



Aged Care Pricing Commissioner
Annual Report

1 JULY 2015 – 30 JUNE 2016



Australian Government

Aged Care Pricing Commissioner

Office Of The Aged Care Pricing Commissioner
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The Hon Sussan Ley MP
Minister for Health and Aged Care
Parliament House
Canberra ACT 2600

Dear Minister

In accordance with Section 95B-12 of the *Aged Care Act 1997*, I present to you the Annual Report of the Aged Care Pricing Commissioner covering the Commissioner's operations for the year 1 July 2015 to 30 June 2016.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'K. Cull'.

Kim Cull

Aged Care Pricing Commissioner

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Commissioner's Overview

Third Annual Report of the operations of the Aged Care Pricing Commissioner.

The 2014/15 year allowed my office to consolidate and further refine our internal processes, and to work closely with many aged care providers as they aligned accommodation prices in residential aged care with legislative requirements to seek approval for higher accommodation payments. The last twelve months has further added to our broader analysis of prices, including by geographic location and the distribution of approved prices. Our assessments can now consider the objective features of accommodation approved above the maximum amount, together with a rich insight into the range of comparative pricing in the market.

Internal processes

Our efforts to continue to streamline processes and to place a high priority on clear and open communication with our primary stakeholders is, I believe, reflected in our efficient performance as compared to statutory timeframes and a high level of stakeholder satisfaction evidenced through surveys. The statutory timeframe for decision making in respect of an application for higher accommodation payments is 60 days. By contrast, it has taken an average of 24 days this financial year from the date of receiving an

application, producing a detailed assessment with recommendations, considering all relevant matters in making a decision, and advising applicants. While this is a marginal increase on last year, this figure reflects an increasing complexity in some applications including in particular new residential aged care construction. Where the figure is refined to reflect the time taken on an informal basis to work with individual applicants to supply necessary information, the average time taken is 19 days.

I continued to receive applications for increases in Extra Service fees this financial year, and decisions in respect of Extra Service fee applications have taken an average of 3.5 days to completion, as compared to 5 days in 2014/15. This is referred to in Part 7 of this Report.

Consultation

Our office, since inception in October 2013, has placed priority on close consultation with various stakeholders, and have benefited greatly from interaction with industry and consumer groups, including a Reference Group. In particular, I have made a point of visiting many residential aged care facilities, and speaking with staff from a wide range of organisations, from facility managers to senior executives. This has been extremely useful in understanding the interaction of prices with the residential aged care market, the organisational imperatives of aged care providers both large and small, and the broader context of changes in aged care policy and regulation.

I would like to thank the many people who have given their time to provide their expertise and insight. This has allowed our office to work expeditiously and effectively with applicants, to continue to build corporate knowledge, and for my decisions to continue to be firmly based on a good understanding of the market, and an appreciation of commercial considerations.

The approach to regulation

Applications for approval to charge higher accommodation payment amounts are assessed with the quality and amenity of the offering in entirety being considered. While recognising the diversity of accommodation offerings, the various business models and approaches applied by providers, the value of the accommodation being offered to the resident at higher prices remains the key focus in the assessment of applications.

This emphasis precludes residents from having to pay higher accommodation payment amounts based on factors that are not related to the quality of the accommodation being offered (such as, for example, the resident's capacity to pay).

Indeed, the process of making an application requires that providers apply logic to internal pricing structures: to rooms priced above the \$550,000 threshold relative to each other, but also to rooms priced above this threshold relative to other rooms in the facility. Accordingly, for rooms above the threshold, there is a demonstrable link between the

quality, condition, room size and amenity features and the price point at which a particular room is approved.

There have been no formal refusals to approve applications. The approach I have taken has been to work with applicants where prices appear not to be justifiable so that they may reach a position where prices are acceptable without the prospect of a formal refusal and the consequent operational disruption that this would cause to aged care providers. This necessitates clear communication with aged care providers about the merits of an application and the reasons why it may be refused. Since I commenced receiving applications in 2014, approximately 6.5% of applications have been withdrawn by applicants. Of all applications approved, a further 7% have been substantially reframed by applicants (either through reducing prices sought, or by amending rooms within a group) as a result of this approach. In this way, the policy objective of protecting residents from paying unjustifiably high prices is met, and there is minimal operational disruption to providers. These applications may be considered to be applications which would otherwise have been refused.

