, the requirement of residential care providers to meet outcomes of all strengthened Aged Care Quality Standards, as well as the responsibilities of the Financial and Prudential Standards relating to providers holding refundable deposits for delivery of aged care services.

As a result, the impact of the three options on residential aged care is not considered in this portion of the analysis.

¹ To become the Support at Home program following full implementation no earlier than 2027

1

Option 1: Status quo where the regulator will only consider applications to become a provider of Commonwealth funded services from: an incorporated organisation; state/territory government, or a local government authority

Under option 1, applications to become a provider of Commonwealth funded services from non-corporations would not be considered by the regulator under the new regulatory model. Instead, eligibility would be limited to existing service providers, the majority of which include state and territory governments, local government authorities and incorporated organisations.

Non-corporations would still be able to provide services similar to those provided in aged care under this option. However, such services would be operated on a private basis and they would not be eligible for Commonwealth funding or regulated under the new Aged Care Act. Ineligibility for funding may create disincentives for non-corporations to enter the sector and service aged care. This also means the regulator, the Commission, would not have oversight and authority to act on complaints from older people Australians, their families and carers, the aged care workforce, and the public regarding unregistered sole traders and partnerships. This also means that older people who privately fund services utilising unregistered providers would not be eligible to receive the same level of protections as older people who use services from registered aged care providers. This would extend to expected standards of care and feedback and complaints handling mechanisms.⁴⁸ Non-corporations which provide aged care services would continue to be regulated under Australian consumer law, under the Australian Competition and Consumer Commission (ACCC).⁴⁹ These rights include that the services are delivered with due care and skill, that the services provided are fit for a particular purpose, and that they are provided within a reasonable time.⁵⁰ This is inconsistent with some other aged care services, which are regulated by both the ACCC and the Commission.

Under this option, non-corporations are able to deliver services in a subcontracting arrangement under a registered provider. The registered provider is responsible for ensuring that all subcontracted personnel comply with relevant regulations, including the Aged Care Code of Conduct. However, the government will not have direct regulatory oversight of the performance of sub-contractors, and will not be able to pursue them for non-compliance with the new Aged Care Act.

2

Option 2: Expanding the eligibility criteria to allow non-corporate entities to register as providers of Commonwealth-funded services for registration categories 1-3 (inclusive)



Registration category 1: Home and community services



Registration category 2: Assistive technology and home modifications



Registration category 3: Advisory services

Under option 2, non-corporations who wish to provide Commonwealth-funded aged care services for registration categories 1 to 3 (see [Table 2](#) below) would be eligible to register as an aged care provider. For services captured by categories 4 and 5, non-corporations would be able to provide similar services on a private basis but would not be eligible to register as an aged care provider and access Commonwealth funding to provide the service. Under this option, services delivered by non-corporations in categories 4 and 5 on a private basis will not be regulated under the Commission.

Non-corporations, including sole traders and partnerships, would be eligible to register to provide aged care services for registration categories 1 to 3 which are all subject to the overarching provider obligations:

- Category 1: Home and community services. This category includes domestic assistance, home maintenance and repairs, meals and nutrition and transport services.
- Category 2: Assistive technology and home modifications. This category includes goods, equipment and non-digital assistive technologies, and home modifications.
- Category 3: Advisory services. This category includes basic care, assistance with care and housing, and specialised support services.

Table 2: Services provided by proposed registration categories 1 to 3⁵¹

Service types	Rationale for grouping services into this registration category
Provider: Registration category 1 Home and community services	
Domestic assistance	Services delivered under this category include communication, companionship, housework, meal preparation, home maintenance, and movement assistance around and outside of the house, e.g., stairs and transport.
Home maintenance and repairs	Workers generally require access to the older person, their homes, and some of their personal information. Service provision can require communication and coordination with other family members and care providers (where this is the older person’s preference).
Meals and nutrition	Providers within this category do not require clinical skills or qualifications to effectively perform their work. These services are readily available within the private market.
Transport	Other agencies regulate the services provided in this category, including via Australian consumer law. A system of mutual recognition of regulatory requirements will be implemented to reduce red-tape and ensure older people’s safety.
Provider: Registration category 2 Assistive technology and home modifications	
Goods, equipment and assistive technologies (non-digital)	Services involve the provision of equipment, aids, and modifications to assist the older person in activities of daily living. Provision of equipment/modifications is often one-off (e.g., home modification) or for a time-limited period (e.g., while the provider is working with the person to identify the most appropriate aid and assisting them in using it).
Home modifications	Some of the risks relating to aids, equipment and home modifications are managed by other regulators (e.g., compliance with building codes, fair trading legislation, and medical devices regulation).
Provider: Registration Category 3 Advisory services	
Assistance with care and housing	Services include specialised or tailored services for a specific condition, management of appropriate services to support independence and wellbeing, and supports to ensure the older person lives in safe and habitable accommodation, through the provision of assistance with hoarding and squalor. Workers generally require ongoing access to the older person, their homes, and their personal information. Service provision requires ongoing communication and coordination with other family members and care providers (where this is the older person’s preference). There will likely be a focus on coordination of care, including with other service providers and medical practitioners. Other agencies regulate the services provided in this category, including via Australian consumer law. A system of mutual recognition of regulatory requirements will be implemented to reduce red-tape and ensure older people’s safety.

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Option 2 proposes non-corporations that register as Commonwealth funded aged care providers are regulated under the new Aged Care Act for the delivery of services provided under registration categories 1 to 3. This is because categories 1, 2 and 3 reflect the delivery of services which sole traders and partnerships are most likely to register to provide and encompass the least comparative risk to older people. Sole traders and partnerships are most likely to provide services under categories 1, 2 and 3 due to the administrative and compliance burden of meeting the Aged Care Quality Standards as required of categories 4 and 5.

For option 2, the Commission will assess the suitability of a provider to deliver the service(s) they intend to provide at registration.⁵² Considerations that are likely to be part of the registration process include the suitability of the applicant to provide the services for which they seek registration, including their:

- demonstrated understanding of the services, including appropriate experience in providing aged care or other forms of care
- ability to meet the conditions that will apply to their registration and the systems they have in place to ensure they do so including worker screening requirements
- appropriateness to provide services to older people depending on their needs, including culturally safe and appropriate care for First Nations people
- compliance with Commonwealth, state and territory laws; record of financial management and proposed arrangements for ensuring sound financial management; past performance and whether they have ever had a banning order applied to them.⁵³

The sole traders and partnerships that register under categories 1, 2 and 3 would be regulated under the new Aged Care Act. This would enable the regulator, to monitor the delivery of these services to older people and ensure compliance with legislative and regulatory instruments. The Commission would have oversight and authority to act on complaints regarding registered sole traders and partnerships from older people in Australia, their carers' and families, the aged care workforce, and the public. Older people who access services from registered non-corporations would have access to higher standards of service, and the Commission's feedback and complaints handling mechanisms.⁵⁴ Under this option, the Commission and Department has avenues for recourse if a provider does not meet their obligations under the new Aged Care Act.

Under option 2, sole traders and partnerships could provide services under categories 4 and 5 without registration. These non-corporates would be able to provide their services to older people in Australia but would not have access to government funding and would not be regulated under the new Aged Care Act. They would be regulated under national consumer laws, and the ACCC. These providers would not receive government funding to deliver their services.

Under this option, non-corporations are also able to deliver services in a subcontracting arrangement under a registered provider. The registered provider is responsible for ensuring that all subcontracted personnel comply with relevant regulations, including the Aged Care Code of Conduct.

Overall, option 2 is likely to deliver a larger number of providers to choose from depending on their lifestyle and personal preference, and ability to stay in the comfort of their own home all the while having the assistance that they require.

3

Option 3: Expanding the eligibility criteria to allow non-corporate entities to register as providers of Commonwealth funded services for registration categories 1-5 (inclusive)



Registration category 1: Home and community services



Registration category 2: Assistive technology and home modifications



Registration category 3: Advisory services



Registration Category 4: Personal and social care in the home or community (including respite)



Registration Category 5: Nursing and care management

Under option 3, non-corporations are eligible to register to deliver Commonwealth funded services under registration categories 1 to 5 (details of registration categories outlined in **Figure 6**). These non-corporations, including sole traders and partnerships, are to be subject to the Aged Care Code of Conduct, the relevant Aged Care Provider Obligations, Conditions and Statutory duties, and Aged Care Quality Standards per registration category requirements.⁵⁵ This option incorporates option 2, with expansion across all applicable registration categories (excluding registration category 6).¹

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Figure 6: Registration categories under new aged care regulatory model

Registration category	Service description	Aged Care Quality Standards
Registration category 1: Home and community services	<ul style="list-style-type: none"> • Domestic assistance • Home maintenance and repairs • Meals and nutrition • Transport 	Not applicable
Registration category 2: Assistive technology and home modifications	<ul style="list-style-type: none"> • Goods, equipment and assistive technologies (non-digital) • Home modifications 	Not applicable
Registration category 3: Advisory services	<ul style="list-style-type: none"> • Assistance with care and housing 	Not applicable
Registration category 4: Personal and social care in the home or community (including respite)	<ul style="list-style-type: none"> • Allied health • Personal care • Social support and community engagement • Flexible, centre based and cottage respite 	Standard 1: The Person Standard 2: The Organisation Standard 3: The Care and Services Standard 4: The Environment
Registration category 5: Nursing and care management	<ul style="list-style-type: none"> • Nursing • Care management • Restorative Care Management • Transition Care Management 	Standard 1: The Person Standard 2: The Organisation Standard 3: The Care and Services Standard 4: The Environment Standard 5: Clinical Care
Registration category 6: Residential care	<ul style="list-style-type: none"> • Accommodation and everyday living • Care and services • Residential respite 	Standard 1: The Person Standard 2: The Organisation Standard 3: The Care and Services Standard 4: The Environment Standard 5: Clinical Care Standard 6: Food and Nutrition Standard 7: The Residential Community

Registration categories 1 to 5 encompass the services which sole traders and partnerships will be able to deliver under the new regulatory model. Based on the NDIS experience, sole traders and partnerships are primarily expected to register under categories 1 to 3 due to organisational

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regulatory burden and the obligations expected of providers under the new model. Option 3 has the most comprehensive oversight of providers, with risk-proportionate obligations based on registration category and provider type. The obligations will be legislated within the new Aged Care Act. Under this option, the regulator has authority to investigate and action complaints or areas of concern with all providers. This is anticipated to be of the greatest benefit to consumers and meets community expectations.⁵⁶

At registration, considerations that are likely to be part of the registration process include the suitability of the applicant to provide the services for which they seek registration, including their:

- demonstrated understanding of the services, including appropriate experience in providing aged care or other forms of care
- ability to meet the conditions that will apply to their registration including worker screening requirements and the systems they have in place to ensure they do so, for example to ensure they can comply with any applicable Quality Standards and Financial and Prudential Standards
- appropriateness to provide services to older people depending on their needs, including culturally safe and appropriate care for First Nations people
- compliance with Commonwealth, state and territory laws; record of financial management and proposed arrangements for ensuring sound financial management; past performance and whether they have ever had a banning order applied to them.⁵⁷

Table 3 below compares the eligibility of non-corporations to register to provide aged care services per policy option.

Table 3: Eligibility of non-corporations to register per policy option

	Category 1	Category 2	Category 3	Category 4	Category 5	Category 6
Policy option 1						NA
Policy option 2	✓	✓	✓			NA
Policy option 3	✓	✓	✓	✓	✓	NA

Under this option, non-corporations are also able to deliver services in a subcontracting arrangement under a registered provider. The registered provider is responsible for ensuring that all subcontracted personnel comply with relevant regulations, including the Aged Care Code of Conduct. Non-corporations who are subcontractors will not directly be subject to the same regulatory requirements as registered non-corporations. The Commission however will target registered providers which may be non-compliant due to services delivered by a subcontractor, and enforce non-compliance with the new Aged Care Act.

Under option 3 it is anticipated that sole traders, partnerships, and other non-corporates will predominantly register to provide aged care services under registration categories 1-3, with some registering into categories 4 and 5.

While not a requirement of the new Aged Care Act or related obligations, providers of residential aged care under Option 3, are expected to remain as constitutional corporations, or state and government entities. This is due to the higher risks involved in delivery of these services, the requirement of residential care providers to meet outcomes of all strengthened Aged Care Quality Standards, as well as the responsibilities of the Financial and Prudential Standards relating to providers holding refundable deposits for delivery of aged care services.

IA Question 4 - What is the likely net benefit of each option? Including economic, social, competition or any other relevant costs and benefits.

This section undertakes an impact analysis for each policy option of policy element 1. This includes an assessment of the benefits and costs for each policy option, including RBE. The RBE are developed consistent with the OIA’s Regulatory Burden Measurement Framework⁵⁸, presenting regulatory costs as average annual impacts over a 10-year period. RBE are calculated for businesses, community organisations and individuals, as well as total regulatory costs, for each policy option.

To guide our impact analysis, we have identified 5 key areas for analysis. These include:

- quality and safety
- market outcomes
- regulatory burden
- government administration
- policy context.

Table 4: Areas of analysis

Analysis area	Description
Quality and safety	Considers how the proposed option contributes to the quality and safety outcomes for older people in Australia.
Market outcomes	Assesses the impact to the market of the proposed option, including market entry and choice.
Regulatory burden	Estimates the regulatory burden on businesses, community organisations, and individuals as a result of the proposed option.
Government administration	Considers the impact of the proposed option on government administration, including efficiency of service delivery.
Policy context	Assesses how the proposed option aligns with the Royal Commission, and other relevant government policies.

As part of this analysis, we consider three established indicators in the health sector to quantitatively estimate the costs and benefits of the policy options for policy element 1. These indicators are complaints, potentially preventable hospitalisations (PPH) and incidents in residential aged care (RAC) facilities. Other data that may have been useful for assessing the impact of the proposed policy options include quality of life benefits. However, no established data set was identified to support a quantitative analysis of this indicator, so it hasn’t been used.

In addition to sole traders and partnerships, our impact analysis also considers the impacts of the policy option on a number of stakeholder groups, including:

- Government
- Older people in Australia
- Non-corporations
- Older people in First Nations communities
- Older people in Australia living outside of metropolitan communities.

1

Option 1: Status quo where the regulator will only consider applications to become a provider of Commonwealth funded services from: an incorporated organisation; state/territory government, or a local government authority

Overall impact

Option 1 maintains the status quo, preventing non-corporations from registering to provide aged care services. It delivers a zero-cost regulatory burden but does not increase consumer choice by enabling a range of providers to enter the market who may have been excluded previously nor align with the Royal Commission's or Australian Government's policy objectives.⁵⁹ A summary of the impacts is outlined below, categorised by impact analysis area under benefits and costs.

Benefits

Market outcomes

Under the status quo, older people, their families, and carers, will not be required to learn to navigate a new provider system. Older people, their families, and carers would continue accessing services delivered by approved providers within the aged care sector, without being required to learn and understand the impact of sole traders and partnerships entering the aged care market. The aged care sector is complex, and reducing new components for older people, their families, and carers to navigate will reduce the overall burden of the new regulatory system.

Older people, their families, and carers could continue to engage services provided by sole traders and partnerships which are not Commonwealth funded. The services provided by non-corporations will not be regulated under the new Aged Care Act. Older people engaging these services will be covered by Australian consumer law.

Non-corporations will continue to provide older people without government funding services. These providers will not be required to undergo registration, including learning about the new model and their obligations and responsibilities as providers regulated under the Aged Care Act. They will not have to pay ongoing costs associated with the registration and compliance as registered providers with the Aged Care Act.

Providers who subcontract their services under an approved provider will incur no change under this option (as in option 2 and 3). However the Commission notes it has and will continue to conduct regulatory activities that target approved providers resulting from sub-standard care provided by subcontractors.

Existing providers will not face a market expansion. Under this option, it is anticipated that the number of providers will not substantially increase. Competition will not substantially change under this option, maintaining existing market share for current providers.

Regulatory burden

Under option 1, non-corporations would not face any additional regulatory burden but they would not be able to provide government-funded aged care services. These businesses would continue to provide similar services on a private basis and be subject to existing consumer law. This is considered a continuation of business as usual costs, as per the Regulatory Burden Measurement Framework.⁶⁰ Thereby translating to a \$0 RBE for business, community organisations and individuals. Although this option aligns with the project benefit of "low regulatory burden" for providers and Commission, it does not deliver on "higher quality care" for older people. It also maintains the anticipated costs expected to arise under the status quo from potentially preventable hospitalisations, incidents, and complaints, estimated is \$9,651 million over a ten-year period across the aged care sector (discussed further in this section). However, it is noted there may be some impact on non-corporations who exist in subcontractor arrangements with registered providers.

Further detail regarding the RBE for policy option 1 is set out in [Appendix B](#)

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Table 5: Identified regulatory costs for policy option 1

Regulatory costs (\$)	Year 1	Years 2 – 10 (per year)
Market entry - time to register (and renew registration) provider entity (new entrants)	\$0	\$0
Substantive compliance - education and training for providers and staff	\$0	\$0
Delay costs	\$0	\$0
Total	\$0	\$0

Table 6: Regulatory burden estimate table for policy option 1

Average annual regulatory costs (from business as usual over 10 years)				
Change in costs (\$)	Business	Community organisations	Individuals	Total change in costs
Total, by year / sector				
Year 1 – year 10	\$0	\$0	\$0	\$0
Total 10 year cost	\$0	\$0	\$0	\$0
Average cost over 10 years	\$0	\$0	\$0	\$0

Table 7: Regulatory burden estimate table for policy option 1 - total by sector

Average annual regulatory costs (from business as usual over 10 years) – Change in costs				
Change in costs (\$)	Business	Community organisations	Individuals	Total change in costs
Total, by sector	\$0	\$0	\$0	\$0

Government administration

The Australian Government would not have to establish and implement a new regulatory regime for non-corporations. This would avoid implementation costs, such as designing a communications campaign to inform non-corporations about their eligibility to register and provide Commonwealth-funded services.

