



SUBMISSION – INQUIRY INTO THE AGED CARE LEGISLATION AMENDMENT (IMPROVED HOME CARE PAYMENT ADMINISTRATION) BILLS 1 & 2, 2020

LASA Response

20 November 2020

*A strong voice and a helping hand
for all providers of age services*

Leading Age Services Australia

Leading Age Services Australia (LASA) is a national association for all providers of age services across residential care, home care and retirement living/seniors housing. Our purpose is to enable high performing, respected and sustainable age services that support older Australians to age well by providing care, support and accommodation with quality, safety and compassion – always.

LASA's membership base is made up of organisations providing care, support and services to older Australians. Our Members include private, not-for-profit, faith-based and government operated organisations providing age services across residential aged care, home care and retirement living. 55% of our Members are not-for-profit, 37% are for-profit providers and 8% of our Members are government providers. Our diverse membership base provides LASA with the ability to speak with credibility and authority on issues of importance to older Australians and the age services industry.

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1. Introduction

LASA welcomes the opportunity to provide its written submission to the Legislative Committee of the Standing Committee on Community Affairs, addressing issues of relevance to approved home care providers administering and delivering services through the Australian Government's Home Care Package (HCP) Program.¹

LASA notes that the *Aged Care Legislation (Improved Home Care Payment Administration No. 1) Bill 2020* and the *Aged Care Legislation (Improved Home Care Payment Administration No. 2) Bill 2020* will have direct impacts for approved home care providers and their HCP consumers. Issues for the attention of the Legislative Committee with regard to these direct impacts are summarised below for consideration.

2. Key Recommendations

- The Government make publically available information concerning unspent fund balances for active and exiting consumers across each financial year period following implementation of the Bills, reported through the Aged Care Financing Authority or equivalent.
- The Government immediately provide details of transition support arrangements to approved home care providers so they can determine their eligibility for seeking financial assistance from Government and respond to any cash reserve challenges for transition to payment in arrears.
- That Government ensure transition support arrangements and financial assistance give regard to the financial pressures of approved home care providers in delivering services in rural, remote and very remote communities on a payment in arrears basis to support continuing access to home care package arrangements in these communities.
- That Government undertake a short pilot involving some HCP providers prior to full implementation of phase two legislation to confirm system and procedural capability for error minimisation/rectification.
- That Government extend their policy for small business electronic billing to include approved home care providers administering and delivering HCP services.
- That Government review its policy approach for enacting income tested fee determinations prior to reconciliation adjustment for HCP provider payments to minimise any adverse cash flow impacts for HCP providers and consumers in processing subsidy adjustments.

3. Unspent Funds

As at 30 June 2020, the current pool of unspent funds is estimated to be in excess of \$1 billion with the average unspent funds per care recipient having risen to \$8,412. Most of the balance of unspent

¹ <https://www.health.gov.au/initiatives-and-programs/home-care-packages-program>

funds is reported as relating to home care subsidises allocated but not utilised. The introduction of the *Aged Care Legislation Amendment (Improved Home Care Payment Administration No. 2) Bill 2020* provides opportunity for the accumulating pool of unspent funds to be held by Government who can facilitate the diversion of these unspent funds toward those care recipients on the national prioritisation queue that do not yet have access to in-home care funding.²

3.1 Transparency in the Management of Unspent Funds

Government must ensure that the cash flow saving delivered by any change in HCP payment arrangements is reinvested into delivering additional HCPs and reducing the HCP wait list that is now in excess of twelve months for care recipients to receive a HCP at their approved level.³

Importantly, the Government needs to ensure there is transparency with regard to such arrangements. Information concerning unspent fund balances for active and exiting consumers across each financial year period should be reported through the Aged Care Financing Authority or equivalent.

4. Cash Reserves

LASA has previously reported through a Member survey that near one in five HCP providers experienced a negative revenue position for their HCP program for the FY2019 financial year, excluding unspent HCP funds balances. Many HCP providers concurrently reported experiencing a negative revenue position in other aged care revenue streams for the FY2019 financial year. This compounds the financial pressures associated with the HCP payment administration changes for HCP providers with limited cash reserves.

The impact on cash flow for HCP providers, only being paid in arrears for services delivered, is significant and cumulative over each of the two *Bill* phases, particularly for providers that lack cash reserves or unencumbered real assets to borrow against.

4.1 Transition Support

LASA acknowledges that implementation of the HCP payment administration changes will demand some providers rearrange their administration processes and systems. This will impose an additional expense to HCP providers in the context of increasing financial pressures.

The Government have signalled that they will offer transitional support in the form of a business advisory service that will account for the unique cash flow positions of HCP providers with varied business models.⁴ Where HCP providers are identified as being at risk of solvency, exacerbated because of the HCP payment administration changes being implemented at pace, financial support should be made available by Government to assist with the transition.