Commissioner's Overview (continued)

Approved applications

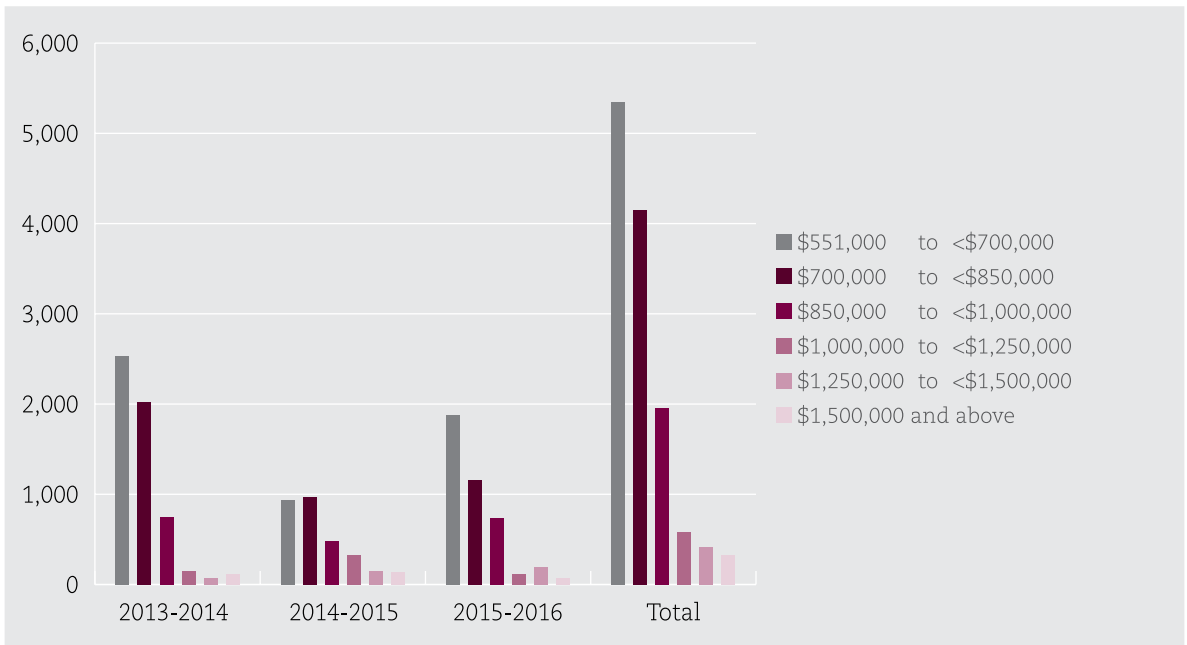
As at 30 June 2015, there were 972 approved aged care providers nationally, operating 2,681 services (residential aged care facilities) with a total of 192,370 places.

Of this total, I have approved applications since the new regulations took effect in 2014 from 112 aged care providers (11.5% of all providers) representing 215 services (8% of all services). These applications have been for approximately 12,780 distinct rooms in services. Since a room is generally equivalent to an aged care place in the above-threshold accommodation market, approval has been given for providers to charge