Costs

Quality and safety outcomes

Non-corporations who provide aged care-style services won't be subject to the new Aged Care Act, including safety and quality standards except for those non-corporate operators subcontracted by an approved provider. Additionally, this would mean some existing CHSP and NATSIFAC providers could not be regulated under the new Act. This means older people in Australia who use services from non-corporations, who would have registered under the new regulatory model will not be afforded the same level of protections as those using registered providers. The Commission and

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the Department will also have no recourse for non-corporations who behave inconsistently with aged care quality and safety regulatory requirements. This does not support increasing older people, their families and carers' confidence in the sector.

Potentially preventable hospitalisations (PPH)

Evidence suggests that continuity of care leads to better health outcomes and quality of life for older people, including in reducing hospitalisation and presentation at emergency departments.⁶¹ One of the intended benefits of the new aged care regulatory model, not realised by Option 1, is that there is greater availability of services for older people to help them maintain health and so avoid the need for hospital services. Increased availability of services in the community will also help avoid the need for people to enter residential aged care.

A recent Australian Medical Association report found a tendency for nursing homes to transfer older people to a hospital even if primary care services are more appropriate to resolve the issue, including for minor injuries, skin disorders and urinary tract infections and even when it is not in the best interests of the resident.⁶² Access to overall primary health care within the context of aged care service delivery can be fragmented. Residents in residential aged care may be unable to access primary care from their original general practitioner due to dissonance between the primary care and aged care systems. Timely access to primary and allied health care services while receiving care and services through aged care – both in the community and in residential aged care – is key to promoting health and wellbeing for older Australians.

Accessing a general practitioner whilst in residential age care can also be difficult, as many practitioners do not visit aged care facilities.⁶³ Older people in regional and rural locations also face barriers in timely access to primary care and other services due to reduced coverage, and long wait times, in their location.⁶⁴ This can result in aged care recipients accessing the care they need through a hospital or emergency department.⁶⁵

This places an avoidable burden on the government funded health care system and individuals themselves. While many hospital admissions are necessary and unavoidable, some individuals may require hospital care for conditions that could have been effectively managed and treated in the community. Such hospital admissions are referred to as Potentially Preventable Hospitalisations (PPHs) and are often used as a proxy measure of primary care effectiveness, with higher rates suggesting lack of timely, accessible, and adequate care. Australians aged 65 years and above make up 46% of all PPHs, and rates increase with increasing geographic remoteness and socioeconomic disadvantage. Data from a 2023 Australian Institute of Health and Welfare report suggest that, in 2017-18, there were 345,835 PPHs in people aged 65 years and above, 61% attributed to chronic conditions and 29% acute conditions. This is equivalent to 9,121 PPHs per 100,000 people.⁶⁶ These admissions resulted in 1,844,859 hospital bed days or an average of 5.3 days per PPH. The average cost per hospital admission (in 2023-24 prices) is estimated at \$6,032.⁶⁷ The burden of this cost rests predominantly with the government although individuals incur opportunity costs associated with their time spent in hospital. Evidence on rates of PPH for those receiving government aged care services is limited. Given those accessing aged care services are the more frail in their cohort and that, the Royal Commission found 1 in 3 older people received substandard care within the aged care system, it is plausible to assume that rates of PPH are higher, up to 10% higher in community dwelling and 20% higher in RAC facilities.

Reporting Incidents

Since 1 April 2021, RAC providers have been required to notify the Commission about 8 types of reportable incidents through the Serious Incident Response Scheme.⁶⁸ This includes incidents that happen or are alleged or suspected to have happened in connection with the provision of care to a person receiving aged care.⁶⁹ The scheme was expanded to include all providers of home services in December 2022.⁷⁰ The Home Services Serious Incident Response Scheme includes services provided under home care packages, the CHSP, and flexible care delivered in a home or community setting, including: — Multi-Purpose Services (MPS) — Short Term Restorative Care (STRC) — the Transition Care Program (TCP) — the National Aboriginal and Torres Strait Islander Flexible Aged Care Program (NATSIFACP), and will include the Support at Home Program following commencement.⁷¹

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The Commission monitors and responds to incident notifications. The regulatory actions taken depend on the incident, the risk of harm to aged care consumers, steps that the provider has taken or will take appropriate action relating to the reportable incident and the circumstances surrounding it. As acknowledged by the Commission, the number of serious incident notifications does not necessarily relate to the number of instances of harm to a person receiving aged care as reports can include multiple notifications of the same issue, allegations of incidents or situations where there was an incident without injury.⁷²

In a recent report from the Aged Care Quality and Safety Commission, for the period July 2022 – June 2023, a total of 49,461 RAC incidents were lodged, equivalent to 25.52 per 100 RAC consumers.⁷³ For the first 12 months of the Home Services Serious Incident Response Scheme (January 2023 - December 2023), there were 4,083 incidents lodged, equivalent to 0.38 incidents per 100 home service consumers. Commission data suggests that 85% of SIRS take 0.7 hours of Commission effort, 6% requiring follow-up taking 3.3 hours in total, and 9% of SIRS require follow-up and monitoring and take 8.7 hours of Commission effort.

Market outcomes

The number of non-corporations that are providing aged care services are unlikely to materially increase without regulatory changes to allow access to Commonwealth-funding. While some services may be offered on a private basis, in the absence of government funding these services are likely to be beyond the financial means of many older people and will not be as financially attractive to potential providers. For some service types, the assurance provided by the aged care regulatory scheme may also increase the likelihood that an older person chooses to take up a particular service.

With little or no increase in providers, choice for older people in Australia, particularly populations outside of metropolitan regions and for First Nations people, is unlikely to increase. As a result, the status quo will continue, whereby the aged care sector does not provide consumers with enough choice in their care, as evidenced by the Royal Commission.⁷⁴

Under this option providers would be unable to comprehensively service older people in Australia, with substantial wait times for care and many Australians receiving a lower intensity of care than what they are identified as needing.⁷⁵ This will be heightened in regional and rural areas, where there is high inequity in service availability and access.⁷⁶

As the Australian population ages, sector market growth is unlikely to remain sustainable. This is due in part to slower population growth, coupled with an anticipated slower average rate of economic growth.⁷⁷ Our ageing population in combination with our slowed population growth will reduce the comparative working age population, diminishing the available population to provide care for older people.⁷⁸ These changes are likely to increase financial and social burden on the Australian government and Australian public, increase inequity in care access, and decrease quality and safety of care offered due to workforce shortages.⁷⁹ Providers may also leave the sector due to ongoing workforce pressures, further reducing service provision particularly if paired with continued restrictions on the entry of non-corporations to the regulated aged care system.⁸⁰

Policy context

Option 1 does not implement or reinforce any of the recommendations of the Royal Commission. The Royal Commission recommended a structural shift in the sector to improve the choice and diversity of services available for older people in Australia,⁸¹ and to ensure equity of access to older people.⁸²

The status quo is inconsistent with the proposed Support at Home Program. Under the current CHSP, providers who receive grants to deliver care under the program are not required to be corporations. This is anticipated that CHSP providers will be regulated under the new Aged Care Act from its commencement although they will continue to be grant funded until at least 2027. Under this option, non-corporations who are currently grant funded through CHSP would either be required to cease service delivery and leave the sector from the commencement of the new Act.

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Government administration

This option provides for 3 regulatory classes of provider organisations – registered providers (corporations) receiving government subsidies, non-registered (corporations and non-corporations) who may offer services on private basis only, and grant funded providers to the extent they operate outside the aged care act. Older people will be able to access services provided by non-corporations equivalent to categories 1-5, but the services delivered will not be regulated by the Commission, nor would they be funded by the Government. This may create confusion across older people about which service is regulated by the Commission, and which services are government funded. This may lead to administrative inefficiencies, such as the Commission having to manage out-of-scope enquiries and complaints from users of aged care services. It is noted that this will occur across each option, as non-corporate entities must elect to become regulated providers. The status quo is also likely to maintain costs arising from the current trajectory of complaints to the Commission, resulting in high administrative burden for government.

Complaints

It is a legislative requirement under the Aged Care Act 1997, the new Aged Care Act, and the Aged Care Quality Standards that every service has an internal complaints and feedback management system.⁸³ Standard 6 of the Quality Standards makes clear that people receiving aged care have a right to feel safe and be supported to give feedback and make complaints.⁸⁴ It also states that providers must take appropriate action to respond to complaints.⁸⁵ In addition to providers' responsibilities, the Commission monitors and responds to complaints. The regulatory actions taken in response to complaints depend on the nature of the complaint. In a recent report from the Commission, for the period July 2022 – June 2023, a total of 5,077 RAC complaints and 4,015 home care services complaints were received, equivalent to 2.66 complaints per 100 RAC consumers and 0.37 complaints per home service consumers.⁸⁶ Although the Commission notes that high or low complaint numbers are not, by themselves, a measure of good or poor service delivery, they nevertheless result in a cost to the government (via the regulator), the provider and individuals receiving aged care. Commission data suggests the average time of effort per complaint is 32.6 hours; 97.5% of complaints take 27.9 hours of Commission effort; and 2.4% taking 225.5 hours of effort.

Overall, the anticipated costs of maintaining the status quo arising from PPH, incidents, and complaints over a ten-year period is \$9,651 million across the aged care sector (Table 8).

Table 8: Cost of status quo across the aged care sector over 10 years

Financial year	PPH	Complaint	Incidents	Total
2022-23	\$782,311,336	\$40,871,968	\$11,742,729	\$834,926,032
2023-24	\$809,228,870	\$42,278,278	\$12,146,769	\$863,653,917
2024-25	\$836,595,205	\$43,708,036	\$12,557,546	\$892,860,787
2025-26	\$865,422,957	\$45,214,146	\$12,990,259	\$923,627,363
2026-27	\$893,937,536	\$46,703,895	\$13,418,272	\$954,059,703
2027-28	\$922,013,537	\$48,170,729	\$13,839,701	\$984,023,967
2028-29	\$948,551,277	\$49,557,197	\$14,238,040	\$1,012,346,514
2029-30	\$972,692,340	\$50,818,450	\$14,600,405	\$1,038,111,196
2030-31	\$995,189,502	\$51,993,818	\$14,938,094	\$1,062,121,414
2031-32	\$1,016,693,983	\$53,117,323	\$15,260,883	\$1,085,072,189
Totals	\$9,042,636,543	\$472,433,840	\$135,732,698	\$9,650,803,082

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The costs associated with PPHs, complaints and incidents are estimated to cost \$835 million in 2022-23. Based on [assumptions](#) set out in this Supplementary IA, by 2031-32 this will increase to \$1,085 million. The total cost without aged care reform is estimated to cost \$9,651 million. The equivalent net present value (NPV) of this total (using a 7% discount rate, consistent with OIA advice) is estimated at \$6,668 million, or \$666.8 million average annual cost (from business as usual over 10 years).

This status quo estimate is considered conservative for several reasons. First, PPHs do not account for readmissions to hospital, complications, or death while in hospital. An Australian Institute of Health and Welfare report examining the interface between aged care and health, reports that hospital is the most common place of death (50% of deaths), followed by residential aged care (36% of deaths).⁸⁷ One in 4 (27%) older people who died in RAC had used a hospital within a month of death. For community dwelling aged care individuals, hospital admission is also a precursor for admittance to a RAC. Older people want to stay in their own homes longer and have increasingly been able to do so because more community care is now available. However, aged care needs to be of high quality to avoid unnecessary PPHs, and to reduce the burden on the broader health system. Second, the status quo monetarises complaints and incidents. It is acknowledged that the Commission is responsible for other regulatory mechanisms to monitor providers and safeguard consumers. These responsibilities require resources and would add to the current cost associated with the status quo.

Stakeholder impact

The benefits and costs of option 1, per key stakeholder, are set out below. Broadly, option 1 provides no or limited benefits to older people in Australia, particularly in our First Nations communities and older people in Australia living outside of metropolitan communities. However, limited or no regulatory burden is imposed on providers since there is no change in the regulatory regime.

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Table 9: Key stakeholder impacts of policy option 1

Government	Older people in Australia	Non-corporations	Older people in our First Nations communities	Older people in Australia living outside of metropolitan communities	Existing providers	Aged care workforce
Option 1 benefits						
Reduces scope of regulatory reform work program (time and money saved)	Not required to learn to navigate new provider type	No registration or additional compliance costs	Not required to learn to navigate new provider type	Not required to learn to navigate new provider type	Does not increase market competition within the sector Does not impact subcontracting arrangements	No new service requirements to comply with

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Government	Older people in Australia	Non-corporations	Older people in our First Nations communities	Older people in Australia living outside of metropolitan communities	Existing providers	Aged care workforce	Carers
Option 1 costs							
Resources may be required to manage user confusion about the different entitlements between registered and non-registered providers and Commission's complaints	<p>Limited choice in aged care providers</p> <p>Likely to maintain wait length time for care</p> <p>Receive less care intensity than assessed as needing</p> <p>Limited options to switch providers if unhappy with service of current provider</p> <p>Does not increase confidence in the sector</p>	Maintains broader exclusion from the aged care market, including being compelled to subcontract under a registered provider in current model	<p>Does not address lack of access and choice in aged care services identified by Royal Commission</p> <p>Does not increase confidence in the sector</p>	<p>Does not address lack of access and choice in aged care services identified by Royal Commission</p> <p>Does not increase confidence in the sector</p>	<p>Management of long wait lists</p> <p>Maintains current workforce shortages</p> <p>Management of NATSIFAC and CHSP</p>	For existing staff, no reduction in workloads due to no/limited change in supply	<p>No reduction in aged care services search costs for carers</p> <p>Maintaining current trajectory of increased support required for carers over time</p> <p>Does not increase confidence in the sector</p>

2

Option 2: Expanding the eligibility criteria to allow non-corporate entities to register as providers of Commonwealth-funded services for registration categories 1-3 (inclusive)



Registration category 1: Home and community services



Registration category 2: Assistive technology and home modifications



Registration category 3: Advisory services

Overall Impact

Option 2 implements findings and recommendations of the Royal Commission. The recommendations best reflected in this option are recommendations 92 and 93. Recommendation 92, the approval of providers, asserts that the new Aged Care Act should encompass new approval requirements for all providers to ensure they are suitable, viable and capable to deliver the services they receive funding for.⁸⁸ Under the recommendation, providers would seek approval from the Commission to provide specific kinds of aged care services. Recommendation 93, accreditation of high-level home care services, asserts that the new Aged Care Act should require a home care service that provides care management, personal care, clinical care, enabling and therapeutic care, or palliative and end-of-life care to be accredited to receive Australian Government subsidies. The recommendation states that the Commission should have the power to limit the services a provider can deliver through the approval, accreditation, and sanctions process.⁸⁹

Organisations seeking to deliver aged care services would be required to be registered to become Commonwealth funded aged care providers. This incorporates overarching Royal Commission recommendations to improve the choice and diversity of services available for older people in Australia when seeking care, including Recommendation 2, which states that people seeking aged care should have the explicit right to equitable access to services and the right to exercise choice.⁹⁰ This option is anticipated to create new providers within the sector, and therefore introduce more choice for older people in Australia. Expanding the eligibility for sole traders and partnerships to provide services in categories 1 to 3 will enable greater market participation for these providers.

This option would enable significant regulatory oversight of non-corporate registrants who provide care services associated with lower comparative risk to older people in Australia. This option would align more closely with the new in-home care policy, wherein provider registration is not limited to corporate entities. However, inconsistencies would remain between these policies and would likely to be detrimental to the regulator and the market, by generating confusion and opportunity for inconsistent management by both providers and government.

The estimated annual regulatory burden for businesses under this option is \$1,849,961 across the sector, over 10 years. The regulatory burden estimate for community organisations under this option is \$0, and the regulatory burden estimate for individuals under this option is \$0 over 10 years.

Benefits

Quality and safety

Under option 2, the Commission would have oversight over non-corporate entities providing services that encompass the majority of services within the aged care system which sole traders and partnerships could reasonably provide. Categories 1 to 3 are subject to the overarching provider obligations. Sole traders and partnerships who register under this option will be required to demonstrate compliance with overarching obligations, including the Aged Care Code of Conduct, relevant worker screening, complaints management, incident management and reporting, fees,

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disclosures, continuity of care, service planning and record keeping under the new Aged Care Act, and general obligations associated with achieving and maintaining registration.⁹¹ This option ensures that the largest component of the market that is likely to be utilised by sole traders and partnerships, is regulated by the Commission under Aged Care Act. This will enable recourse and regulatory intervention for non-compliant providers. Provider accountability under this option is anticipated to increase older people's confidence in the aged care sector, as the vast majority of services are subject to ongoing monitoring and oversight by the regulator. Sole traders and partnerships which are under subcontracting arrangements with existing registered providers can register in their own right under this model. These providers will be subject to regulatory oversight by the Commission.

Categories 1 to 3 encompass the least comparative risk to older people, as compared to registration categories 4 to 6. Under categories 1 to 3, providers are not required to have direct and ongoing clinical contact with older people. Services delivered in categories 1 to 3 do not require specialised clinical skills or education to be safely and effectively delivered to older people.

Option 2 will also moderately benefit consumer safety by increasing competition within the market for categories 1 to 3. Under this option, providers will be incentivised to become a provider of choice with older people, their families, and carers. To remain competitive, it is expected that existing and new providers will need to demonstrate high quality service offerings to older people and their carers, including how their service promotes safety and wellbeing. It is expected this will promote a more quality improvement focused culture within the sector.

Further, option 2 creates the opportunity to service the aged care sector even if they are not an incorporated entity and to focus on quality care as more providers enter the aged care sector decreasing pressure in an overcrowded industry.