² StewartBrown, Aged Care Financial Performance survey, Aged Care Sector Report – June 2020, p49.

³ <https://www.gen-agedcaredata.gov.au/Resources/Reports-and-publications/2020/October/Home-care-packages-program-data-report-1-April-%e2%80%93-3>

⁴ <https://www.pwc.com.au/health/aged-care-advisory.html>

Special consideration needs to be given to remote and very remote service providers when considering changes to the HCP payment administration arrangements. Remote and very remote providers who offer residential care are already facing significant financial challenges, with 74.1 per cent of outer regional, rural and remote facilities operating at a loss (more than 49.1 per cent recording a cash loss)⁵. Introduction of the HCP payment administration changes in these communities may inadvertently undermine the viability of offering aged care services in remote areas, and there are signs that an increasing number of smaller providers are seeking to leave the industry.⁵

The details of such transition support to accompany the implementation of the *Aged Care Legislation (Improved Home Care Payment Administration No. 1) Bill 2020* and the *Aged Care Legislation (Improved Home Care Payment Administration No. 2) Bill 2020* needs to be made available promptly. This will assist approved home care providers administering and delivering HCP services to determine their need/eligibility for transition support in projecting cash flow requirements across the Phase One and Phase Two changes, as well as their developing financial risk mitigation plans for service continuity.

5. Claims and Payment Reconciliation

In progressing the *Aged Care Legislation (Improved Home Care Payment Administration No. 2) Bill 2020*, there are several issues of concern LASA requests that the Legislative Committee give consideration to. LASA seeks to ensure there is minimal disruption to approved home care provider administration and delivery of HCP services with the introduction and implementation of the proposed legislative changes referenced in this Bill.

5.1 Confirmation of System and Procedural Capability (Phase Two)

Historically, changes in Government systems for HCP service provision across My Aged Care and aged care payments have included teething issues that have caused significant disruption to both service providers and their consumers.⁶ This has included errors associated with incorrect HCP payment withdrawals, incorrect HCP payment upgrades, incorrect HCP movements; all of which are generated due to interface difficulties across My Aged Care (Department of Health) and Aged Care Payments (Services Australia) and disrupted HCP provider cash flow.

Timeframes and communication between HCP providers and Government departments for error rectification are often drawn out despite escalation. This is often complicated with HCP providers having to communicate and be passed across multiple Government departments.

Noting some providers have been reported by the Department of Health as currently processing HCP payment in arrears, a short pilot involving some of these existing 'payment-in-arrears' providers

⁵ 2019 Report on Funding and Financing in the Aged Care Sector (Aged Care Financing Authority, 2019)

⁶ https://lasa.asn.au/wp-content/uploads/2017/06/LASA_ICHC_Implementation_Issues_Paper_September_2017.pdf

should be undertaken prior full implementation of phase two legislation to confirm system and procedural capability for error minimisation and rectification.

5.2 Timely and Accurate Claims and Payment Reconciliation

LASA notes that the Government has in place five-day payment terms for commercial supplier invoices that are issued electronically⁷. Home care package claim and payment reconciliation data reported by Services Australia⁸ is comparable:

- Between 1 January 2020 and the end of October 2020, 96.7 per cent of home care claims were
- Between January 2020 and October 2020 the average processing times for paper claims was within approximately 10 days of receipt.
- For the September 2020 claiming month (lodged during October 2020), 96.2 per cent of claims submitted online were approved within two business days of finalisation, with just 3.8 per cent taking longer than that. The maximum amount of time between a claim lodged online and approval was six business days.
- Services Australia estimate approximately 100 home care services are behind in claiming at the most.

LASA recommends that Government extend their policy for small business electronic billing to include approved home care providers administering and delivering services through the Australian Government's HCP Program.¹ This will enable them the ability to claim interest from Government against delayed payments and inaccurate payments without timely error resolution.

5.3 Income Tested Fee Determinations and Reconciliation

Reconciliation of income tested fee (ITF) determinations at quarterly reviews and subsequent to initial ITF determinations on HCP commencement will create a cash flow issue where the ITF reconciliation value is substantial and results in the Government withholding of home care subsidy. HCP providers will then need to seek additional ITF contributions from HCP consumers or seek a re-assessment of there is consumer objection.

Substantive ITF reconciliation values often emerge at quarterly reviews that identify a requirement for retrospective adjustments across multiple prior quarters (based on income means assessment information). This, if implemented suddenly and without advanced notification, imposes a detrimental cash flow impact for provision of continuing care relative to the ITF determination.

Prior to any reconciliation adjustment, engagement between Services Australia, effected providers and consumers needs to occur to confirm the ITF determination and account for adverse cash flow impacts for continuing care with risk mitigation.

⁷ <https://www.afr.com/policy/economy/government-to-pay-smes-in-five-days-20191106-p537wj>

⁸ Email communication to LASA dated 18 November 2020.