



UNMET NEEDS AND
UNSPENT FUNDS:
IMPROVING HOME CARE
PACKAGE ASSIGNMENT

February 2018

Leading Aged Services Australia

Leading Age Services Australia (LASA) is the national peak body representing and supporting providers of age services across residential care, home care and retirement living. Our purpose is to enable a high performing, respected and sustainable age services industry delivering affordable, accessible, quality care and services for older Australians. We represent our Members by advocating their views on issues of importance and we support our Members by providing information, services, training and events that enhance performance and sustainability.

1. Introduction

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Over the first year of *Increasing Choice in Home Care* (ICHC), LASA and its Members have provided Government and industry with a robust independent account of home care package provider experience. Our submissions to Government have not only highlighted concerns during the first year of implementing the ICHC reforms but they have also provided benchmark information to assist an industry in transition.

Key concerns have included low package activation rates, high rates of incorrect package withdrawals and substantiative amounts of unspent package funds among other things. Government's response to these issues is commendable but clearly more work is still needed.

Strong engagement with Government and stakeholder groups in advocating for resolution these concerns confirms LASA's position as the credible and authoritative voice of aged care. This paper builds on that position and is focussed on immediate issues with home care during 2018.

The Commonwealth Government funds home care under two key programs:

- Commonwealth Home Support Program (CHSP entry level care)
- Home Care Packages – consumer directed care with four package levels.

LASA has already made a pre-Budget submission in December 2017 which includes immediate supports and medium to longer term reforms for home care. This submission focuses on immediate reforms that are needed to stabilise the system and to begin to respond to the national queue of over 100,000 older Australians. Resolving demand issues fully will require well developed medium to long term plans given the costs of fully providing for people on the national queue.

In its pre-Budget submission¹ LASA has pointed out the need for more public and private funding to meet the demand for home care services. Further investment in home care makes sense, where this can improve consumer choice and outcomes, and mitigate the higher costs of residential aged care. LASA notes, in line with David Tune's *Legislated Review of Aged Care* recommendations², that reform of CHSP consumer contributions will be required in the immediate future. But in the medium term, an integrated consumer contribution regime will be required across both home care programs, with contributions better aligned with people's capacity to pay. This is covered in LASA's pre-Budget submission.

¹ <https://lasa.asn.au/aged-services-in-australia/lasa-submissions/>

² <https://agedcare.health.gov.au/reform/aged-care-legislated-review>

2. Data analysis

LASA has examined available data on the performance of *Increasing Choice in Home Care* (ICHC) during 2017. Within ICHC, a normal unimodal distribution of home care packages implies that consumers will be assigned a home care package from the national queue that is funded at a level that matches their current care needs. Ideally, most consumers should be assigned a home care package that is funded at a level that matches their current care needs (see Figure 1).