Market outcomes

As most sole trader and partnerships are anticipated to register into categories 1, 2 and 3, the impact of expanding the eligibility of providers is expected to substantially increase the number of providers in the sector. It is estimated that 876 new providers would enter the market in the first year under this option, based on estimates from market entry for the NDIS scheme of non-corporations (refer to current estimate of non-corporations above for further detail).

The increase in workers and providers into the sector is anticipated to reduce the impact of aged care worker shortages, improving sector workforce sustainability. It is expected that sole traders and partnerships providing services in categories 1 to 3, in other similar markets, including those registered as providers for the NDIS, will enter into the aged care sector under this option.

Increasing the number of providers available is anticipated to substantially improve the range of services for older people in Australia. This includes service provision in regional and rural locations, where there is great inequity in available care for older people in Australia as compared to higher density areas.⁹² This will increase the likelihood of older First Nation peoples being able to access care on Country. This will enable them to return or remain on Country whilst accessing the care they need.

Increasing the market availability of providers under the new regulatory model may also reduce associated wait times in accessing care due to the greater number of available services and enable older people to switch providers more readily.⁹³ Under this option, older people in Australia would also have opportunity to switch providers should their contracted services be inappropriate or dissatisfactory following full implementation of the new regulatory model, including the new Support at Home program (including incorporation of the CHSP into Support at Home) not before 2027.

Option 2 also supports older people to stay at home due to the increased access to providers delivering services in categories 1 to 3. Under this option, older people are expected to access a greater number and range of providers. This enables providers to support the older people in their care in their own homes based on their needs and preferences. This reduces the need to move into residential care as they are receiving the level of care required at home. This option supports older people to maintain their independence for longer.

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Allowing non-corporate entities to register as providers under categories 1, 2 and 3 will enable greater economic participation for these providers. Non-corporate entities in categories 1, 2 and 3 will have access to government funding for their services under this option. Government funding will provide direct monetary benefit to these providers. Allowing them to provide funded aged care will similarly greatly expand their potential client base, enabling greater market participation. Subcontractors who have previously worked in the aged care sector under larger providers, will be able to register in their own right in supplying care in categories 1 to 3.

Costs

Regulatory burden

Option 2 would primarily have costs for businesses. These costs are detailed below. The estimated regulatory burden for businesses under this option is \$1,849,961. The regulatory burden estimate for community organisations under this option is \$0, and the regulatory burden estimate for individuals under this option is \$0. This is the average cost across the sector over a ten-year period.

Contributing to the RBE are regulatory costs including market entry costs, substantive compliance costs and delay costs. This captures registration costs for new entrants, and education and training for providers and staff.

Sole traders and partnerships entering the market in categories 1, 2 and 3 will be required to expend time and resources in understanding the requirements and obligations associated with becoming a provider in the aged care sector. Time and resources will also be required for new providers to undergo the registration process and ongoing compliance requirements.

Noting that no government decision has yet been made, it is anticipated that registering and renewing registration as a provider will incur a fee for providers. This fee may be category specific. Providers will be required to renew their registration on average every 3 years to maintain registration. These RBE costs, including the identified regulatory costs, are set out in the following tables.

Further detail regarding the assumptions for policy option 2 is set out in [Appendix C](#).

Table 10: Identified regulatory costs across the sector

Regulatory costs (\$)	Year 1	Years 2 – 10 (per year)
Market entry - time to register (and renew registration) provider entity (new entrants)	\$1,628,341	\$542,238
Substantive compliance - education and training for providers and staff	\$1,673,181	\$836,591
Delay costs	\$278,864	\$278,864
Total	\$3,580,386	\$1,657,692

Table 11: Regulatory burden estimate table for policy option 2

Average annual regulatory costs (from business as usual over 10 years)				
Change in costs (\$)	Business	Community organisations	Individuals	Total change in costs
Total, by year / sector				
Year 1	\$3,580,386	\$0	\$0	\$3,580,386
Year 2	\$1,657,692	\$0	\$0	\$1,657,692
Year 3	\$1,657,692	\$0	\$0	\$1,657,692
Year 4	\$1,657,692	\$0	\$0	\$1,657,692
Year 5	\$1,657,692	\$0	\$0	\$1,657,692
Year 6	\$1,657,692	\$0	\$0	\$1,657,692
Year 7	\$1,657,692	\$0	\$0	\$1,657,692
Year 8	\$1,657,692	\$0	\$0	\$1,657,692
Year 9	\$1,657,692	\$0	\$0	\$1,657,692
Year 10	\$1,657,692	\$0	\$0	\$1,657,692
Total 10 year cost	\$18,499,614	\$0	\$0	\$18,499,614
Average cost over 10 years	\$1,849,961	\$0	\$0	\$1,849,961

*Note: A face value calculation of the total change in costs in this table amount to **\$1,849,961**

Table 12: Regulatory burden estimate table for policy option 2 - total, by sector

Average annual regulatory costs (from business as usual over 10 years)				
Change in costs (\$)	Business	Community organisations	Individuals	Total change in costs
Total, by sector	\$1,849,961	\$0	\$0	\$1,849,961

Assumptions underpinning option 2 are further outlined at [Appendix B](#).

Government administration

Costs for government agencies will involve the ongoing implementation of this option, including approving registration and renewal (including the aged care worker screening database), monitoring performance, and enforcing compliance. Government costs also include funding for care provided by sole traders and partnerships under this model subject to established controls on that funding. The additional costs for government agencies are not anticipated to be burdensome. It is also expected that cost recovery will continue in line with the Australian Government's cost recovery arrangements.

It is also noted that the existence of non-regulated providers, which will continue to exist under each option, may create confusion across older people about which service is regulated by the Commission, and which services are government funded. This may lead to administrative inefficiencies, such as the Commission having to manage out-of-scope enquiries and complaints from users of aged care services.

Policy context

Option 2 is inconsistent with the proposed Support at Home Program as well as proposed reforms to the NATSIFAC program and broader reforms for First Nations people aged care services.⁹⁴ For example, under the current CHSP, providers who receive grants to deliver care under the program

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are not required to be corporations. This is anticipated to continue following the incorporation of the CHSP into the Support at Home Program not before 2027. Under this option, grant-funded non-corporations providing care under categories 4 and 5 would be required to exit the market to remain consistent with the new regulatory system. However, option 2 provides more alignment across government policy than option 1, since it provides for registration of non-corporations for categories 1, 2 and 3. Inconsistency between these policies is also likely to promote inefficiencies, by generating confusion and opportunity for inconsistent management by both providers and government.

Stakeholder impact

The benefits and costs of option 2, per key stakeholder, are set out below. Broadly, option 2 greatly increases the number of providers for older people in Australia through promoting access to registration for categories 1, 2 and 3. It imposes regulatory burden on non-corporations, including registration, renewal, and compliance costs. As noted above, the regulatory burden is estimated at \$1,849,961 per year over ten years across the sector. This is small in comparison to the total government funding available for aged care services and is outweighed by an estimated annual benefit of \$3,135,857 per year (NPV) over ten years, due to an anticipated reduction in PPH and complaints.

Table 13: Key stakeholder impacts of policy option 2






Government	Older people living in Australia	Non-corporations	Older people in our First Nations communities	Older people in Australia living outside of metropolitan communities	Aged care workforce	Existing providers	Carers
Option 2 benefits							
<p>Establishes regulatory relationship with non-corporations who provide aged care services in categories 1 to 3</p> <p>Improved regulatory oversight of registered providers in categories 1 to 3</p>	<p>Greatly improved choice in aged care providers for lower risk care services</p> <p>Reduces wait length time for care</p> <p>Higher likelihood of appropriate level of care</p> <p>Greater option to switch providers when care needs change or if unsatisfied with current provider services</p> <p>Increases confidence in the sector</p> <p>Supports older people to stay at home</p>	<p>Access to registration status</p> <p>Access to Commonwealth-funding</p> <p>Greater access to broader aged care market</p> <p>No longer required to subcontract services</p> <p>Added to assessor referral system</p>	<p>Greatly improved choice in aged care providers for lower risk services</p> <p>Improved equity in service access based on location enabling older people to return or remain on Country</p> <p>Reduces wait length time for care</p> <p>Higher likelihood of appropriate level of care</p> <p>Higher likelihood of appropriate providers located on Country</p> <p>Greater option to switch providers when care needs change or if unsatisfied with current provider services</p> <p>Increases confidence in the sector</p> <p>Supports older people to stay at home</p>	<p>Greatly improved choice in aged care providers for lower risk care services</p> <p>Improved equity in service access based on location enabling older people to remain close to family and friends</p> <p>Reduces wait length time for care</p> <p>Higher likelihood of appropriate level of care</p> <p>Greater option to switch providers when care needs change or if unsatisfied with current provider services</p> <p>Increases confidence in the sector</p> <p>Supports older people to stay at home</p>	<p>Better trained</p> <p>Increased employment opportunities</p>	<p>Reduced pressure on wait times due to shared demand</p>	<p>Reduction in aged care services search costs for carers</p> <p>Reduction in amount of care provided per carer</p>

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Government	Older people living in Australia	Non-corporations	Older people in our First Nations communities	Older people in Australia living outside of metropolitan communities	Aged care workforce	Existing providers	Carers
Option 2 costs							
<p>Required to implement expanded registration categories</p> <p>Engagement with non-corporations about new registration processes and compliance requirements</p> <p>Implementation of new regulatory functions, including compliance, enforcement, and performance monitoring.</p> <p>Funding of new providers.</p>	Limited or no increase in choice for funded category 4 and 5 providers	<p>Registration and compliance costs</p> <p>Unable to provide services in categories 4 and 5</p> <p>Inconsistent with the proposed in-home aged care program policy, grants funded for categories 4 and 5 would be excluded from regulatory model, or exited to remain consistent</p>	Limited or no increase in choice for funded category 4 and 5 providers	Limited or no increase in choice for funded category 4 and 5 providers	Compliance requirements for workers providing category 1-3 services	<p>Increases market competition for services</p> <p>Subcontractors ending arrangements due to becoming providers in their own right, potentially reducing workforce</p>	

3

Option 3: Expanding the eligibility criteria to allow non-corporate entities to register as providers of Commonwealth funded services for registration categories 1-5 (inclusive)

-  **Registration category 1:** Home and community services
-  **Registration category 2:** Assistive technology and home modifications
-  **Registration category 3:** Advisory services
-  **Registration Category 4:** Personal and social care in the home or community (including respite)
-  **Registration Category 5:** Nursing and care management

Overall impact

Option 3 implements findings and recommendations of the Royal Commission by expanding the eligibility criteria to allow non-corporate entities to register as providers of Commonwealth funded aged care services across categories 1 to 5. This option is likely to incentivise an increase in aged care providers, promoting choice for older people in Australia. Option 3 will increase regulatory burden across businesses, community organisations and individuals but also deliver benefit in terms of improved outcomes for older people through a larger and more diverse market of providers. Option 3 represents a significant change for the sector, consumers, and the Commission.

Benefits

Quality and safety

Under this option, all registered non-corporate providers will be subject to risk-proportionate oversight by the Commission, acknowledging that all services encompass risk. Categories 1, 2 and 3 would be subject to the overarching Provider Obligations and category specific Provider Obligations.⁹⁵ These obligations will promote the safety and quality of the sector. Providers in categories 4 and 5 will be subject to the most regulatory oversight, as in option 2, including the overarching Provider Obligations, category specific Provider Obligations, and the relevant Aged Care Quality Standards. Providers registering under category 5 will be required to adhere to Aged Care Quality Standard 5, clinical care.⁹⁶ Under this option, non-corporate providers will also be subject to a risk proportionate and graduated assessment process dependent on registration category (or categories) a provider is registering for. This may include a declaration to meet the evidentiary requirement for certain categories as part of the registration process, or an audit at registration to ensure providers have the capability to meet the Quality Standards in categories 4 and 5.⁹⁷

Option 3 recognises that there is risk in all service provision with older people in Australia. A provider delivering any service to an insufficient standard could cause harm, to varying degrees based on the category, service provided and the individual seeking care.⁹⁸ Regulating all providers in a risk proportionate way increases the safety and quality of care provided to the sector. All registered providers will be accountable to the Commission. Option 3 ensures that the Commission will have ongoing monitoring of all Government funded providers entering the market through registration within the sector.⁹⁹ This will enable recourse and regulatory intervention for all non-compliant providers. Provider accountability under this option is anticipated to greatly increase the sector confidence of older people in Australia, as all Government funded providers are subject to ongoing monitoring and oversight by the Commission.¹⁰⁰

Option 3 is expected to greatly benefit consumer safety by increasing competition within the market for categories 1 to 5. Under this option, providers will be incentivised to become a provider of choice with older people, their families, and carers. To remain competitive, it is expected that existing and new

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providers will need to demonstrate high quality service offerings to older people and their carers, including how their service promotes safety and wellbeing. It is expected this will promote a more quality improvement focused culture within the sector.

Market outcome

Allowing non-corporate entities to register to provide services in registration categories 1 to 5 is anticipated to increase the number of providers in the sector. This may also increase subcontractors within the sector, due to the growth of registered providers. It is estimated that 876 new providers may enter the market under this option. It is expected that sole traders and partnerships currently in other markets, including the disability sector such as those registered as providers for the NDIS, will enter into the aged care sector under this option. An internal Department report found approximately 75% of home care package providers subcontract some of their services.¹⁰¹ It is similarly anticipated that a proportion of subcontractors will register as providers in their own right under this option.

Increasing the number of providers available will improve the range of services for older people in Australia. This includes service provision in regional and rural locations, where there is great inequity in available care for older people in Australia as compared to higher density areas.¹⁰² Increasing the market availability of providers under the new regulatory model may also reduce associated wait times in accessing Commonwealth funded care.¹⁰³

Under Option 3, new providers would improve choice for older people in Australia. A larger range of services would increase the number of services available, and the diversity of services offered. This will enable older people in Australia to have greater agency and choice in selecting care and services which align with their individual needs, preferences, and goals.¹⁰⁴ A key recommendation and overarching theme of the Royal Commission was the right of older people in Australia to self-determination, wherein they have choice and control over their own life, with involvement in decision making.¹⁰⁵ The opportunity for choice is a key component of self-determination for people of all ages.¹⁰⁶ Having greater agency over one's life has been shown to improve mental health, wellbeing, and cognitive outcomes for older people.¹⁰⁷ However, feelings of agency and control over one's life are shown to decrease in older age due to reduced mobility and increased morbidity.¹⁰⁸ Increasing the availability and diversity of providers will likely result in a higher degree of choice for older people in Australia. Under this option, older people in Australia would also have greater opportunity to switch providers should their contracted services be inappropriate or dissatisfactory following full implementation of the new regulatory model, including the new Support at Home program (including incorporation of the CHSP) no sooner than 2027.

Option 3 greatly supports older people to stay at home due to the increased access to providers delivering services in categories 1 to 5. Under this option, older people will have access to both a greater number and range of providers. This enables providers to support the older people in their care in their own homes based on their needs and preferences. This reduces the need to move into RAC as they are receiving the level of care required at home. This option supports older people to maintain their independence for longer.

Sole traders and partnerships that register as providers will have access to a wider market as a result of their registration. All non-corporate entities that provide care in the sector will have access to government funding which will provide direct monetary benefit to these providers. Allowing them to provide funded aged care will similarly expand their potential client base, enabling greater market participation. Under option 3 subcontractors who have previously worked in the aged care sector under larger providers, will be able to register in their own right, as in option 2.

Costs

Regulatory burden

Option 3 would primarily have costs for businesses. These costs are detailed below. The estimated regulatory burden for businesses under this option is \$3,041,914. The regulatory burden estimate for community organisations under this option is \$0. The regulatory burden estimate for individuals under this option is \$0. This is calculated across the sector over a ten-year period.

Contributing to the RBE are regulatory costs including market entry costs, substantive compliance costs and delay costs. This captures registration (including worker screening), renewal and audit costs for new entrants, and education and training for providers and staff. Under option 3, sole traders and partnerships

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entering the market in all categories (1 to 5) will be required to expend time and resources in understanding the conditions and obligations associated with becoming a provider in the aged care sector. Time and resources will also be required for new providers to undergo the registration process and ongoing compliance requirements, including being subject to digital audits by the regulator of category 1 to 3 providers. Costs for business will be relative to the categories that they register under, with higher categories subject to higher time and resource costs for maintaining compliance and registration. It is anticipated registering and renewal as a provider will incur a fee for providers. Fees are yet to be confirmed, however, fees charged may be dependent on the type and complexity of services provided. Providers will be required to renew within a certain period (set by the regulator) to maintain registration.

These RBE costs, including the identified regulatory costs, are set out in the following tables. Further detail regarding the assumptions for policy option 3 is set out in [Appendix C](#). The estimated cost of this option may be overstated as non-corporations already funded to deliver grant funded aged care services will currently incur some regulatory impost through the mechanisms used to manage their grant funding arrangements which have not been modelled, including quality assurance and performance reporting.

