

Senate Community Affairs Committee

ANSWERS TO ESTIMATES QUESTIONS ON NOTICE

HEALTH AND AGEING PORTFOLIO

Additional Estimates 2010-11, 23 February 2011

Question: E11-137

OUTCOME 4: Aged Care and Population Ageing

Topic: PROVIDER BENCHMARKING

Written Question on Notice

Senator Fierravanti-Wells asked:

- a) Will provider participation in the benchmarking process remove the requirement for providers to produce General Purpose Financial Reports? If not, why not?
- b) To what use are the GPFRs currently being put?
- c) When will the industry see the next round of analysis of the GPFRs?
- d) For what purpose can the current reporting format provided by DoHA be used?
- e) Does the Department know how many times providers have been asked for the GPFR?

Answer:

- a) No. These two processes perform different functions. The benchmarking arrangements will be voluntary and are designed to assist aged care providers to benchmark their services against other similar services. The requirement to produce General Purpose Financial Reports (GPFR) is also voluntary – it is one of the eligibility requirements for the Conditional Adjustment Payment. This requirement is intended to provide aged care stakeholders with accurate information on the financial performance of individual aged care providers. Previously, providers had to submit an Annual Return attesting that a GPFR had been completed, audited, and provided a copy when asked by relevant stakeholders, of which the Department was one. As a result of a Productivity Commission recommendation to reduce regulatory burden, the requirement was changed in 2010 so that providers now submit directly to the Department only their GPFR instead of the both the Annual Report followed by a request for the GPFR.
- b) The preparation of GPFR assists aged care providers to gain an accurate view of their operations. It also provides residents and prospective residents with accurate information on the financial performance of individual aged care providers. In addition, de-identified information from the GPFRs is posted to the Department's website for the use of industry and other stakeholders. The Department uses the information to advise Government on the financial health of the aged care industry. The outcome of this analysis has also informed the Department's submissions to inquiries conducted by Senate Committees and the Productivity Commission.

- c) Most aged care providers have submitted their GPFRs for the 2009-10 financial year but there are still a few significant providers outstanding. The extraction of the relevant financial data from the providers' GPFRs is well advanced. On completion, a set of de-identified data for the 2009-10 financial year will be posted to the department's website.
- d) It is a requirement of the legislation enabling the Conditional Adjustment Payment that the GPFR and the segment note on the provider's residential aged care operations be completed in accordance with accounting standards and be certified as such by a registered company auditor. To assist providers in including relevant information in their segment notes, the Department has in recent years, provided a proforma attachment to ensure that the main details of expenses are identified. Sufficient information is now obtained on resident care operations to enable the calculation of the earnings before interest, tax, depreciation and amortisation for the providers' residential care operations and for the industry at large. This measurement of financial performance is important in the analysis of the financial health of the aged care industry.
- e) In order to reduce regulatory burden on aged care providers, they are no longer required to complete a separate annual return attesting that they had prepared a GPFR as required and that they had provided a copy of the GPFR when asked. The department therefore no longer collects information on the number of providers who have been asked for a copy of their GPFR. However, returns from previous years reported that about 30 per cent of providers had received a request for a copy of their GPFR and as a consequence had provided a copy of their GPFR to a resident or prospective resident.