

## **Audit Report No. 19, 1998–99**

### **The Planning of Aged Care**

#### **Introduction**

- 3.1 The Department of Health and Aged Care (DHAC) administers the Commonwealth Government's Aged and Community Care Program. The cost of the program in 1997–98 was \$3 billion, which provided 146 000 places in residential aged care accommodation and community care packages.<sup>1</sup> The Australian National Audit Office (ANAO) conducted the audit both because of the scale and cost of the program, and because of the importance of planning in achieving the program's objectives.<sup>2</sup>
- 3.2 The purpose of the audit was to assess the administrative effectiveness and efficiency of the department's processes for planning the Commonwealth's Aged and Community Care Program. In particular, the ANAO was concerned with how well the planning process had contributed to the realisation of selected program objectives.<sup>3</sup>

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1 Auditor-General, *Audit Report No. 19, 1998–99*, pp. 11, 32–3.

2 Auditor-General, *Audit Report No. 19, 1998–99*, p. 30.

3 Auditor-General, *Audit Report No. 19, 1998–99*, p. 30.

- 3.3 The audit report noted the following conclusions.
- DHAC has established planning and provider selection procedures consistent with legislative requirements for aged care.
  - While the planning process has resulted in a reduction in inequities between different states and regions, major inequities remain in the distribution of places between rural and urban areas.
  - The number of aged care places has not kept pace with the growth in the aged population, partly because the planning process involves time lags of up to three years.
  - DHAC's selection processes in 1997–98 gave increased attention to the probity of the selection process. However, DHAC needs to take further action to make its purchasing of aged care services more effective.<sup>4</sup>
- 3.4 At the public hearing, the Committee pursued the following issues:
- local input into planning processes;
  - the possible leakage of places;
  - setting and achieving targets for places;
  - quality issues;
  - the 'for-profit' versus the 'not-for-profit' sectors;
  - financial expertise;
  - other relevant programs; and
  - the mobility of places.

### **Local input into planning processes**

- 3.5 Mr Andrew Stuart from DHAC informed the Committee that it consults 'planning and advisory committees which are drawn from the community from people with expertise in aged care.'<sup>5</sup> However, despite several questions from the Committee, it was unclear exactly what input a local community could have.
- 3.6 From further correspondence with DHAC, it became clear that, while there is scope for local communities to inform the planning process, State
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<sup>4</sup> Auditor-General, *Audit Report No. 19, 1998–99*, p. 14.

<sup>5</sup> Andrew Stuart, DHAC, *Transcript*, p. 22.

Offices enjoy considerable discretion as to whether this occurs. This is in line with the department's view that:

...the primary focus should remain on statistical analysis, supplemented by more qualitative information through different consultation mechanisms. The department's approach has therefore generally been to seek broad views of stakeholders particularly through the Aged Care Planning Advisory Committees as well as with key stakeholders, rather than conducting widespread and detailed local consultations in many communities.<sup>6</sup>

- 3.7 The department went on to say that this approach '...has worked consistently well for more than a decade, in terms of meeting Government objectives to ensure fair access to a limited number of new places that become available.'<sup>7</sup>
- 3.8 The department also informed the Committee that it plans to improve its consultation process in three ways. First, it will '...seek to ensure the consultation method is more nationally consistent through the development of a Planning Manual for State Offices in the Department.' Second, it '...is keen to improve linkages and joint planning with State Governments'. Third, it will review the process for aged care planning in rural areas.<sup>8</sup>

### Committee comments

- 3.9 The Committee is concerned that the department plans the provision of aged care services without necessarily obtaining the direct input of local communities. Without such input, particularly from local government, there cannot be adequate anticipation of the future needs of a community. Local councils are in the best position to estimate future demand for government services because they are aware of current developments. For example, a community that is currently attracting a large number of retirees is likely to need additional places within the coming years.
- 3.10 By adopting a system that ensures local government input, as well as State government input, the department would be better informed of the future needs of particular localities. This would enhance the responsiveness and effectiveness of its aged care program.

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6 DHAC, Submission No. 10, p. 2.

7 DHAC, Submission No. 10, p. 2.

8 DHAC, Submission No. 10, pp. 2-3.

- 3.11 The Committee welcomes DHAC's plans to review and enhance the consistency of consultation; its linkages with State governments; and its planning process in rural areas. However, it is unclear whether these plans are likely to result in more extensive consultation with local communities.