Table 14: Identified regulatory costs for policy option 3

Regulatory costs (\$)	Year 1	Years 2 – 10 (per year)
Market entry - time to register (and renewal) provider entity (new entrants)	\$2,818,962	\$1,734,338
Substantive compliance - education and training for providers and staff	\$1,673,181	\$836,591
Delay costs	\$278,864	\$278,864
Total	\$4,771,007	\$2,849,792

Table 15: Regulatory burden estimate table for policy option 3

Average annual regulatory costs (from business as usual over 10 years)				
Change in costs (\$)	Business	Community organisations	Individuals	Total change in costs
Total, by year / sector				
Year 1	\$4,771,007	\$0	\$0	\$4,771,007
Year 2	\$2,849,792	\$0	\$0	\$2,849,792
Year 3	\$2,849,792	\$0	\$0	\$2,849,792
Year 4	\$2,849,792	\$0	\$0	\$2,849,792
Year 5	\$2,849,792	\$0	\$0	\$2,849,792
Year 6	\$2,849,792	\$0	\$0	\$2,849,792
Year 7	\$2,849,792	\$0	\$0	\$2,849,792
Year 8	\$2,849,792	\$0	\$0	\$2,849,792
Year 9	\$2,849,792	\$0	\$0	\$2,849,792
Year 10	\$2,849,792	\$0	\$0	\$2,849,792
Total 10 year cost	\$30,419,135	\$0	\$0	\$30,419,135
Average cost over 10 years	\$3,041,914	\$0	\$0	\$3,041,914

Table 16: Regulatory burden estimate table for policy option 3 - total, by sector

Average annual regulatory costs (from business as usual over 10 years)				
Change in costs (\$)	Business	Community organisations	Individuals	Total change in costs
Total, by sector	\$3,041,914	\$0	\$0	\$3,041,914

Market outcome

Under this option, existing providers including RAC providers, may face workforce insecurity if they are reliant on the use of subcontractors. Under this option, a proportion of subcontractors under the current model would become providers in their own right in delivering care under categories 1 to 5. This shift may result in some providers losing some of their subcontracted workforce to become providers in their own right. This may create difficulties in staffing for a period of time if there is limited growth of aged care workers. However it is noted there are several government initiatives in place to incentivise retention and attraction of aged care workers. This includes a government investment of \$11.3 billion to fund a 15% pay increase for aged care workers, which is the largest ever pay rise in the sector,¹⁰⁹ with the Government further committing to fund the cost of the final phase of the Fair Work Commission’s consideration of wages in the aged care sector.

Further, it is likely that if additional training requirements occur as part of the worker registration scheme (particularly mandatory minimum qualifications), some workers may leave/not join the sector due to these additional requirements (disability support will have less requirements) The Department is currently working through what this may look like and will consult with stakeholders mid-2024. The Department is currently unable to quantify the exact impact this may have on the sector. However, it is noted the government is delivering training and development programs to boost skills in the aged care sector.¹¹⁰

Another potential cost is the departure of aged care service providers due to new regulatory requirements. For example, the Central Goldfields Shire Council noted in August 2023 it would ‘step away from delivering in-home aged care services from 1 March, 2024.’¹¹¹ They noted the decision was made ‘in response to the planned introduction of the Commonwealth Government new model of care - Support at Home (SAH) program – which is part of its National Reform of Aged Care and scheduled to commence on 1 July 2025.’¹¹²

Government administration

Costs for government will include the ongoing implementation of this option, including assessing registration, renewal, sector engagement and ongoing education, and undertaking compliance and enforcement activities related to non-corporations providing aged care services. Government costs also include funding for care provided by sole traders and partnerships under this model. The additional costs for government to implement option 3 is anticipated to be immaterial against the cost to implement the proposed new regulatory model. It is expected that cost recovery will continue in line with the Australian Government’s cost recovery arrangements.

It is also noted that the existence of non-regulated providers, which will continue to exist under each option, may create confusion across older people about which service is regulated by the Commission, and which services are government funded. This may lead to administrative inefficiencies, such as the Commission having to manage out-of-scope enquiries and complaints from users of aged care services.

Policy context

Option 3 implements findings and recommendations of the Royal Commission. Expanding the eligibility criteria to allow non-corporate entities to register as providers of Commonwealth funded aged care services incorporates Royal Commission recommendations to improve the choice and diversity of services available for older people in Australia when seeking care.

Stakeholder impact

The benefits and costs of option 3, per key stakeholder, are set out below. Broadly, option 3 greatly increases the number of providers for older people in Australia, through promoting access to registration for categories 1 to 5. It imposes regulatory burden on non-corporations, including registration and compliance costs. As noted above, the regulatory burden is estimated at \$3,041,914 per year over ten years across the sector. This is considered immaterial, noting option 3 is anticipated to provide an annual benefit of \$6,271,710 per year (NPV), over ten years, due to an anticipated reduction in PPH and complaints.

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Table 17: Key stakeholder impacts of policy option 3

Government	Older people living in Australia	Non-corporations	Older people in our First Nations communities	Older people in Australia living outside of metropolitan communities	Aged care workforce	Existing providers	Carers
Option 3 benefits							
<p>Establishes regulatory relationship with non-corporations who provide aged care services in categories 1 to 5</p> <p>Enables government to regulate non-corporations who provide aged care services in categories 1 to 5</p> <p>Supports the intent to align regulation across the care and support sectors</p> <p>Promotes regulatory relationship between Commission and previously unregulated providers.</p>	<p>Greatly improved choice in aged care providers for lower risk care services</p> <p>Reduces wait length time for care</p> <p>Higher quality of care</p> <p>Greater option to switch providers when care needs change or if unsatisfied with current provider services</p> <p>Increased confidence in the sector</p> <p>Supports older people to stay at home</p>	<p>Access to registration status</p> <p>Access to Commonwealth-funding for categories 1-5</p> <p>Greater access to broader aged care market</p> <p>No longer required to subcontract services</p> <p>Added/ access to assessor referral system</p>	<p>Greatly improved choice in aged care providers for aged care services</p> <p>Greatly improved equity in service access based on location enabling older people to return or remain on Country</p> <p>Reduces wait length time for care</p> <p>Higher likelihood of appropriate level of care</p> <p>Higher likelihood of appropriate providers located on Country</p> <p>Greater option to switch providers when care needs change or if unsatisfied with current provider services</p> <p>Increases confidence in the sector</p> <p>Supports older people to stay at home</p>	<p>Greatly improved choice in aged care providers for lower risk care services</p> <p>Improved equity in service access based on location enabling older people to remain close to family and friends</p> <p>Reduces wait length time for care</p> <p>Higher likelihood of appropriate level of care</p> <p>Greater option to switch providers when care needs change or if unsatisfied with current provider services</p> <p>Increases confidence in the sector</p> <p>Supports older people to stay at home</p>	<p>Better trained due to access to education and ongoing training</p> <p>Increased employment opportunities</p>	<p>Reduced pressure on wait times due to shared demand</p>	<p>Reduction in aged care services search costs for carers</p> <p>Reduction in amount of care provided per carer</p> <p>Increased confidence in the sector</p>

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Government	Older people living in Australia	Non-corporations	Older people in our First Nations communities	Older people in Australia living outside of metropolitan communities	Aged care workforce	Existing providers	Carers
Option 3 costs							
<p>Required to implement expanded registration categories</p> <p>Engagement with non-corporations about new registration processes and compliance requirements</p> <p>Implementation of new regulatory functions, including compliance, enforcement, and performance monitoring.</p> <p>Funding of new providers.</p>		Registration and compliance costs			New compliance expectations	<p>Increases market competition for services</p> <p>Subcontractors ending arrangements due to becoming providers in their own right, reducing workforce</p>	

IA Question 5: Who did you consult and how did you incorporate their feedback?

Purpose of consultation

In response to the Royal Commission, the Department began to develop a new Aged Care Act to support implementation of the Commission’s recommendations. As a component of the development of the new Aged Care Act, the Department undertook a consultation process to seek feedback on the exposure draft of the bill for the new Aged Care Act. Simultaneously to drafting the new Aged Care Act, the Department began the design of a new model for regulating aged care. To develop a fit for purpose new model, the Department undertook both targeted and public consultation on the design of the new model. This included consulting on the inclusion of non-corporations as registered aged care providers.

Overarching consultation approach

Figure 7: Stages of consultation

STAGES OF THE CONSULTATION
Stage 1: Conceptualisation <i>8 February 2022</i> Delivery of an overarching concept paper providing an overview of the potential regulatory shift
Stage 2: Preliminary Consultation Paper <i>September to December 2022</i> Delivery of Consultation Paper No. 1 A new model for regulating Aged Care
Stage 3: Detailed Consultation Paper <i>26 April to 23 June 2023</i> Delivery of Consultation Paper No. 2 A new model for regulating Aged Care: Details of the proposed new model
Stage 4: Summary Consultation Report <i>30 November 2023</i> Delivery of A New Model for Regulating Aged Care Consultation – Summary Report 2023
Stage 4: Consultation on the new Aged Care Act <i>August 2023 – March 2024</i> Delivery of consultation activities to support development of the new Aged Care Act

The Department consulted the Australian public, providers, peak bodies, advocacy groups and consumers throughout the design of the new regulatory model, including expanding the eligibility criteria to allow non-corporate entities to register as providers of Commonwealth funded aged care services. The consultation occurred over 3 key stages. All 3 stages of consultation with stakeholders were conducted through the Department’s [Aged Care Engagement Hub](#).¹¹³

Stage 1

At the outset of designing the new model, the Department delivered an overarching **concept paper**,¹¹⁴ providing an overview of the potential regulatory shift on 8 February 2022. Options were provided to respond to the consultation paper via survey or written submission, participation in workshops or focus groups or listen to webinars.

Stage 2

In stage 2 of the consultation, which was undertaken from September to December 2022, the Department delivered Consultation Paper No. 1 **A new model for regulating Aged Care**¹¹⁵ and opened the Consultation Hub to submissions from the public. The Consultation Paper provided stakeholders with key information regarding the proposed regulatory changes, including preliminary information on the foundations and safeguards of the new model. Consultation Paper No. 1 received 40 submissions and 108 completed questionnaires in response to the Paper.

Stage 3

Prior to the commencement of Stage 3, targeted consultation on registration categories took place in December 2022. Targeted consultation was undertaken with stakeholders that registered their interest in workshops when responding to Consultation Paper No. 1.

Stage 3 of the consultation, which was undertaken from 26 April to 23 June 2023, then included the delivery of Consultation Paper No. 2 **A new model for regulating Aged Care: Details of the proposed new model**.¹¹⁶ The Consultation Paper provided detail into the specifics of the proposed new model, including all 5 policy elements, and information on the transition period for the sector. It included a set of questions on each core component of the proposed regulatory model to support the development of submissions from key stakeholders and formed the basis of a detailed survey.

The broader Australian public was consulted on the proposed aged care regulatory reforms. Consultation was invited by way of brief survey, detailed survey, written submissions (either on paper or via email) and attendance at webinars and workshops. Consultation Paper No.2 provided case studies and illustrations to demonstrate the impact of the proposed reforms.

Figure 8: Examples of registration categories¹¹⁷

Examples of registration for different providers

The following examples are business types that are not currently approved providers for Commonwealth subsidised aged care:



Fran is a self-employed sole trader who offers household cleaning services in her local neighbourhood.



Harry operates a small business that provides domestic assistance services across his local region. Some of Harry's clients include older people.



CometCaring is a large corporation with over 50 care workers who specialise in providing nursing services for older people. CometCaring has established 4 offices across the state.

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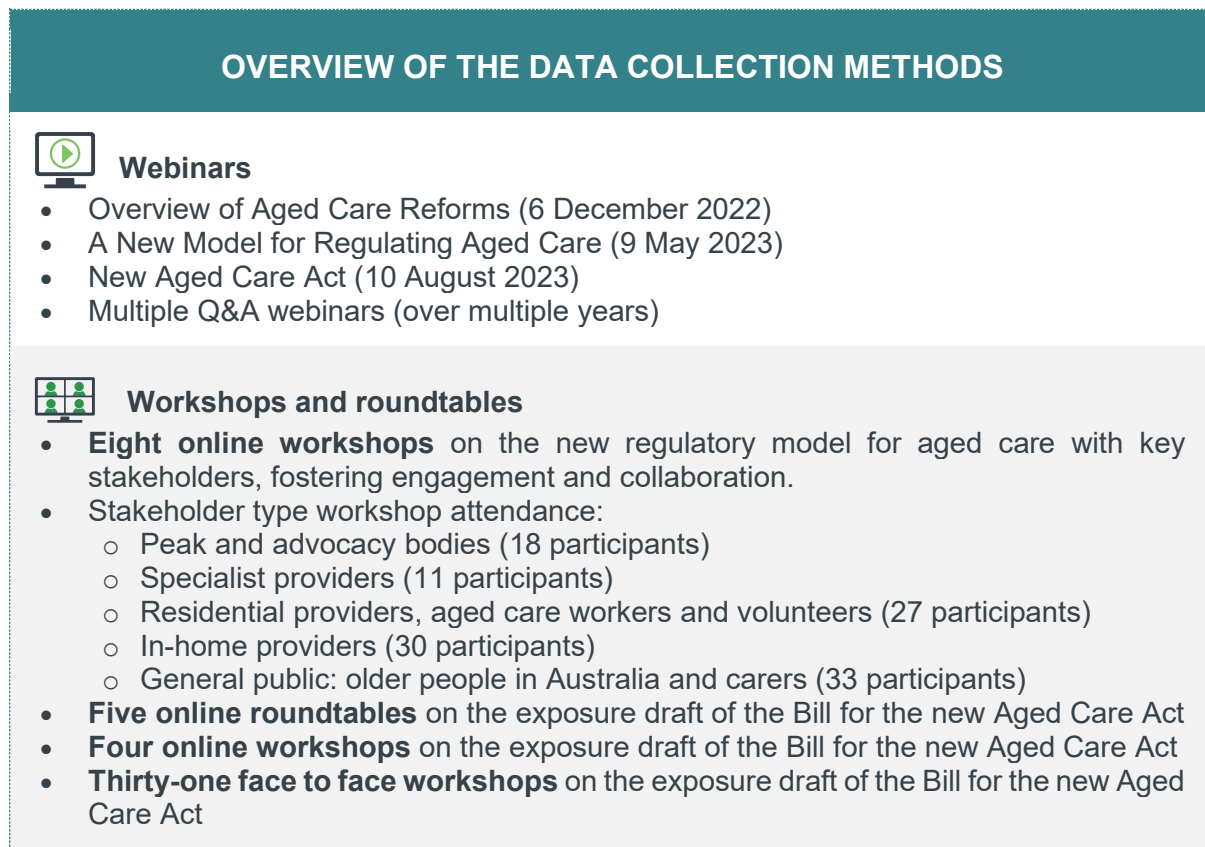
Following release of the paper, the Department hosted a series of webinars and workshops on the key changes within the new regulatory model, including expanding the eligibility criteria to allow non-corporate entities to register as providers of Commonwealth funded aged care services.

The Department also facilitated both a short-form and long-form survey in relation to Consultation Paper No. 2. The surveys were designed to elicit specific feedback on Consultation Paper No. 2, and the design of the new regulatory model. The surveys were accessible through the Department's website and the [Aged Care Engagement Hub](#).¹¹⁸

Key stakeholders consulted on the design of the new regulatory model included:

- Aged Care Quality and Safety Commission
- Peak bodies – high level advocacy groups, industry, and professional associations
- Providers, including specialist care providers
- Commonwealth agencies and other regulators
- National Aged Care Advisory Council and the National Council of Elders
- Workforce bodies
- Culturally and Linguistically Diverse groups
- Aboriginal and Torres Strait Islander representatives
- Older people in Australia and their families
- Peak bodies for older people
- Aged care workers
- Unions

Figure 9: Overview of data collection methods





Surveys

- Short Survey: 44 multiple-choice questions, generating 363 responses.
- Long Survey: 30 open-ended questions, receiving 188 responses.
- Large-scale representative survey completed by 3,536 stakeholders from the general Australian population
- Survey on the exposure draft of the Bill for the new Aged Care Act



Written Submissions

- 121 written submissions received from the public in stages 2 and 3
- 40 submissions in response to Consultation Paper No. 1
- 81 submissions in response to Consultation Paper No. 2
- Submissions from diverse stakeholder groups, including peak bodies, providers, researchers, unions, and others
- Over 55 submissions in response to the exposure draft of the Bill for the new Aged Care Act

Consultation summary

Following Consultation Papers 1 and 2, the Department collated and analysed all stakeholder feedback to produce the report [A New Model for Regulating Aged Care Consultation – Summary Report 2023](#). The report provides a comprehensive summary of all feedback on the new regulatory model received throughout the consultation period. This summary includes consultation methodology and stakeholder feedback. The paper also details stakeholder views on transitioning to the new model.

Consultation on the new Aged Care Act

Concurrently to consultations on the new regulatory model for aged care, the Department began consultations to inform the new Aged Care Act. From August – September 2023, the Department consulted with older people, their families and carers, aged care workers and providers, and aged care sector peak organisations to inform the drafting of the Bill for the new Aged Care Act.

The Department released the exposure draft of the Bill for the new Aged Care Act on 14 December 2023. The Department sought feedback on the exposure draft from 14 December until 8 March 2024. The Department sought feedback from anyone with an interest in aged care. Consultations included workshops and roundtables, surveys and online submissions.

Stakeholder feedback on policy element 1

Stakeholders provided a diverse range of feedback on the proposed new model for regulating aged care, and the exposure draft of the Bill for the new Aged Care Act specifically in regard to option 1 of policy element 1, expanding the eligibility criteria to allow non-corporate entities to register as providers of Commonwealth funded aged care services.

Some stakeholders expressed support for allowing sole traders and partnerships to become registered providers of aged care. Some stakeholders expressed support for the status quo. The broader community had a more polarised view on policy element 1, with 40% of the 159 short survey respondents agreeing that other business types should be able to enter the sector (options 2 and 3), and 31% disagreeing (preferring option 1).

Several stakeholders felt they needed more information on how sole traders and partnerships would be regulated in order to provide an informed perspective on their inclusion in the new regulatory model.

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Stakeholders also expressed concern at the lack of clarity on the registration of sole traders in respect to people accessing other forms of aged care, including being connected to a home care provider for package and care management.

Several stakeholders reinforced the need for appropriate regulatory mechanisms to ensure the safety, wellbeing and dignity of persons receiving care is maintained, such as in a risk-based approach.

Key themes of stakeholder feedback

Market outcomes

The majority of stakeholders who participated in consultation expressed the importance of having greater choice when accessing aged care services, and the ability to access a range of different services, with 84% of the representative survey agreeing that it is important to them to have greater choice and access to different services. Similarly, in consultations on the exposure draft of the Bill for the new Aged Care Act, stakeholders expressed concern that providers will be unable to uphold an individual's right to equitable access to aged care services, particularly in regional, rural and remote locations and/or in thin or no markets. This is aligned with delivery of options 2 and 3. Stakeholders expressed a range of views on the impact of allowing sole-traders and partnerships to register as providers on market choice.