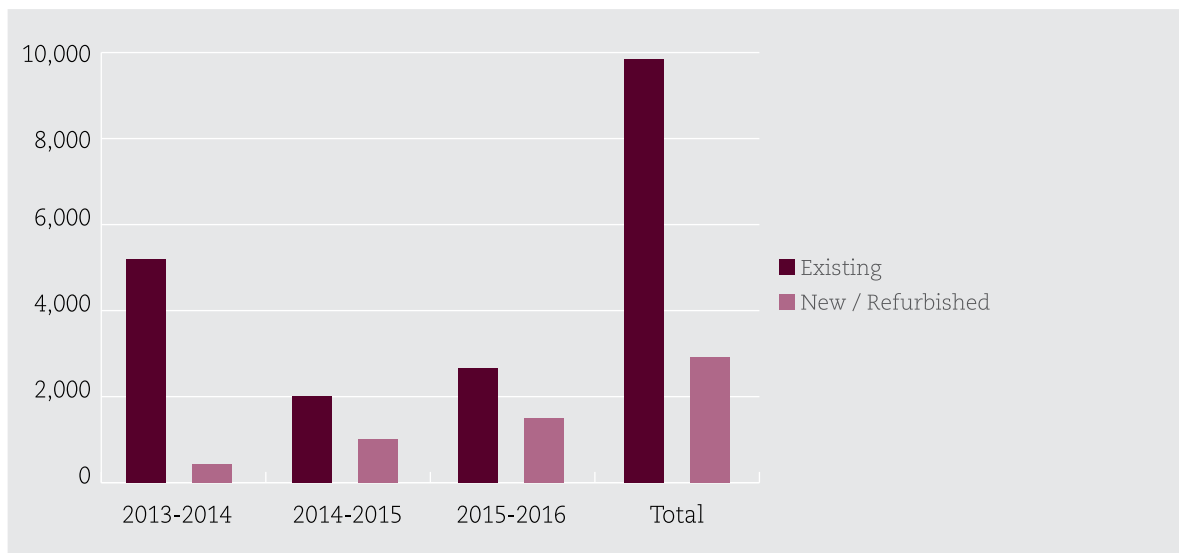
higher accommodation payments for 6.64% of all aged care places.

Of these, 74% have been approved in the price range \$551,000 to \$850,000 as a Refundable Accommodation Deposit. In particular, 42% of all approved rooms are in the range \$551,000 to \$700,000, and a further 32% in the range \$700,000 to \$850,000. This proportion has been relatively consistent between years. 10% of all rooms approved exceed \$1,000,000. In the context of all aged care places, this proportion is small. Approximately 0.7% of all aged care places in Australia may charge a bond over \$1,000,000.

Number of Rooms by Approved Price



Number of Approved Rooms by Facility Type



23% of all approved rooms since 2013/14 are in facilities that have either been newly built or have been subject to a significant degree of refurbishment or extension works. Over time, the number of existing facilities being approved has proportionally decreased when compared with the number of new or refurbished facilities being approved. This is consistent with the need for additional works by industry to meet future demand.

As the Office has been operating for three years, we can now see definite comparative as well as subjective features in pricing. There is an increasing degree of consistency also evident in what is offered to the resident at various price points in terms of quality and amenity in

similar geographical locations. It is encouraging to see a greater degree of consistency in the approach by providers to accommodation pricing above the maximum amount determined by the Minister.

As a government representative on the Aged Care Financing Authority (ACFA), I have continued to have the benefit of insight into the broader aged care sector and the trends and issues that entails. The Office of the Aged Care Pricing Commissioner is enhanced by this experience. This engagement with our primary stakeholders adds to a culture which is responsive, aware of matters affecting the operations of providers, and attuned to broader sectoral issues.

Functions

The functions of the Aged Care Pricing Commissioner include the approval of proposed accommodation payments that are higher than the maximum amount determined by the Minister, and the approval of increases to Extra Service fees.

The Commissioner is also an *ex officio* member of the Aged Care Financing Authority, which provides independent advice to the Government on funding and financing issues, informed by consultation with consumers and the aged care and finance sectors.

1. Applications for accommodation payments

In the period from 1 July 2015 to 30 June 2016 inclusive, 216 individual applications were made for the approval of prices above the maximum amount determined by the Minister.

196 applications were approved during the financial year, and 13 applications withdrawn, either on the basis that they were judged by the applicant as unlikely to succeed or were so substantially reframed as to require resubmission. This continues the approach taken by the Commissioner in seeking to work

with aged care providers to facilitate the approval of applications where possible, to seek further information where required, or to identify where applications are not likely to succeed as currently framed.