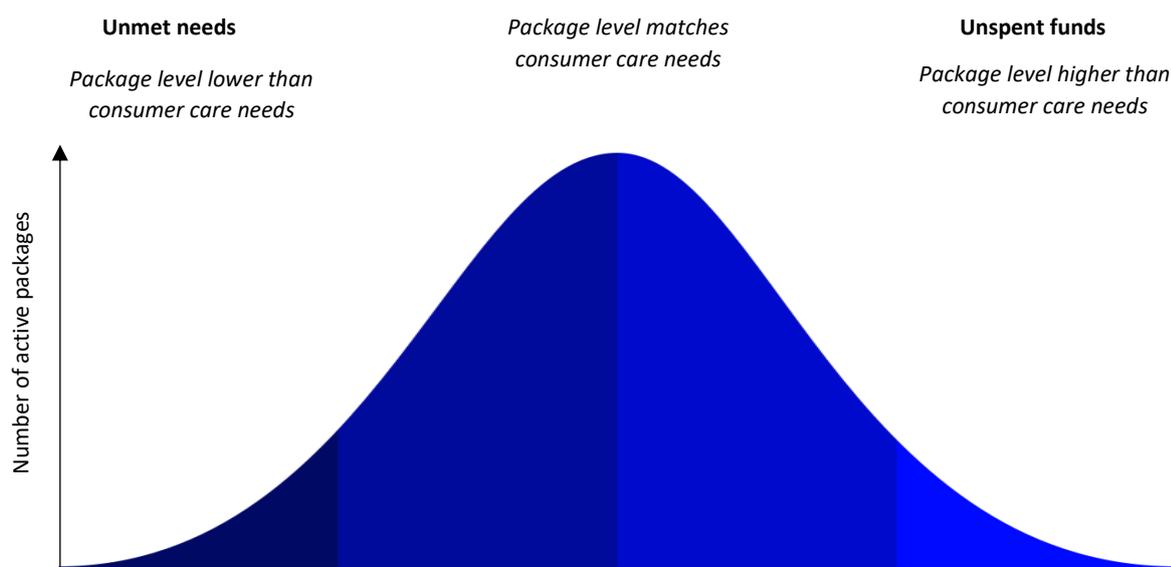


Figure 1. Unimodal distribution of package level assignment relative to a consumer's assessed care needs

Focusing on the 'tails' of the above curve, there should be two groups of consumers with each group reflecting a small proportion of all home care package consumers in the system. On the left of the curve there are some consumers receiving a package that is funded at a level **lower** than their current care needs (consumers with unmet care needs). On the right side of the curve there are some consumers receiving a package that is funded at a level **higher** than their current care needs (consumers with accumulated unspent package funds). In the unimodal distribution of home care packages, most consumers are receiving a home care package funded at a level that matches their current care needs (peak of the curve is located in the middle).

LASA's review of available data concerning both of these 'tail' groups, outlined following, indicates that there are a substantial number of consumers in each of these group (not a small proportion as is preferred). That is, they are receiving a home care package that is not funded at a level **matching** current care needs (see Figure 2).

LASA suggests that our analysis of current home care package performance data during the first 12 months of ICHC implementation is indicative of an emerging bimodal distribution of home care package assignment mismatched to the current care needs of consumers. There are two peaks in active packages reflecting a growth in consumers with either unmet care needs or unspent package funds. Additionally, the way in which ICHC is currently being implemented limits the flexibility of My Aged Care (MAC) and approved providers to address this growing mismatch in package assignments relative to consumer care needs.

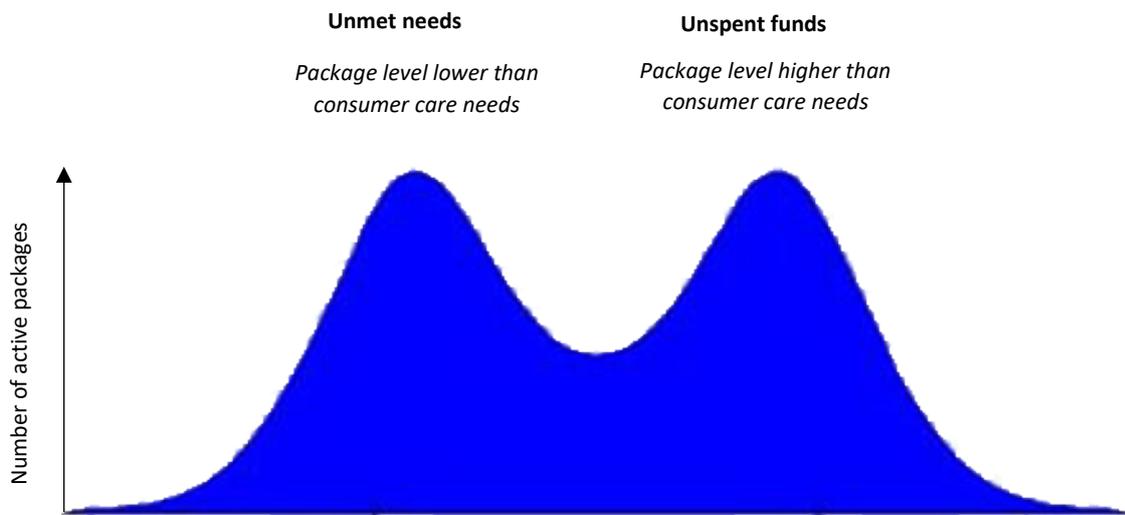


Figure 2. Bimodal distribution of package level assignment relative to a consumer's assessed care needs