Several stakeholders supported the inclusion of non-corporate entities as aged care providers, as they anticipated it would increase the number and variety of providers available. Stakeholders expressed that more providers may enable a higher degree of choice, suited towards an individual's needs. Stakeholders believed that allowing sole traders and partnerships to register would increase the number of workers available within the sector and facilitate new entry into the sector from workers and providers. Some stakeholders referenced the change as enabling a more consumer driven market. This supports implementation of options 2 and 3.

However, some stakeholders said that the market for providers was already saturated, and further opening the market would result in a lowered standard of care and increase the risk of harm to people receiving care. This is aligned with implementation of option 1. Stakeholders reinforced the importance of ensuring new providers are regulated to maintain quality standards of care and protect vulnerable people receiving care, aligning with the implementation of options 2 and 3, where the Commission has regulatory oversight over registered sole traders and partnerships.

Quality and safety

Stakeholders supported a risk-based approach to regulating sole-trader and partnership providers to ensure recognition, anticipation and mitigation of any issues that could arise due to their inclusion as providers. This supports implementation of option 3, as under this option the Commission will have the most regulatory oversight of non-corporate providers.

Concerns were raised by stakeholders in regard to maintaining the safety and wellbeing of people receiving care. Some stakeholders said that allowing sole traders and partnerships to register as providers may reduce the overall quality and standard of care provided within the sector, reinforcing implementation of option 1. Stakeholders reinforced the importance of appropriate regulatory safeguards and oversight to protect people receiving care, and that providers remain accountable to the regulator while providing care. Feedback from stakeholders reinforced the importance of regulatory oversight in the registration process, with appropriate background and police checks for sole-traders and partnerships. These concerns best reflect the implementation of option 3, wherein the registration of providers delivering services to older people are subject to graduated, risk proportionate registration for all providers of government funded aged care services. Throughout the consultation period, stakeholders sought further clarity on the registration process of sole traders and partnerships, their responsibilities as providers, and the regulatory oversight of these providers.

Registration

Registration and compliance with regulations were often referenced by stakeholders in regard to sole trader and partnership providers. Stakeholders said that registration for sole traders and partnerships should be risk proportionate and ensure that they have the relevant skills, education, and experience relevant to their duties and responsibilities, including the staff employed by non-corporations to deliver

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services. Several providers and peak bodies suggested that the costs and compliance burden should be minimised for sole traders and smaller providers in line with the risk proportionate approach to registration. Some said that the government needed to find a balance to make it easier for smaller providers to register and ensure they comply with the requirements of the new Act and regulatory framework.

Implementation of stakeholder feedback

The Department has analysed and incorporated feedback from stakeholders into the new model. As the new regulatory model is yet to be finalised, the Department will incorporate stakeholder feedback into the final regulatory model design.

The majority of stakeholders' concerns in allowing sole traders and partnerships to register under the new model relate to the safety and quality of care in the sector and ensuring that non-corporate entities are subject to regulatory monitoring and oversight. By incorporating non-corporations into registration categories 1 to 5, the Commission will be able to regulate them accordingly, as they are currently not regulated under the Aged Care Act.

The new regulatory model will be risk proportionate and focus on ensuring the safety, wellbeing, and dignity of older people in Australia is supported and maintained, including in regard to provider registration.

The Consultation summary report [A New Model for Regulating Aged Care Consultation – Summary Report 2023](#) provides detail into the Department's response to stakeholder feedback, and how this feedback has been incorporated into the proposed new regulatory model for each sector Safeguard (as set out in Figure 2). The Department will continue to design the model in consultation with stakeholders.

IA Question 6a: What is the best option from those you have considered?

The best option for the delivery of policy element 1 is policy option 3, which is to expand the eligibility criteria to allow non-corporate entities to register as providers of Commonwealth funded aged care services for registration categories 1 to 5. Policy option 3 is expected to promote improved quality, safety, and market outcomes most effectively for older people in Australia, compared with the other options. It will deliver the largest regulatory burden. However, overall, the expected NPV of benefits is \$11.32 million to \$14.95 million due to likely reduced hospitalisations, complaints, and incidents. Option 3 also has the highest return on investment with a benefit-cost ratio of 5.81.

Option 3 has been identified as the best option, informed by an assessment with reference to the impact areas, identified in the previous section. Details of this assessment are set out below.

Table 18: Comparison of policy options against impact areas

Option	Option 1: Status quo	Option 2: Expanding the eligibility criteria to allow non-corporate entities to register as providers of Commonwealth-funded services for registration categories 1-3 (inclusive)	Option 3: Expanding the eligibility criteria to allow non-corporate entities to register as providers of Commonwealth funded services for registration categories 1-5 (inclusive)
Consumer centred			Best approach
Provider centred	Best approach		
Quality and safety			Best approach
Market outcomes			Best approach
Regulatory burden	Best approach		
Government administration			Best approach
Policy context			Best approach

Consumer centred vs provider centred

Overall, option 3 will provide the best benefits overall to consumers and will best enable a shift from a provider centred approach to a consumer centred approach. This regulatory option best aligns with the Royal Commission recommendations to ensure the aged care system is centred on the rights, needs, safety, health, and wellbeing of older people, shifting away from a provider focused system.¹¹⁹ Option 3 centres the quality and safety of care, and ensures that consumers of aged care have the most opportunity for choice and self-determination within the system. In contrast, option 1 retains the focus on existing providers, and does not bring sole traders and partnerships under the new Act and thus does not support them in improving their quality and safety of care. The status quo does not offer greater choice for older people, their carers, or families. The impact factors of the options are discussed in detail below.

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Quality and safety

Option 3 will better promote high quality and safety outcomes for older people in Australia, compared to options 1 and 2. The option provides for the greatest coverage of users of aged care services under the new Aged Care Act, by enabling registration of non-corporations for categories 1 to 5. It also means a broader regulatory scope for the Commission, who will be able to regulate the performance of non-corporations across 5 registration categories.

In contrast, option 1 does not include any provision for government funded and regulated aged care services by non-corporations. Option 2 provides a moderate increase in coverage, with registration eligibility allowed for aged care services under categories 1 to 3.

Option 3 will reinforce consumer safety by increasing competition within the market. Under this option, providers will be incentivised to become a provider of choice with older people, their families, and carers. To remain competitive, providers will be required to continuously show consumers that they are dedicated to the safety and wellbeing of the older people in their care. To be successful in the market, providers will be required to prove to older people, their families, and carers that they have established processes and mechanisms for continual quality improvement within service delivery. Option 2 will provide a similar, but reduced, effect on continuous quality improvement within providers. Option 1 does not incentivise continuous quality improvement on providers.

Market outcomes

The expansion of the eligibility criteria to allow non-corporate entities to register as providers of Commonwealth funded aged care services under option 3 is expected to increase the number of providers and diversity of services within the sector. This option enables the most choice and autonomy to people receiving care and will increase the sustainability of the sector.

In contrast, option 1 does not allow any non-corporations to register. This option does not promote an increase in the availability of providers, particularly within regional and rural locations,¹²⁰ or who can provide culturally appropriate care for older people in Australia.¹²¹ Option 2, with registration eligibility allowed for categories 1 to 3, is anticipated to increase the availability and diversity of services offered to older people in Australia seeking care.

Regulatory burden

Option 3 is estimated to deliver the largest RBE, compared to the other options. It is estimated to deliver an average regulatory cost of \$3,041,914 per year, over 10 years. This is compared to policy option 2, which is estimated at \$1,849,961 per year, over 10 years, and \$0 for policy option 1. However, the expected NPV of policy option 3 benefits is \$5.45 million to \$7.69 million (per year, over 10 years) due to reduced hospitalisations, complaints, and incidents (this is discussed below). Further, as noted above, the alternative to the regulatory burden estimated for either option 2 or 3 is a complete prohibition on entry by non-corporations to government funded and regulated aged care services.

Policy context

Option 3 implements findings and recommendations of the Royal Commission. Expanding the eligibility criteria to allow non-corporate entities to register as providers of Commonwealth funded aged care services incorporates Royal Commission recommendations to improve the choice and diversity of services available for older people in Australia when seeking care. It also aligns with the new in-home aged care program policy, wherein all provider registration is not limited to corporate entities.

Option 1, as the status quo, does not implement any change into the sector, leaving the regulator to only consider applications to become a provider of aged care services from: state/territory governments, local government authorities and incorporated organisations. This is inconsistent with the policy context, by not promoting the Royal Commission's recommendation to promote equity in access to aged care services. Option 2 is partially consistent, expanding registration to non-corporations who supply services in categories 1 to 3.

Government administration

Overall, option 3 is expected to provide a net benefit in the area of government administration. While option 3 will require additional costs to facilitate the expansion of registration to non-corporations to categories 1 to 5, it will deliver broader benefits to the regulation of aged care services. This includes

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consistency in service delivery standards, and regulatory responses to unsafe outcomes for older people in Australia.

In contrast, option 1 leaves non-corporations out of the new Aged Care Act. This reduces new government administration costs that may arise from expanding registration eligibility. However, it creates complexity and confusion for users of registered and non-registered aged care services due to the lack of consistency between the two regulatory regimes. Such confusion can lead to complaints being referred to the incorrect government agency, such as complaints to the Commission about non-corporations providing aged care services. This complexity continues under option 2, since only non-corporations provide services under categories 1, 2 and 3 are registered under the new Aged Care Act.

Cost Benefit Analysis

Cost benefit analysis for Policy element 1

Results from a cost benefit analysis can be presented in several ways – as a direct comparison between benefits and costs or as a benefit-cost ratio (BCR). Both approaches rely on converting future costs and benefits to current dollar terms using NPV. The NPV is utilised to calculate the current value of investments and policies which occur into the future. Calculating the NPV of an option enables comparison between options, and an assessment of the overall monetary benefits and costs of a policy over time.

From the three options for policy element 1, Option 3 generates the largest benefits relative to costs compared to the other policy options for policy element 1.

Consistent with the risk-proportionate suite of policy options for policy element 1, the benefits are assumed to increase in a step wise manner:

- Option 1: Status quo: no change
- Option 2: Expanding the eligibility criteria to allow non-corporate entities to register as providers of Commonwealth-funded services for registration categories 1-3 (inclusive)
 - Modelling assumptions - no change to RAC parameters, 0.5 percentage point reduction in PPH for home service consumers (from 10,033 to 9,987 PPH per 100,000 home service consumers); 5% reduction in home care complaints (from 0.37 to 0.35 complaints per 100 home service consumers); and a 5% reduction in home care incidents (from 0.38 to 0.36 incidents per 100 home service consumers).
 - Results are provided in [Appendix D](#)
- Option 3: Allow non-corporate entities to register as providers of Commonwealth funded aged care services. This option incorporates Option 2, with expansion across all applicable registration categories (excluding registration category 6)
 - Modelling assumptions - no change to RAC parameters, 1 percentage point reduction in PPH for home care service consumers (from 10,033 to 9,942 PPH per 100,000 home care service consumers); 10% reduction in home care complaints (from 0.37 to 0.33 complaints per 100 home care service consumers); and a 10% reduction in home care incidents (from 0.38 to 0.34 incidents per 100 home care service consumers).
 - Results are provided in Appendix D

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Table 19: Annualised NPV comparison of costs and benefits for options 1–3

Central estimate (7% discount rate)

Policy element 1	RBE costs	Benefits	Benefit - cost	BCR
Option 1	\$0	\$0	\$0	0.00
Option 2	\$1,343,985	\$3,135,857	\$1,791,872	2.33
Option 3	\$2,181,127	\$6,271,710	\$4,090,583	2.88

Low estimate (10% discount rate)

Policy element 1	RBE costs	Benefits	Benefit - cost	BCR
Option 1	\$0	\$0	\$0	0.00
Option 2	\$1,193,370	\$2,725,239	\$1,531,869	2.28
Option 3	\$1,925,730	\$5,450,475	\$3,524,746	2.83

High estimate (3% discount rate)

Policy element 1	RBE costs	Benefits	Benefit - cost	BCR
Option 1	\$0	\$0	\$0	\$0.0
Option 2	\$1,600,714	\$3,843,889	\$2,243,175	2.40
Option 3	\$2,617,456	\$7,687,775	\$5,070,319	2.94

The results of the modelling analysis are summarised in the above table. To enable comparison with the RBE estimates, costs associated with additional regulatory burden and benefits associated with reduced PPH, compliance and incidents, are converted to net present values and annualised over a ten-year period. The central estimate adopts a discount rate of 7%, the low estimate adopts a 10% discount rate, and the high estimate adopts a 3% discount rate. Policy option 2 (non-corporate entities in registration categories 1-3) results in net benefit of \$1.79 million each year in NPV (over a 10-year period), equivalent to a BCR of 2.33. Policy option 3 (non-corporate entities in registration categories 1-5) results in a net benefit of \$4.09 million each year in NPV (over a 10-year period), equivalent to a BCR of 2.88. Adopting policy option 3 together with the full complement of aged care reforms (i.e., strengthened obligations, standards, and assessment) results in a net benefit of \$9.99 million each year in NPV (over a 10-year period), equivalent to a BCR of 1.31.

As noted above, these benefits are conservative as they do not reflect the full suite of potential benefits associated with aged care reform. For example, the PPHs do not account for readmissions to hospital, complications, or death while in hospital. Keeping community based aged care residents in the home longer would also generate significant savings in terms of the opportunity cost of RAC placement. Underlying assumptions, while based on available evidence where possible, may also underestimate the true cost associated with PPH, complaints and incidents.

NPV – preferred option for policy element 1 and policy elements 2 to 5

The net benefit for the proposed regulatory model, which includes option 3 of policy element 1 and policy elements 2 to 5, is \$7.59 million to \$14.23 million, with an equivalent BCR ranging from 1.26 – 1.38. Further detail is set out at [Appendix F](#).

Chapter 2: Supplementary IA – Policy element 1

Table 20: Annualised NPV comparison for proposed regulatory model

Central estimate (7% discount rate)				
	RBE costs	Benefits	Benefit - cost	BCR
Proposed regulatory model	\$32,205,258	\$42,194,383	\$9,989,125	1.31
Low estimate (10% discount rate)				
	RBE costs	Benefits	Benefit - cost	BCR
Proposed regulatory model	\$29,081,045	\$36,669,334	\$7,588,289	1.26
High estimate (3% discount rate)				
	RBE costs	Benefits	Benefit - cost	BCR
Proposed regulatory model	\$37,486,880	\$51,721,286	\$14,234,406	1.38

Chapter 3: Supplementary IA – Implementation and evaluation of policy

Overview

The best option includes 5 policy elements, including option 3 from policy element 1 (as discussed in [chapter 2](#)). This chapter assesses the best option, or the proposed new model for aged care, against IA questions 6b and 7. Assessment of IA question 6 is limited to implementation, and therefore is referenced as 6b.

Figure 10: Elements of the proposed new regulatory model for aged care

Proposed regulatory model				
Policy element 1	Policy element 2	Policy element 3	Policy element 4	Policy element 5
Expanding the eligibility criteria to allow non-corporate entities to register as providers of Commonwealth subsidised aged care services	Shifting from a one-off provider approval system for aged care providers to a model where providers register for a specified period into one or more service categories	Strengthening the set of obligations on providers by making them more meaningful, and rationalising them down from the current set of 300 (currently underway)	A strengthened set of Quality Standards which providers of inherently higher risk services will need to meet	Moving away from a pass/fail system to graded assessments of the above requirements

IA Questions 6b-7

IA Question 6b: How will the best option be implemented?

Who will implement the chosen solution?

The best option will be implemented via a new Aged Care Act. Once the new Act to regulate aged care services comes into effect, the preferred option will take effect. It is anticipated this will occur on or after 1 July 2025, subject to passage through Parliament.

The roles and responsibilities for the best option, including system oversight and accountability arrangements, will be defined by the new Aged Care Act.¹²² The proposed Aged Care Bill 2023 was released for consultation on 14 December 2023.¹²³ Under the draft Bill, the Aged Care Quality and Safety Commission will be primarily responsible for delivering and overseeing key elements of the best option, including the registration of non-corporations to provide aged care services and undertaking graded assessments of aged care providers.

Provisions for reporting against the best option are intended to be provided by the new Aged Care Act. Reporting of the sector's performance will be required against the new Aged Care Act. It is proposed that providers will be required to report to the Commission about their performance (including compliance), which in turn will support the Commission to report and assess the performance of the sector.¹²⁴ The reports from providers, and complaints and feedback from the community, are also intended to be used by the Commission to inform their compliance and enforcement program.¹²⁵

Chapter 3: Supplementary IA – Implementation and evaluation of policy

The implementation of the best option will be monitored by the Australian Government, using a range of inputs including performance reports published by the Commission and feedback provided by the National Aged Care Advisory Council, the Council of Elders, the National Aboriginal and Torres Strait Islander Ageing and Aged Care Council (these Councils are discussed further below). A formal review of the new Aged Care Act will be confirmed after the legislation is finalised and passed.

Do you have the right amount and type of resources to implement your policy?

The Commission and Department will primarily be responsible for implementing the best option. It is expected the Australian Government will use consolidated revenue and cost recovery to fund the implementation of the best option, including to support businesses and the broader community transition to the new regulatory framework. However, the funding for the best option will be considered by the Australian Government through a separate process.