### **Recommendation 2**

- 3.12 **The Committee recommends that the Department of Health and Aged Care take action to ensure that local government input becomes an integral component of the planning process for the provision of aged care services.**

### **The possible leakage of places**

- 3.13 The Committee asked the department whether aged care places could be lost, either temporarily or permanently, when facilities close down. DHAC assured the Committee that places are never lost permanently, and only rarely lost temporarily.<sup>9</sup>

### **Setting and achieving targets for places**

- 3.14 DHAC agreed with qualification to an ANAO recommendation that it address the time lag between estimation of the need for new places and the actual provision of those places.<sup>10</sup> At the hearing, DHAC explained that it was planning to bring some places forward over the next few years. DHAC also acknowledged that it had not always been sufficiently vigorous in ensuring that places were provided within two years of approval.<sup>11</sup>
- 3.15 The Committee also asked DHAC when it would reach its target of 102 places per 1000 of the population aged over 70 years. DHAC responded that it expects to reach this target by 2002.<sup>12</sup>

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9 *Transcript*, pp. 24–5.

10 Auditor-General, *Audit Report No. 19, 1998–99*, p. 44.

11 David Graham, DHAC, *Transcript*, p. 25.

12 DHAC, Submission No. 7, p. 2.

- 3.16 The Committee inquired as to the reasons for the diminishing proportion of high level care (ie nursing home) places. DHAC responded that there is an increasing emphasis on community care.<sup>13</sup>

### Committee comments

- 3.17 The Committee supports DHAC's efforts to bring forward the provision of some places, and encourages it to implement safeguards to ensure that all places are provided within two years of approval.
- 3.18 While the Committee accepts the desirability of community care where it is suitable, it notes that as the population tends to live longer, it is possible that more intensive assistance may be required.

### Quality issues

- 3.19 Because the subsidy provided by DHAC is fixed, tenderers compete on the basis of quality rather than price. The Committee inquired as to the methods used to assess the veracity of tenderers' assertions about the quality of service they would provide.
- 3.20 For existing service providers, the department has access to quality audits conducted by the Aged Care Standards and Accreditation Agency. For new providers, a variety of information is scrutinised, including previous experience as managers and company directors, and independent probity and police checks. DHAC noted that the majority of places were allocated to existing aged care operators.<sup>14</sup>
- 3.21 In those cases where only one tenderer applied for places, DHAC still conducted a quality assessment.<sup>15</sup>

### The 'for-profit' versus the 'not-for-profit' sectors

- 3.22 The Committee pursued the issue of whether the 'for-profit' sector is disadvantaged when tendering for places. Its concern arose from the ANAO's observation that this sector's tenders for community care places

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13 David Graham, DHAC, *Transcript*, p. 33.

14 Andrew Stuart, DHAC, *Transcript*, p. 28.

15 Andrew Stuart, DHAC, *Transcript*, p. 30.

were markedly less successful than the 'not-for-profit' sector's tenders. For example, nationwide, the 'for-profit' sector had a success rate of 16 per cent, compared with a success rate of 31 per cent for the 'not-for-profit' sector.<sup>16</sup>

3.23 The ANAO assured the Committee that it had discerned no obvious bias in the selection process.<sup>17</sup> DHAC identified the differing level of experience as an important reason for the disparity. It informed the Committee that it had discussed the issue with the peak organisations and had also briefed the industry on what a provider needs to do to be successful.<sup>18</sup>

3.24 DHAC also noted the different pattern of bidding by the 'for-profit' sector, commenting that:

...private sector providers are much more likely to bid for a very much larger number of places—and predominantly in the nursing home sector and also predominantly in metropolitan areas.<sup>19</sup>

3.25 Further, it was noted that '...the success rate of the private sector providers has doubled last year over the previous year.'<sup>20</sup>

### Committee comments

3.26 The Committee notes the reasons for the relative success of tenderers from the 'not-for-profit' sector. It supports and encourages the efforts of DHAC to inform all parties of the components of a successful bid.

### Financial expertise

3.27 The ANAO recommended that DHAC review the financial information it requires of tenderers and that it employ or contract staff with relevant skills. DHAC informed the Committee that it is implementing both aspects of that recommendation.<sup>21</sup>

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16 Auditor-General, *Audit Report No. 19, 1998–99*, p. 79.

17 Paul Nicoll, ANAO, *Transcript*, p. 29.

18 Andrew Stuart and David Graham, DHAC, *Transcript*, pp. 28–9.

19 Andrew Stuart, DHAC, *Transcript*, pp. 29–30.

20 Andrew Stuart, DHAC, *Transcript*, p. 30.

21 *Transcript*, pp. 30–1.

## Other relevant programs

- 3.28 DHAC informed the Committee of government initiatives to encourage healthy ageing.<sup>22</sup> These support the Government's preference for community care.

## Mobility of places

- 3.29 DHAC informed the Committee that the sale of a place can result in it being transferred to another region, but not another state. In considering whether to approve such a transfer, the department considers both the relative levels of need in the two areas and the continuity of care for the residents.<sup>23</sup>

## Committee comments

- 3.30 While the Committee is mindful of the need for flexibility, this issue underlines the importance of local input into planning processes. Without such input, communities are vulnerable to an erosion of places over time.

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22 David Graham, DHAC, *Transcript*, pp. 34-5.

23 Andrew Stuart, DHAC, *Transcript*, p. 35.