While the number of applications received in 2015/16 was lower than in the previous year, the number of specific residential aged care places approved was in fact higher: 4142 places were approved in 2015/16, as compared to 3000 in 2014/15.

2. Applications for approval of Extra Service fee increases

The Commissioner's responsibilities in respect of the approval of proposed Extra Service fees took effect from 1 July 2014. In the period 1 July 2015 to 30 June 2016, the Commissioner received 58 applications to increase Extra Service fees from 37 residential aged care facilities. 1 application was withdrawn. 41 applications were approved. Additional information is provided in the Performance section of this Report.

3. Internal and external review

Decisions made by the Commissioner in respect of proposed accommodation prices and Extra Service fee increases are reviewable decisions under the *Aged Care Act 1997*. In the year to 30 June 2016, no affected person sought a review of a decision by the Commissioner.

4. Freedom of Information requests

The Commissioner received one Freedom of Information request during 2015-16. This application was formally withdrawn by the applicant.

The Commissioner provides an Information Publication Scheme entry and Freedom of Information disclosure log on the Commissioner's website.

About the Office of The Aged Care Pricing Commissioner

5. Corporate governance

The Commissioner's spending of public money is regulated by the *Public Governance, Performance and Accountability Act 2013*. Spending must also comply with the Commonwealth Procurement Rules.

The Commissioner exercises expenditure powers under delegation from the Secretary of the Department of Health pursuant to the *Public Governance, Performance and Accountability Act 2013*.

6. Budget and staffing

To meet the variability of volume in applications, the Commissioner was supported by up to 5 staff during the 2015-16 year. This included assessment officers and administrative support.

The Commissioner's budget allocation for 2015-16 was \$879,000, which included staff salaries and the Commissioner's remuneration. There has been a strenuous focus on prudent budget management.

7. Performance

Applications for approval of accommodation payment amounts

A principal means by which performance can be measured relate to the statutory timeframes for making decisions on applications for accommodation payments above the maximum amount determined by the Minister. The *Fees and Payments Principles 2014 (No 2)* provide that the Aged Care Pricing Commissioner must notify applicants of a decision to approve, or to refuse to approve an application within 60 days of receiving an application. This time period does not include any period during which the Commissioner formally sought further information in respect of an application.

All decisions made by the Commissioner were within this 60 day period.

The average time taken to assess an application and make a decision on proposed accommodation prices was 24 days in the 2015/16 financial year. This compares to 18 days in 2014/15. However, the average time period referred to above does not include any period during which the Commissioner formally sought further information in respect of an application. The approach taken in assessments, with a small number of exceptions, has been to seek the information required to complete an assessment outside the parameters of a formal request. This increases the apparent time taken to process an application. Where this time is discounted, the average time taken to make a decision on an application was 19 days, compared to 17 days in 2014/15.

Applications for approval of Extra Service fee increases

The Commissioner received 58 applications to increase Extra Service fees from 37 residential aged care facilities. 1 application was withdrawn because it was not valid.

The Commissioner approved 41 applications for an increase to Extra Service fees at 24 facilities. The Commissioner was not able to consider the remainder of the applications during the 2015/16 year, because while approved providers may make an application at any time, the Commissioner cannot make a decision to approve a proposed increase to an Extra Service fee unless at least 12 months has elapsed since the date on which the last approval took effect.

In a number of other cases, applications were determined not to be valid, including for reasons such as the incorrect calculation of proposed fees or the inadvertent failure to observe other statutory requirements in respect of timeframes, and required amendment by applicants. Again, the approach has been to work with aged care providers to remedy applications and to assist them in observing regulatory requirements.

The average time taken to make a decision on an Extra Service fee application in 2015/16 (i.e. the time taken from the first date on which the Commissioner was permitted to make a decision, and the decision date) was 3.5 days.

Contacts

The Office of the Aged Care Pricing Commissioner can be contacted by phone **1300 550 970**, by email on acpcenquiries@acpc.gov.au, or by post at:

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Further information about the Aged Care Pricing Commissioner can be found on the Commissioner's website at www.acpc.gov.au