The effectiveness of the best option will be monitored over time using quantitative and qualitative data. This will include provider audit data collected from the Commission, which will indicate the level of quality, safety, and compliance of providers over time. Further, the National Aged Care Mandatory Quality Indicator Program (QI Program) will also provide a useful source of data to indicate whether the new aged care regulatory model is working – particularly when it is expanded to in home care.¹²⁶ Currently, the QI Program sets out 11 quality indicators regarding the health and wellbeing of residents living in aged care homes.¹²⁷ Once this is expanded to in home care, it will provide a holistic view of the quality of aged care services – and the impact of the best option.¹²⁸ Other sources of data which will be used to monitor the effectiveness of the best option include complaints to the Commission, and feedback from the National Aged Care Advisory Council, the Council of Elders, the National Aboriginal and Torres Strait Islander Ageing and Aged Care Council, and internal Departmental reference groups including the External Advisory Panel, the Sector Reference Group, and the Consumer Reference Group.

Does your implementation plan include adequate risk management arrangements?

A proactive intelligence-led risk management approach will be adopted by the Commission and the Department, as they lead the implementation of the best option.

Data will be collected by the Commission from industry as part of their monitoring function to identify and respond to emerging risks such as market failure and financial and prudential risks.¹²⁹ The monitoring function also includes, but is not limited to, quality, safety, and compliance risks in the aged care sector. This data may include, but is not limited to, audit reports, complaints data, and sector intelligence.¹³⁰ Commission responses may include enforcement action, or referral to the Department, if the risks relate to the policy underpinning the best option.

Stakeholders from consultative bodies, such as the Australian Government's National Aged Care Advisory Council, the Council of Elders, and the National Aboriginal and Torres Strait Islander Ageing and Aged Care Council, will be able to help identify reputational risks arising from the implementation of the best option, as well as risk treatment approaches.

How will you ensure your stakeholders are adequately involved or informed about progress?

The implementation of the new regulatory model will continue to be informed by the National Aged Care Advisory Council, the Council of Elders, the National Aboriginal and Torres Strait Islander Ageing and Aged Care Council. These 3 advisory bodies were established in response to the Royal Commission to inform the Australian Government on the implementation of aged care reforms. The Department's New Aged Care Act Transition Branch will also ensure sector readiness.

The National Aged Care Advisory Council is responsible for providing the Australian Government with advice on matters relating to the aged care sector, including the implementation of aged care reforms.¹³¹ It includes 16 members with extensive experience and knowledge of the aged care sector.¹³²

The Council of Elders advises the Australian Government on the implementation of aged care reforms.¹³³ The Council has representatives from every state and territory in Australia and consults with older people across the country to inform their advice to the Government.¹³⁴

The National Aboriginal and Torres Strait Islander Ageing and Aged Care Council is an independent organisation, which represents the views of First Nations people in aged care and organisations providing aged care services.¹³⁵ This Council is responsible for leading the aged care reform priorities of older

Chapter 3: Supplementary IA – Implementation and evaluation of policy

Aboriginal and Torres Strait Islander people. Specifically, this includes embedding Closing the Gap targets on Aboriginal and Torres Strait Islander aged care and implementing the five-Year Plan for Aboriginal and Torres Strait Islander Aged Care 2021-26.¹³⁶ This Council also advocates to the Australian Government for “improvements in the ageing and aged care sector which will benefit Aboriginal and Torres Strait Islander providers and Elders.”

Collectively, these representative bodies will continue to regularly inform the Australian Government’s implementation of the best option, and in particular, the Minister for Health and Aged Care, the Minister for Aged Care, and the Department. The Department will also communicate to the broader community about the best option, through its online Aged Care Engagement Hub¹³⁷ and the Department of Health and Aged Care website.¹³⁸

The Department’s New Aged Care Act Transition Branch will also promote sector readiness through their oversight over all the reforms being implemented. This includes resources to develop and implement readiness plans with communication, engagement, education, and training activities to keep stakeholders involved and informed.

IA Question 7: How will you evaluate your chosen option against the success metrics?

The five policy elements will be evaluated in line with the Commonwealth Evaluation Policy.¹³⁹ This policy provides for a principles-based evaluation approach that is fit-for-purpose, useful, robust, ethical, culturally appropriate, credible, and transparent where appropriate.

In addition to the monitoring data collected by the Commission and the Department, as described under IA Question 6, a formal program of evaluations will be required to assess the implementation of the new aged care regulatory model, and the effectiveness and impact of the new model. This process will be led by the Commission and/or the Department.

The evaluation framework developed for the best option will be targeted and adaptable to the specific aims and outcomes of the five policy elements and will incorporate both existing and to-be-developed qualitative and quantitative datasets and information sources, including QI Program data.

Given the diversity of policy elements and potentially wide-ranging timeframes for implementation, the evaluation framework will evaluate the policy elements separately, underpinned by a program logic.

Information from evaluation will be used by the Department and the Commission to guide future policy development and implementation.

Process evaluation

Process evaluation is important to monitor the extent to which the requirements as outlined in the new Aged Care Act are being met by the Government and the sector. Process evaluation will seek to identify if there are any factors that may impact the ability to achieve intended outcomes, and if any changes are required to improve or ensure compliance with new Aged Care Act.

Process evaluation will explore the extent to which the five policy elements are being implemented as planned, are meeting the needs of the sector (i.e. through effective communication, consultation, and support), and have adequate and appropriate resourcing. It will also identify challenges and enablers to implementation.

Outcomes evaluation

Outcomes evaluation will explore the extent to which short-, medium-, and long-term outcomes of the new aged care regulatory modal have been achieved. Outcomes evaluation may explore:

- To what extent has the new regulatory model achieved intended benefits?
- To what extent has the new aged care regulatory model increased the number of providers and diversity of services within the sector?
- To what extent has the new regulatory model improved the quality and safety of care for older people in Australia?
- To what extent has the new regulatory model improved choice for older people in Australia?

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- To what extent has the new regulatory model supported providers to deliver high quality care?
- To what extent has the new regulatory model improved access, choice, and quality of aged care for older people in Australia in rural and remote communities?
- To what extent has the new regulatory model improved access, choice, and quality of aged care for Aboriginal and Torres Strait Islander older people in Australia?
- To what extent has the new regulatory model improved access to training and support for the aged care workforce?
- To what extent has the new regulatory model increased the aged care workforce?
- Have there been any unintended (positive or negative) outcomes as a result of the implementation of the new regulatory model?
- What have been the costs of the new regulatory model to different cohorts, and are these reasonable?

Outcomes evaluation would also explore whether there has been an accumulation of burden on any one cohort, which is impacting the effectiveness of the model.

Data will include quantitative data on the rollout (for example on the registration of non-corporate entities as providers of Commonwealth subsidised aged care services for registration categories 1 to 5), provider audit data, non-corporate service utilisation by area, number of non-corporate provider referrals by General Practitioners and assessors complaints to the Commission, QI Program data, and feedback provided by the National Aged Care Advisory Council, the Council of Elders, the National Aboriginal and Torres Strait Islander Ageing and Aged Care Council. This would likely be supplemented by targeted qualitative data collection with peak and advocacy bodies, providers, the aged care workforce, implementers, consumers, and carers.

Given the potentially sensitive nature of the qualitative data collection, and the vulnerability of stakeholders, ethics approval and ethical evaluation practices will be considered in the evaluation design.

Timing of evaluation

The success / impacts of the five policy elements will be evaluated at the time the new Aged Care Act is evaluated.

Appendices: RBE and CBA tables

The following appendices are set out:

- [Appendix A: Key overarching assumptions for IA](#)
- [Appendix B: Key assumptions for RBE tables](#)
- [Appendix C: Assumptions underpinning RBE tables for policy element 1, per policy option](#)
- [Appendix D: RBE Tables for policy elements 2 to 5](#)
- [Appendix E: NPV for policy options 1 to 3, policy element 1](#)
- [Appendix F: Best option: Policy elements 2 to 5 and Policy element 1 \(RBE and NPV\)](#)

Appendix A: Key overarching assumptions for IA

Table 21: Overarching assumptions IA

Overarching assumptions IA
Enabling sole traders and partnerships to register as providers of aged care will result in an increase in number of providers.
An increase in providers will result in an increase in diversity of providers.
The number of providers will not demonstrably improve without government intervention.
The status-quo will result in the same patterns of growth and decline as experienced previously.
Intervention is required to reduce potentially preventable hospitalisations.
Registration categories will be implemented as described.
Services in registration categories 4 and 5 pose the most risk to older people in comparison to categories 1 to 3.
The statistics and findings of the Royal Commission and the Aged Care Provider survey data from 2023 accurately reflect the Australian aged care system. ^{140 141}
The Australian population is experiencing a demographic shift, with an increasing proportion of older people in the population.
The market of aged care providers will not demonstrably change without government intervention.
A proportion of NDIS sole traders and partnerships will enter the aged care market.
Estimates of new entrants are based on the NDIS being a similar market in size and type.
Unregistered sole traders and partnerships currently provide services to older people but are not government funded.
A proportion of the subcontractors currently providing aged care services via a registered provider will register in their own right under the new model.
Registration categories will accurately reflect the services provided by registrants.
Unregistered providers would not be accountable to the commission, and do not have to adhere to the Quality Standards.
Obligations will be legislated by the new Aged Care Act.
Rates of subcontracting under the current regulatory model will not materially change as part of status quo.
Commission data suggests the average time of effort per complaint is 32.6 hours: 97.5% of complaints take 27.9 hours of Commission effort; 2.4% taking 225.5 hours of effort.
Commission data suggest that 85% of incidents take 0.7 hours of Commission effort, 6% requiring follow-up taking 3.3 hours in total, and 9% of incidents require follow-up and monitoring and take 8.7 hours of Commission effort.
NDIS market entry of providers is an acceptable proxy for the aged care market.
The costs associated with PPHs, complaints and incidents are estimated to cost \$835 million in 2022-23. Using Australian Bureau of Statistics population growth estimates, by 2031-32 this will

increase to \$1,085 million. The total cost without aged care reform is estimated to cost \$9,651 million. PPHs do not account for readmissions to hospital, complications, or death. Complaints and incidents are not the only regulatory functions of the Commission.
Under the current Aged Care Act the regulator will only consider applications to become a provider from: an incorporated organisation; state/territory government, or a local government authority.
Audits at registration and renewal would be at the cost of the registrant.
Registrants and staff will require time and resources for education, registering and renewal under the new model.
Time and resources will be required for ongoing compliance.
Registration will have differing costs based on registration category due to complexity/time required.
Government costs will include assessing registration (including an aged care worker screening database), renewal, sector engagement and ongoing education, undertaking compliance and enforcement activities related to non-corporations providing aged care services, and government costs associated with maintaining a larger number of providers in the ICT infrastructure, including Department, Commission and Services Australia systems.
Costs associated with additional regulatory burden and benefits associated with reduced PPH, compliance and incidents, are converted to net present values and annualised over a ten-year period. The central estimate adopts a discount rate of 7%, the low estimate adopts a 10% discount rate, and the high estimate adopts a 3% discount rate.
PPHs do not account for readmissions to hospital, complications, or death while in hospital. Keeping community based aged care residents in the home longer would also generate significant savings in terms of the opportunity cost of RAC placement.
The government will implement the relevant option utilising consolidated funding and cost recovery mechanisms.
Revised obligations, statutory duties or training requirements will not deter sole traders and partnerships from registering due to perceived increased administrative burden or uncertainty about what being regulated would mean.

Overarching claims
Substandard care is associated with PPH, and reducing substandard care will result in fewer PPHs.
Primary care effectiveness can be measured via a proxy of PPH.
Status quo aged care market growth is unsustainable.

Appendix B: Key assumptions for RBE tables

Overarching assumptions underpinning all RBE tables:

1. A Regulatory Burden Measurement Framework has been applied to each option.
2. The Regulatory Burden Measurement Framework follows the guidelines provided by the Office of Impact Analysis.¹⁴²
3. The regulatory burden measurements are calculated on a ten-year basis.
4. As per the guidelines of the Office of Impact Analysis, costs are presented on an average per year basis, with one-tenth of the initial start-up costs added to the expected ongoing annual regulatory burden costs to provide the annual average cost that is expected for the first ten years of the proposed regulation.¹⁴³
5. A range of assumptions have been used as model inputs. Many of the key assumptions are the same between the measures, with a few variations.
6. Estimates are presented below to provide an indication of the likely scale of the regulatory burden from policy proposals.
7. These estimates are based on a range of data including publicly available data and provided by client.
8. Assumptions for each option are provided under activity mapping.
9. The size and composition of the market are based on resources provided by the Department, aged care websites and an analysis of NDIS data.
10. Business organisations new entrants include sole traders and partnerships - based on NDIS data and service mapping for policy element 1 option 2.
11. NDIS service categories (as per data extract) may differ from suggested Aged Care registration categories.
12. Calculations to derive size and composition of market contained in this file - located in RBE modelling workbook, sheets labelled market estimate existing and market estimate new.
13. Further alignment with aged care data on providers and clients with new registration categories may strengthen estimates.
14. The estimates use labour and non-labour costs from the Regulatory Burden Measurement Framework.¹⁴⁴
15. The cumulative regulatory burden of multiple provisions in 1- 5 (policy option 3) is assumed to be additive.

Table 22: Number of existing and expected entrants in year one

Base case	Business organisations - existing*	Community organisations*	Business organisations - new entrants option 2**	Business organisations - new entrants option 3**
Registration category				
1	40	105	432	350
2	6	15	29	263
3	55	142	414	131
4	181	470	0	88
5	252	657	0	44
6	428	313	0	0
TOTALS	962	1702	876	876

Table 23: Salary assumptions, per OIA advice

Cost type	Salary/ hour (including on-costs)	Assumption
Work-related labour costs	\$79.63	Representative from provider - Work-related labour costs
Non-work related labour costs	\$36.00	Individual - Non-work-related labour costs
Executive hourly rate (applied to Board / senior management)	\$238.89	Executive / board member hourly wage rate

Appendix C: Assumptions underpinning RBE tables for policy element 1, per policy option

Table 24: Assumptions underpinning RBE table for policy option 1 - policy element 1

Output	Assumption
Status quo	No change to current system

Table 25: Assumptions underpinning RBE table for policy option 2 - policy element 1

Output	Assumption
Market entry - time to register (and renew registration) provider entity (new entrants)	The new registration model will allow non-corporations, such as sole traders and partnerships, to enter the sector to provide Commonwealth funded in-home aged care services
	Assume all non-corporations will fall into business organisation i.e., requiring ABN
	New entrants will be able to register into one or more registration categories (1 to 3 only) depending on the type of services they want to provide
	Using NDIS mapping of services: 49.4% register Cat 1, 3.3% register Cat 2, 47.3% register Cat 3
	Provider registration is risk proportionate - Provider obligations that are applied through the new registration model will be largely implemented through conditions placed on a provider's registration
	Providers in categories 1-3 undertake a digital declaration to confirm their ability to comply with registration requirements
	Average audit time sourced from strengthened-aged-care-quality-standards-pilot-program
	Category 1: assume end to end digital declaration time is equal to one-tenth average pre-audit preparation time for categories 4-5 (i.e., 0.1 x 28.7 hours) + one-tenth audit execution time for categories 4-5 (i.e., 0.1 x 89.3 hours)
	Category 2: assume end to end digital declaration time is equal to two-tenths average pre-audit preparation time for categories 4-5 (i.e., 0.2 x 28.7 hours) + two-tenths audit execution time for categories 4-5 (i.e., 0.2 x 89.3 hours)
	Category 3: assume end to end digital declaration time is equal to three-tenths average pre-audit preparation time for categories 4-5 (i.e., 0.3 x 28.7 hours) + three-tenths audit execution time for categories 4-5 (i.e., 0.3 x 89.3 hours)
Number of FTE: The number of FTE is assumed to be 1 FTE however registration is only expected to be undertaken once every three years; therefore it is 0.333	
Standard renewal period 3 years	

Appendices: RBE and NPV

Substantive compliance - education and training for providers, board and staff	All new providers require training to understand regulatory responsibilities / obligations; assume training every 2 years
	Cost of training service for providers, assume training every 2 years. Assume training is provided by Government at no cost
	Internal training of staff to understand changes to regulatory responsibilities / obligations including standards - assume an average 10 staff per new provider (noting sole trader has one person, Section 115 of the Corporations Act 2001 states that the maximum number of partners that can be involved in a partnership is 20)
	Number of FTE: The number of FTE is assumed to be 1 FTE however training is only expected to be undertaken once every two years; therefore it is 0.5
Delay costs	Assume 5% of new providers incur delay of 10 days due to incomplete registration form / documentation - each day equivalent to 8 hours
Market exit	Assume zero migration - any providers exiting will be filled by new entrants

Table 26: Assumptions underpinning RBE table for policy option 3 - policy element 1

Output	Assumption
<p>Market entry - time to register (and renew registration) provider entity (new entrants)</p>	<p>The new registration model will allow non-corporations, such as sole traders and partnerships, to enter the sector to provide Commonwealth-funded in-home aged care services</p>
	<p>Assume all non-corporations will fall into business organisation i.e., requiring ABN</p>
	<p>New providers will register into one or more registration categories (1 to 5, not 6) depending on the type of services they want to provide</p>
	<p>Assume 40% register cat 1, 30% register cat 2, 15% register category 3, 10% register cat 4 and 5% register cat 5</p>
	<p>Provider registration is risk proportionate - Provider obligations that are applied through the new registration model will be largely implemented through conditions placed on a provider's registration</p>
	<p>All providers (cat 4 to 6) are required to demonstrate their performance against standards 1 to 4</p>
	<p>Providers in categories 1-3 undertake a digital declaration to confirm their ability to comply with registration requirements</p>
	<p>For categories 4-5, the registration process is more comprehensive with further evidence required to support an application including ability to comply with applicable Quality Standards</p>
	<p>For categories 4-5 the registration process involves auditing to determine if they have the systems, policies, and procedures to meet the Quality Standards</p>
	<p>Average digital declaration time (categories 1-3) and average audit time (categories 4-5) sourced from strengthened aged care quality standards pilot program</p>
	<p>Assume that applications to register into category 6 (residential aged care services) will continue to come from corporate organisations and state and government entities.</p>
	<p>There are 8 standards with 5,6,7 more onerous - assume each standard is provided a weighting of 1 while standards 5,6,7 are weighted 2. Total score of 10.</p>
	<p>Category 1: assume end to end digital declaration time is equal to one-tenth average pre-audit preparation time for categories 4-5 (i.e., 0.1 x 28.7 hours) + one-tenth audit execution time for categories 4-5 (i.e., 0.1 x 89.3 hours)</p>
	<p>Category 2: assume end to end digital declaration time is equal to two-tenths average pre-audit preparation time for categories 4-5 (i.e., 0.2 x 28.7 hours) + two-tenths audit execution time for categories 4-5 (i.e., 0.2 x 89.3 hours)</p>

Appendices: RBE and NPV

	<p>Category 3: assume end to end digital declaration time is equal to three-tenths average pre-audit preparation time for categories 4-5 (i.e., 0.3×28.7 hours) + three-tenths audit execution time for categories 4-5 (i.e., 0.3×89.3 hours)</p>
	<p>Category 4-5 end to end average audit time 155.5 hours</p>
	<p>Number of FTE: Renewal is expected to be undertaken once every three years, therefore FTE = 0.333</p>
	<p>Standard renewal period 3 years</p>
Substantive compliance - education and training for providers, board and staff	<p>All new providers require training to understand regulatory responsibilities / obligations; assume training every 2 years</p>
	<p>Cost of training service for providers, assume training every 2 years. Assume training is provided by Government at no cost</p>
	<p>Internal training of staff to understand changes to regulatory responsibilities / obligations including standards - assume an average 10 staff per new provider (noting sole trader has one person, Section 115 of the Corporations Act 2001 states that the maximum number of partners that can be involved in a partnership is 20)</p>
	<p>Number of FTE: Training is expected to be undertaken once every two years, therefore FTE = 0.5</p>
Delay costs	<p>Assume 5% of new providers incur delay of 10 days due to incomplete registration form / documentation - each day equivalent to 8 hours</p>
Market exit	<p>Assume zero migration - any providers exiting will be filled by new entrants</p>

Appendix D: RBE Tables for policy elements 2 to 5

Policy element 2: Shifting from a one-off provider approval system for aged care providers to a model where providers register for a specified period into one or more service categories

Table 27: Regulatory Burden Estimate table for policy element 2

Average annual regulatory costs (from business as usual over 10 years)				
Change in costs (\$)	Business	Community organisations	Individuals	Total change in costs
Total, by year / sector				
Year 1	\$11,279,868	\$18,029,874	\$0	\$29,309,742
Year 2	\$3,621,638	\$5,653,914	\$0	\$9,275,552
Year 3	\$3,621,638	\$5,653,914	\$0	\$9,275,552
Year 4	\$3,621,638	\$5,653,914	\$0	\$9,275,552
Year 5	\$3,621,638	\$5,653,914	\$0	\$9,275,552
Year 6	\$3,621,638	\$5,653,914	\$0	\$9,275,552
Year 7	\$3,621,638	\$5,653,914	\$0	\$9,275,552
Year 8	\$3,621,638	\$5,653,914	\$0	\$9,275,552
Year 9	\$3,621,638	\$5,653,914	\$0	\$9,275,552
Year 10	\$3,621,638	\$5,653,914	\$0	\$9,275,552
Total 10 year cost	\$43,874,611	\$68,915,097	\$0	\$112,789,708
Average cost over 10 years	\$4,387,461	\$6,891,510	\$0	\$11,278,971

Table 28: Regulatory Burden Estimate table for policy element 2 - total, by sector

Average annual regulatory costs (from business as usual over 10 years)				
Change in costs (\$)	Business	Community organisations	Individuals	Total change in costs
Total, by sector	\$4,387,461	\$6,891,510	\$0	\$11,278,971

Policy element 3: Strengthening the set of obligations on providers by making them more meaningful, and rationalising them down from the current set of 300 rules (currently underway)

Table 29: Regulatory Burden Estimate for policy element 3

Average annual regulatory costs (from business as usual over 10 years)				
Change in costs (\$)	Business	Community organisations	Individuals	Total change in costs
Total, by year / sector				
Year 1	\$10,732,592	\$15,894,196	\$0	\$26,626,788
Year 2	\$2,654,729	\$3,149,582	\$0	\$5,804,310
Year 3	\$2,654,729	\$3,149,582	\$0	\$5,804,310
Year 4	\$2,654,729	\$3,149,582	\$0	\$5,804,310
Year 5	\$2,654,729	\$3,149,582	\$0	\$5,804,310
Year 6	\$2,654,729	\$3,149,582	\$0	\$5,804,310
Year 7	\$2,654,729	\$3,149,582	\$0	\$5,804,310
Year 8	\$2,654,729	\$3,149,582	\$0	\$5,804,310
Year 9	\$2,654,729	\$3,149,582	\$0	\$5,804,310
Year 10	\$2,654,729	\$3,149,582	\$0	\$5,804,310
Total 10 year cost	\$34,625,152	\$44,240,430	\$0	\$78,865,582
Average cost over 10 years	\$3,462,515	\$4,424,043	\$0	\$7,886,558

Table 30: Regulatory Burden Estimate for policy element 3 - total, by sector

Average annual regulatory costs (from business as usual over 10 years)				
Change in costs (\$)	Business	Community organisations	Individuals	Total change in costs
Total, by sector	\$3,462,515	\$4,424,043	\$0	\$7,886,558

Policy element 4: A strengthened set of Quality Standards which providers of inherently higher risk services will need to meet

Table 31: Regulatory Burden Estimate table for policy option 4

Average annual regulatory costs (from business as usual over 10 years)				
Change in costs (\$)	Business	Community organisations	Individuals	Total change in costs
Total, by year / sector				
Year 1	\$21,115,796	\$17,759,898	\$17,759,898	\$56,635,591
Year 2	\$3,789,666	\$4,038,321	\$388,187	\$8,216,174
Year 3	\$3,789,666	\$4,038,321	\$388,187	\$8,216,174
Year 4	\$3,789,666	\$4,038,321	\$388,187	\$8,216,174
Year 5	\$3,789,666	\$4,038,321	\$388,187	\$8,216,174
Year 6	\$3,789,666	\$4,038,321	\$388,187	\$8,216,174
Year 7	\$3,789,666	\$4,038,321	\$388,187	\$8,216,174
Year 8	\$3,789,666	\$4,038,321	\$388,187	\$8,216,174
Year 9	\$3,789,666	\$4,038,321	\$388,187	\$8,216,174
Year 10	\$3,789,666	\$4,038,321	\$388,187	\$8,216,174
Total 10 year cost	\$55,222,791	\$54,104,786	\$21,253,580	\$130,581,157
Average cost over 10 years	\$5,522,279	\$5,410,479	\$2,125,358	\$13,058,116

Table 32: Regulatory Burden Estimate table for policy element 4 - totals, by sector

Regulatory burden estimate table				
Average annual regulatory costs (from business as usual over 10 years)				
Change in costs (\$)	Business	Community organisations	Individuals	Total change in costs
Total, by sector	\$5,522,279	\$5,410,479	\$2,125,358	\$13,058,116

Policy element 5: Moving away from a pass/fail system to graded assessments of the above requirements

Table 33: Regulatory Burden Estimate table for policy option 5

Average annual regulatory costs (from business as usual over 10 years)				
Change in costs (\$)	Business	Community organisations	Individuals	Total change in costs
Total, by year / sector				
Year 1	\$2,427,850	\$3,626,055	\$0	\$6,053,906
Year 2	\$808,474	\$1,207,476	\$0	\$2,015,951
Year 3	\$808,474	\$1,207,476	\$0	\$2,015,951
Year 4	\$808,474	\$1,207,476	\$0	\$2,015,951
Year 5	\$808,474	\$1,207,476	\$0	\$2,015,951
Year 6	\$808,474	\$1,207,476	\$0	\$2,015,951
Year 7	\$808,474	\$1,207,476	\$0	\$2,015,951
Year 8	\$808,474	\$1,207,476	\$0	\$2,015,951
Year 9	\$808,474	\$1,207,476	\$0	\$2,015,951
Year 10	\$808,474	\$1,207,476	\$0	\$2,015,951
Total 10 year cost	\$9,704,118	\$14,493,344	\$0	\$24,197,462
Average cost over 10 years	\$970,412	\$1,449,334	\$0	\$2,419,746

Table 34: Regulatory Burden Estimate table for policy option 5 - totals, by sector

Average annual regulatory costs (from business as usual over 10 years)				
Change in costs (\$)	Business	Community organisations	Individuals	Total change in costs
Total, by sector	\$970,412	\$1,449,334	\$0	\$2,419,746

Appendix E: Benefit costs analysis for policy options 1 to 3, policy element 1

Figure 11: Results of modelling options

Note: Negative values represent cost-savings (benefits) from status quo (policy option 1)

Policy option 1					
Year	PPH	Complaint	Incidents	Total	NPV
2022-23	\$782,311,336	\$40,871,968	\$11,742,729	\$834,926,032	\$780,304,703
2023-24	\$809,228,870	\$42,278,278	\$12,146,769	\$863,653,917	\$754,348,779
2024-25	\$836,595,205	\$43,708,036	\$12,557,546	\$892,860,787	\$728,840,365
2025-26	\$865,422,957	\$45,214,146	\$12,990,259	\$923,627,363	\$704,630,893
2026-27	\$893,937,536	\$46,703,895	\$13,418,272	\$954,059,703	\$680,231,382
2027-28	\$922,013,537	\$48,170,729	\$13,839,701	\$984,023,967	\$655,696,719
2028-29	\$948,551,277	\$49,557,197	\$14,238,040	\$1,012,346,514	\$630,438,530
2029-30	\$972,692,340	\$50,818,450	\$14,600,405	\$1,038,111,196	\$604,190,167
2030-31	\$995,189,502	\$51,993,818	\$14,938,094	\$1,062,121,414	\$577,723,676
2031-32	\$1,016,693,983	\$53,117,323	\$15,260,883	\$1,085,072,189	\$551,595,679
Total	\$9,042,636,543	\$472,433,840	\$135,732,698	\$9,650,803,082	\$6,668,000,893
Policy option 2					
Year	PPH	Complaint	Incidents	Total	NPV
2022-23	-\$2,974,393	-\$902,447	-\$49,687	-\$3,926,527	-\$3,669,651
2023-24	-\$3,076,735	-\$933,498	-\$51,397	-\$4,061,629	-\$3,547,584
2024-25	-\$3,180,783	-\$965,067	-\$53,135	-\$4,198,985	-\$3,427,622
2025-26	-\$3,290,388	-\$998,322	-\$54,966	-\$4,343,675	-\$3,313,769
2026-27	-\$3,398,802	-\$1,031,215	-\$56,777	-\$4,486,794	-\$3,199,022
2027-28	-\$3,505,549	-\$1,063,602	-\$58,560	-\$4,627,711	-\$3,083,639
2028-29	-\$3,606,447	-\$1,094,216	-\$60,245	-\$4,760,907	-\$2,964,854
2029-30	-\$3,698,232	-\$1,122,064	-\$61,779	-\$4,882,075	-\$2,841,412
2030-31	-\$3,783,768	-\$1,148,016	-\$63,208	-\$4,994,991	-\$2,716,944
2031-32	-\$3,865,529	-\$1,172,823	-\$64,573	-\$5,102,925	-\$2,594,068
Total	-\$34,380,624	-\$10,431,269	-\$574,325	-\$45,386,218	-\$31,358,566
Policy option 3					
Year	PPH	Complaint	Incidents	Total	NPV
2022-23	-\$5,948,785	-\$1,804,894	-\$99,374	-\$7,853,053	-\$7,339,302
2023-24	-\$6,153,468	-\$1,866,996	-\$102,793	-\$8,123,258	-\$7,095,168
2024-25	-\$6,361,564	-\$1,930,134	-\$106,269	-\$8,397,967	-\$6,855,243
2025-26	-\$6,580,773	-\$1,996,643	-\$109,931	-\$8,687,347	-\$6,627,536
2026-27	-\$6,797,600	-\$2,062,430	-\$113,553	-\$8,973,583	-\$6,398,041
2027-28	-\$7,011,092	-\$2,127,205	-\$117,120	-\$9,255,417	-\$6,167,275

Appendices: RBE and NPV

2028-29	-\$7,212,887	-\$2,188,431	-\$120,491	-\$9,521,809	-\$5,929,704
2029-30	-\$7,396,457	-\$2,244,128	-\$123,557	-\$9,764,142	-\$5,682,820
2030-31	-\$7,567,527	-\$2,296,031	-\$126,415	-\$9,989,974	-\$5,433,884
2031-32	-\$7,731,049	-\$2,345,645	-\$129,147	-\$10,205,841	-\$5,188,132
Total	-\$68,761,204	-\$20,862,537	-\$1,148,651	-\$90,772,392	-\$62,717,104

Appendix F: Best option - Policy elements 2 to 5 and Policy element 1 option 3 (RBE and Cost savings analysis)

Table 35: Regulatory Burden Estimate: Best option

Regulatory burden estimate table Average annual regulatory costs (from business as usual over 10 years)				
Policy element	Business organisations	Community organisations	Individuals	Total change in costs
1. Non-corporate entities (1-5)	\$3,041,914	\$0	\$0	\$3,041,914
2. Registration categories	\$4,387,461	\$6,891,510	\$0	\$11,278,971
3. Obligations	\$3,462,515	\$4,424,043	\$0	\$7,886,558
4. Standards	\$5,522,279	\$5,410,479	\$2,125,358	\$13,058,116
5. Graded assessment	\$970,412	\$1,449,334	\$0	\$2,419,746
Total, by sector	\$17,384,581	\$18,175,366	\$2,125,358	\$37,685,304

Table 36: Benefit analysis for best option: Policy elements 2 to 5 and Policy element 1 (option 3)

Preferred regulatory model					
Year	PPH	Complaint	Incidents	Total	Net present value
2022-23	-\$40,406,005	-\$9,979,287	-\$2,447,920	-\$52,833,213	-\$49,376,834
2023-24	-\$41,796,282	-\$10,322,652	-\$2,532,147	-\$54,651,081	-\$47,734,371
2024-25	-\$43,209,739	-\$10,671,741	-\$2,617,779	-\$56,499,259	-\$46,120,225
2025-26	-\$44,698,678	-\$11,039,472	-\$2,707,983	-\$58,446,133	-\$44,588,275
2026-27	-\$46,171,441	-\$11,403,209	-\$2,797,208	-\$60,371,858	-\$43,044,300
2027-28	-\$47,621,552	-\$11,761,351	-\$2,885,060	-\$62,267,963	-\$41,491,773
2028-29	-\$48,992,213	-\$12,099,870	-\$2,968,099	-\$64,060,182	-\$39,893,462
2029-30	-\$50,239,086	-\$12,407,818	-\$3,043,638	-\$65,690,542	-\$38,232,494
2030-31	-\$51,401,053	-\$12,694,795	-\$3,114,034	-\$67,209,882	-\$36,557,722
2031-32	-\$52,511,748	-\$12,969,110	-\$3,181,323	-\$68,662,181	-\$34,904,371
Total	-\$467,047,798	-\$115,349,305	-\$28,295,191	-\$610,692,293	-\$421,943,827

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A32 Supplementary Impact Analysis – Support at Home Combined

Supplementary Impact Analysis to A4 Design Features, including A5 Care Management, A6 Assistive Technology and Home Modifications, A7 Service List and A8 Classification and Eligibility

April 2024

Introduction

This Supplementary Impact Analysis has been prepared by the Department of Health and Aged Care (the Department) to inform Australian Government decision making on reforms to improve the quality of in-home aged care by:

- Implementing a new in-home aged care program to replace the Commonwealth Home Support Programme (CHSP), Home Care Packages (HCP) Program and Short-term Restorative Care (STRC) Programme.

This supplementary analysis complements the analysis undertaken by the Royal Commission into Aged Care Quality and Safety (Royal Commission) by addressing Impact Analysis *Question 6 - What is the best option from those you have considered and how will it be implemented?* and *Question 7 - How will you evaluate your chosen option against the success metrics?*

In addition, this supplementary analysis provides an overview of the relevant Royal Commission recommendations, the proposed program design, approaches for implementing and evaluating the program, and regulatory costs.

Background

On 1 March 2021, the final report following the Royal Commission was released. It was recommended the Australian Government develop a new aged care program to replace the CHSP, HCP Program and STRC Programme (Recommendation 25).

Further recommendations were made in relation to the design of the new program. These included:

- A common set of eligibility criteria which identifies a need to prevent or delay deterioration in a person's capacity to function independently, or to restore the effects of such deterioration, and to enhance the person's ability to live independently as well as possible (Recommendation 25).
- An entitlement to support and care an individual is assessed as needing, and access to a coordinated and integrated range of care and supports (Recommendation 25, 35). This would include care management, restorative care interventions and palliative and end of life care (Recommendation 35).
- The implementation of a new funding model that incorporates a combination of block and activity-based funding, with providers paid in arrears (Recommendation 23, 118).

- Ensuring there are specific and adequate provisions to meet the diverse and changing needs of First Nations people (Recommendation 47).
- Access to care management where there is an assessed need and the assignment of a qualified care manager who would consult with the care recipient in the development of their care and support plan. Care management would be scaled to match the complexity of the person's needs and in respect of any wishes of the care recipient (Recommendation 31).
- An assistive technology and home modifications category that provides goods, aids, equipment and services to promote independent living and minimise risks to safety (Recommendation 34).
- Enabling higher levels of care in the home, by increasing the maximum amount of funding for a person receiving in-home aged care (Recommendation 72, 119).

On June 2023, the Aged Care Taskforce (the Taskforce) was established to provide independent advice on funding arrangements for aged care. On 12 March 2024, the Taskforce released their final report which included:

- The Support at Home program to be unpinned with inclusion and exclusion principles and clearly defined service lists (Recommendation 1).

This recommendation builds on the findings of the Royal Commission, whereby improvements must be made to ensure the economic sustainability of the aged care system and the need for value and accountability for public expenditure (Aged Care Royal Commission into Quality and Safety, *Executive Summary*, 2020).

Overview of policy proposed

The new SaH program would prioritise keeping people independent, with improved access to goods and services and a more efficient funding model. Key features would include:

- A new classification system to ensure support offered is better aligned to need using the new assessment tool commencing in mid-2024.
- Older people to receive an individualised budget to access services to meet their assessed aged care needs. In addition, people may also receive access to assistive technology and home modifications they are assessed as needing.
- Providers to be paid using a mixed funding model including:
 - Payment in arrears
 - Grants for providers in thin markets.
- Older people to have the ability to accrue small amounts of their quarterly budgets to meet changes in need.
- A restorative care pathway to deliver multi-disciplinary allied health programs for up to 12 weeks for clients assessed as benefiting from this support.
- An end of life pathway to increase the services available to older people in the last three months of life.
- A trial of budget pooling to test the option to give people the ability to opt into combining their budgets to achieve economies of scale in service delivery and overcome supply issues in thin markets.
- Quarantined care management funding for providers based on their client classifications with loadings for clients with special needs, paid in arrears for services delivered.
- An assistive technology and home modifications (AT-HM) scheme including the use of equipment loans delivered by states and territories.
- A Service List for the program with inclusions and exclusions.

- A prioritisation mechanism to queue people for services should need exceed agreed funding levels.
- Increased funding for higher levels of care in the home in line, where it is safe to do so.

The proposed policies would implement in full or in part Royal Commission recommendations 25, 30, 31, 32, 33, 34, 35, 36, 40, 41, 47, 54, 72, 118, 119, 124.

Implementation

To support sector and stakeholder readiness, SaH will be implemented under a staged approach.

- **Phase 1 – SaH commences (from 1 July 2025)**
 - HCP and STRC programs form the SaH program
 - New Assistive Technology and Home Modifications (ATHM) scheme commences
- **Phase 2 – CHSP transitions to SaH (from no earlier than 1 July 2027)**
 - CHSP becomes part of the SaH program

Table 1 summarises the implementation approach for SaH, which aims to ensure sector and stakeholder readiness. Key stakeholders include older people, their families and carers, aged care providers, peak and advisory bodies, and government agencies. Resources have already been established and mobilised within the Department to commence these activities.

Key challenges which have been considered include ensuring the sector has sufficient time to prepare for go-live given the scale of changes and the concurrent reforms to aged care. Therefore, pro-active engagement and investment in training, communication and partnership with the sector will be critical. Provider readiness will also be monitored to inform where further support is needed.

Table 1: Implementation approach

Government actions	Timing		
	2024	2025	2026 onwards
<i>Business design</i>	Design and build the ICT infrastructure and systems required to implement SaH.		
<i>Grants transition</i>	Develop and run grants processes to support providers with transition and for providers operating in thin markets.		
<i>Data migration and remediation</i>	Migrate HCP and STRC client and provider data to support the transition of existing care recipients ahead of go live on 1 July 2025. Provide post go-live support after 1 July 2025.		Migrate CHSP client and provider data – conduct data migration and mapping of CHSP clients from September 2026 to July 2027. Provide post go-live support after 1 July 2027 (exact timing TBC).
<i>Sector and internal transition</i>	<p>Develop and update documentation for the new program, including program manuals, web content, guidance materials.</p> <p>Establish training arrangements, including develop training materials.</p> <p>Prepare and train HCP and STRC providers, including conducting provider readiness and post-launch assessments.</p> <p>Planning and establishment of Assistive Technology (AT) Loans Scheme within jurisdictions.</p> <p>Internal communication and engagement to ensure areas</p>	<p>Prepare and train CHSP providers, including conducting provider readiness and post-launch assessments.</p> <p>Transition arrangements for CHSP providers and clients, including any policy updates to support transition to SaH.</p> <p>Future operations and transition support - ongoing strategic and business planning, organisational design and business process work across the Department to inform ongoing improvements of the system.</p>	

Table 1: Implementation approach

Government actions	Timing		
	2024	2025	2026 onwards
	managing operational elements of the reforms are engaged through design, delivery, and then supported through the transition.		
<i>Engagement and communication</i>	<p>Regular sequenced communications with providers, older people and their family and carers, including continuing consultation activities, holding webinars and factsheet releases.</p> <p>Support at Home awareness campaign at go-live on 1 July 2025 to inform older people and their families and carers about the new program.</p>		
<i>Program management</i>	<p>Ongoing planning, program management and coordination to agree and align projects to the aged care system's vision and end state.</p> <p>Training of frontline staff including My Aged Care Contact Centre staff, assessors, Care Finders, and Aged Care Specialist Officers to ensure they can assist older people.</p> <p>Build the internal capability to support transition and implementation.</p> <p>Program evaluation and benefits management to assess the effectiveness of the new program by undertaking baseline and ongoing measurement.</p>		

Evaluation

In 2023, the Department commissioned an evaluation plan for SaH which aims to assess the extent to which the program has met its objectives of:

- Older people have equitable access to support that meet their assessed needs.
- Older people have timely access to quality support.
- An efficient support system is in place that adds social value.
- A responsive system is in place that is easy to navigate.
- The system is financially sustainable.

Evaluation measures reflect these objectives and rely on data from various sources. This includes regulatory and compliance reports, program-level data, interviews/focus groups with providers and clients (including their families and carers), and surveys.

A baselining measurement exercise will be conducting prior to the commencement of SaH to address the issue that many of the measures will need to have a benchmark for comparison and that several of the expected outputs are wholly new. Following this, a regular evaluation process will be included in the Program Management activities to guide the implementation, and inform improvements and government decision making.

Evaluation will also be undertaken as part of the Department's overall approach to measuring key outcomes of aged care reforms that address the Royal Commission recommendations and improve aged care service delivery to consumers.

Estimate of regulatory burden

Each implementation phase of SaH represents increased regulatory burden costs on business and community organisations, and individuals. This is associated with the necessary investment in ICT, training, and familiarisation with the new program that will enable an improved and more sustainable future for in-home aged care, as recommended by the Royal Commission. These costs are partially offset in subsequent years as the new program will:

- Reduce administrative burdens on both providers and consumers through strengthened care management practices from 1 July 2025 and the introduction of a single program from no earlier than 1 July 2027.
- Ensure transparency of expenditure for both providers and consumers through set pricing.
- Improve clarity about the services that can be accessed through the introduction of a service list.

To reduce further regulatory burden, a communications plan is proposed to ensure providers and participants have access to appropriate information to support transition to SaH.

Regulatory burden estimate table

Average annual regulatory costs (from business as usual)				
Change in costs (\$ million)	Business	Community organisations	Individuals	Total change in costs
Total, by sector	-\$20.7	-\$38.7	\$109.5	\$50.1

Attachment B.10

Support at Home: Participant Co-contributions

Supplementary Impact Analysis

August 2024

Introduction

This supplementary Impact Analysis has been prepared by the Department of Health and Aged Care (the Department) to inform Australian Government regulatory decisions.

This supplementary analysis complements the certification by the Department that the Aged Care Taskforce and Royal Commission into Aged Care Quality and Safety has undertaken process and analysis equivalent to an impact analysis (IA) for these regulatory changes.

The Office of Impact Analysis (OIA) found the scope of the independent review covered the Policy proposal for Support at Home Participant Contributions and recommended that a supplementary impact analysis be prepared to address questions 6 and 7 of the Impact Analysis Framework:

- Question 6 – What is the best option from those you have considered and how will it be implemented?
- Question 7 – How will you implement and evaluate your chosen option?

Background

Participant contributions in the current main in-home care programs are inconsistent and are relatively low compared to people's wealth. In the Commonwealth Home Support Programme (CHSP) the level of fees are at the discretion of the provider and are not mandatory. In the Home Care Packages (HCP) program fees are only based on participant's income (with assets not counted) and are charged on a daily basis regardless of whether people access services.

The proposed co-contributions will ensure consistency, fairness and an overall increase in the level of contribution compared to the current in-home care programs. Participant co-contributions will only be paid for services received, will vary based on the type of service and will be based on people's capacity to pay using their age pension status, Commonwealth Seniors Health Card (CSHC) status and asset or income levels.

Government funding would be highest for services that provide clinical care and which prevent hospital admissions and/or progression to more expensive residential aged care. Participant co-contributions would be highest for everyday services that individuals would either perform themselves or pay for throughout their lives.

These reforms will make funding for in-home care more sustainable and allow the government to invest in the in-home care sector in order to deliver the volume of services that will be required. The number of people needing in-home care is expected to increase by an average 44,000 per annum over the next 20 years, as older people increasingly prefer to remain in their home as they age and receive aged care services in their home.

The design of all of the options has been to ensure that annually all participants make a co-contribution that is fair.

Question 6: What is the best option from those you have considered and how will it be implemented?

Indicate which of the identified options you are recommending.

Reforms are proposed for participant co-contribution arrangements in the Support at Home program so that:

- Where their means require it, participants make a mandatory co-contribution to the cost of services. This will be paid directly to the provider on the basis of the services that have been delivered
- Co-contribution rates are determined by means of the participant with maximum rate pensioners paying little or no co-contribution and non-pensioners who do not hold a Commonwealth Seniors Health Card (CSHC) paying the most. Part-pensioners and self-funded retirees who do hold a CSHC will pay according to an assessment of their income and assets similar to the age pension test.
- Co-contribution rates will also vary depending on the type of service that is used, with clinical supports (e.g. nursing) being free, supports for independence (e.g. personal care) and supports for everyday living (e.g. domestic assistance) attracting higher co-contributions.

The contribution rates are:

Means	Clinical	Independence / Assistive Technology and Home Modification (ATHM)	Everyday living
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Full pensioners	0%	5%	17.5%
Part pensioners and self funded retirees with a CSHC	0%	Between 5-50%	Between 17.5-80%
self-funded retirees without a CSHC	0%	50%	80%

Grandfathering arrangements will ensure existing home care participants who move into the SAH are not overly financially disadvantaged given they were assessed into home care with an understanding of what fees they would pay.

Existing Home Care Package (HCP) recipients on the date of the announcement of the reforms who do not currently pay fees will continue to pay no fees for their full time in the Support at Home Program. Existing HCP recipients on the date of the announcement of the reforms who do currently pay fees move to paying lower rates from July 2025, and then pay the same co-contributions as new entrants from 1 July 2027. These grandfathering arrangements should also apply to people who are approved for, or who are receiving, a HCP at the date of the announcement of the changes.

Additionally the Support at Home program will operate with defined service lists and capped budgets for certain items which will ensure people are accessing only what they need and also will help ensure sustainability for government.

There will be a combined cap of \$130,000 across Support at Home and the non-clinical care contribution in residential care. That means that if someone has contributed \$130,000 in Support at Home, they will not be required to make any more individual contributions while in Support at Home, or if they move into residential care.

Explain the decision making process

The proposal responds to the recommendations made in the final report of the Aged Care Taskforce (Taskforce) and by the Royal Commission into Aged Care Quality and Safety (Royal Commission), that co-contributions be targeted more towards services that support people's independence and everyday living costs and that no contribution be required for clinical supports. The preferred approach ensures clinical supports are free for all participants and this is consistent with the proposal to reform means testing arrangements in residential care. This proposal also supports the government's commitment to reform in-home aged care in a fiscally sustainable manner.

The preferred co-contribution approach is expected to be acceptable for participants and providers while still delivering a reasonable saving. The preferred arrangements will see:

- People in SAH paying the highest rates for everyday living supports. This is similar to the reforming means testing in residential care proposal where everyone will pay a basic daily fee and there will be a means tested hotelling supplement, which combined with the BDF, covers the full cost of everyday living supports
- People in SAH paying a contribution towards services that support their independence. This is similar to the proposed changes in residential care where wealthier people will be asked to make a contribution to the cost of the non-clinical component of their care.
- People in SAH not having to contribute to clinical care no matter their means.

This proposal will increase the amount of co-contributions to in-home aged care services and improve the long term sustainability for government over time, particularly as the average wealth of older people increases with the maturing of superannuation. This means older people have a greater capacity to make a fair contribution to the cost of their aged care services and support the overall viability of the sector. This also supports the expansion of in-home care to increase access to services for older people and reduces the wait times for people to receive these services. The number of people needing in-home care is expected to increase by an average 44,000 per annum over the next 20 years.

Currently, participant co-contributions are generally accepted as being relatively low in both the HCP and the CHSP. In home care, co-contributions are less than 3% of total program expenditure and in CHSP it is around 8%.

Research and surveys commissioned by the department and consultation conducted by the Aged Care Taskforce indicates aged care service users incorrectly estimate they contribute 50 per cent towards the total cost of their aged care services, compared to actual contributions of around 25 per cent in residential care and only 3 per cent in home care. This research also shows they are prepared to pay between 30 to 40 per cent in return for good quality services.

The new arrangements will create a price signal for independence and everyday living supports while ensuring there is little or no barrier to accessing clinical services. This will help manage demand in the new program but will not adversely restrict access to services as the arrangements ensure those with lower means only pay a small amount for the services they. The price signals in the proposal recognise that services such as meals, cleaning and gardening are costs that people would ordinarily meet themselves.

The proposed arrangements also address current anomalies and inequities, including:

- In the CHSP, fees are not mandatory and are at the discretion of the provider, resulting in older people of similar means, receiving similar services, often paying vastly different fees. The proposed arrangements are that co-contributions, when payable, are set by government and are mandatory unless hardship arrangements are in place.
- In home care, because any applicable fees are payable on a daily basis, regardless of services received, some participants can be paying more in fees than services actually received. The proposed arrangements are that co-contributions are only payable when a service is used.
- In home care, only the income of participants is assessed for fees meaning that people with high value of assets often pay less or no fees. The proposed arrangements assess income and assets or participant's pension and CSHC status.

Participants from the Commonwealth Home Support Program (CHSP) who transition to SAH will be affected from July 2027.

Co-contribution rates are designed be set to be affordable for all participants, including those with higher care needs, although hardship provisions will be put in place for those who cannot afford them.

Explain how the Government will implement the recommended option

Changes to primary legislation will be required to enact this reform. All ICT and legislation changes should be completed by 1 July 2025

When participants receive services through the Support at Home program, service providers will charge the appropriate co-contribution. Providers will lodge a claim with Services Australia

and will be paid the subsidy. Providers will be responsible for collecting fees from participants, as they are currently in home care.

Co-contributions in home care are income tested and charged daily regardless of whether services are used or not, whereas contributions in the CHSP are at the discretion of the provider and charged on a per-service basis.

Implementation issues and mitigation strategies

- Risk that higher co-contributions lead to increase in hardship applications.

Mitigation: The proposal is designed so that rates are set at an affordable level according to people's capacity to pay. However there will also remain in place, as is the case now, a robust hardship process to ensure those who are unable to pay fees do not have to go without services.

- Risk that higher co-contributions lead to people choosing not to access services and either enter residential care prematurely or go without services.

Mitigation: The proposal is designed so that essential services people require are either free or set at an affordable level to allow people to continue living at home.

- Risk that the required IT is not accessible and/or affordable for small providers.

Mitigation: smaller providers will continue to be consulted during development

Outline transitional arrangements in moving from one policy to another

It is considered important that grandparenting arrangements ensure existing home care participants who move into the SAH are not overly financially disadvantaged given they were assessed into home care with an understanding of what fees they would pay.

Existing Home Care Package (HCP) recipients on the date of the announcement of the reforms who do not currently pay fees will continue to pay no fees for their full time in the Support at Home Program. Existing HCP recipients on the date of the announcement of the reforms who do currently pay fees move to paying low rates from July 2025, and then pay the same co-contributions as new entrants from 1 July 2027. These grandparenting arrangements should also apply to people who are approved for, or who are receiving, a HCP at the date of the announcement of the changes.

Question 7: How will you evaluate your chosen option against the success metrics?

Describe how the performance of your policy will be monitored and evaluated against the objectives and success metrics set out at question 2, during and after implementation.

The financial performance of aged care providers will be analysed and reported on through the Quarterly Financial Snapshot and the annual Financial Report on the Australian Aged Care Sector. The performance of the residential aged care system will be reported on through the Department of Health and Aged Care annual report and star rating indicators.

The impact on participants will be evaluated through consultation with consumer groups, analysis of hardship applications and feedback from providers. The Department will consult with selected providers and consumer stakeholder groups on an ad hoc basis, for operational feedback on reform measures.

Additionally, the impacts of the whole SaH program including of the contribution arrangements, for First Nations people, will be considered as part of the planned program evaluation. These will be measured through program data and focus groups. The draft Aboriginal and Torres Strait Islander Aged Care Framework also proposes targets over 10 years, from 2024 to 2034, to achieve significant improvements to aged care experiences for older First Nations people. When published, the Framework will provide a blueprint for program monitoring and evaluation.

The established Support at Home Evaluation Plan identifies equity and quality as key questions to consider as part of evaluation, including ensuring fees are appropriate given people's wealth. As such gender impacts will be considered as part of the planned evaluation. The Support at Home Reform Branch has recently established a standalone Inclusion & Linkages team to develop and implement policies to ensure the SaH program is inclusive for all groups, including First Nations people, people from CALD backgrounds and different genders.

As part of its work program, this team will undertake further analysis to better understand the gender impacts of SaH as the program is implemented, as well as other equity issues. This analysis will provide recommendations on whether further action is required as SaH is rolled out.

There is a scheduled Evaluation Plan (1-5 years post-implementation). The Evaluation Plan will include assessments of:

- **EQUITY:** Is geographical and population group access to services equitable?
- **QUALITY:** Are services timely, effective, and safe? Are services responsive to changing client needs?
- **EFFICIENCY:** Is the allocation of resources and provision of services efficient?