Consumers with unmet needs

The Department of Health³ (DoH) reports that the national queue has grown to over 100,000 consumers at September 2017, a 30 percent increase since ICHC commenced. Forty per cent of these consumers were reported as receiving an interim package, whereby package funding is provided at a level lower than a consumer's assessed level of need. These interim home care packages also represent near 40 per cent of all home care packages currently available in the system. As a consequence, there is a substantial number of home care package consumers with unmet care needs, some either prematurely entering residential care, topping up their package with additional CHSP services or purchasing additional full fee services^{4,5}.

In conjunction with this, low rates of new package activations are an ongoing issue. DoH^{3,6} data reveals for the period April to June 2017 that only 20 per cent of assigned home care packages were activated by new consumers not previously receiving a package while 50 per cent of these assigned packages went back to the queue for reassignment, having not been activated. This, along with already extended wait times to access a home care package, creates concerns about the backlog in the national queue and its management for getting consumers into care in a timely manner and at the package level for which they have been approved.

Consequently, providers are having to deal with an increasing number of consumers who have unmet care needs while waiting for package level funds to be correctly assigned relative to a consumer's assessed need. It is worth noting however that at the time of package assignment, consumers may have not had their care needs assessed in recent months³. This raises the possibility that their assessment may no longer reflect current care needs and that their needs may have since changed relative to package level assignment. This increases the likelihood of a poor match between package assignment and a consumer's current care needs.

³ Department of Health, Home Care Package Program Data Report, 1 July – 30 September 2017.

⁴ Leading Age Services Australia, Second Home Care Provider Survey Report, November 2017.

⁵ Communication to Minister of Aged Care from Anglicare Australia, 15 November 2017.

⁶ Department of Health, Home Care Packages Program Data Report, 27 February – 30 June 2017.

Accumulated unspent funds

LASA⁴ has also identified that there is a substantial amount of accumulated unspent funds being held by approved providers administering the home care packages of consumers, with 40 per cent of packages having unspent funds greater than \$5,000. Stewart and Brown⁷ have also reported similar results with average unspent funds being near \$4,500 per package. If some of these consumers are on interim packages with unmet needs then it may be reasonable to assume they will have minimal unspent funds. This suggests some consumer packages will alternatively have substantive unspent funds in identifying average unspent funds per package. Importantly, some providers report consumers with unspent funds in excess of \$20,000. LASA estimates that accumulated unspent home care package funds in the system could be in the range of \$200-\$350 million⁴.

In understanding the accumulation of unspent funds, LASA suggests that the current process of consumer upgrades may be a contributing factor. Consumer upgrades are automated within MAC and independent of a reassessment/review at the time of the upgrade to determine if the upgrade will match a consumer's current care needs. Upgrades are instead prioritised based on the date of assessment approval and an urgency rating. These assessments and urgency ratings have often occurred at some date prior to activating the upgrade and may not reflect a consumer's care needs at the time of the upgrade.

Consumer upgrades from a lower to higher package level have increased significantly over the first six months of ICHC⁴. DoH reports 30 per cent of all assigned packages for the period April-June 2017 were consumer upgrades³. It is suspected that many consumer upgrades are poorly matched to a consumer's current care needs and readiness to access additional care at the time of the upgrade. This would result in the accumulation of unspent funds when package level funding is greater than what actual care needs and preferences demand. LASA has suggested that further investigation of accumulated unspent funds appears warranted⁴.

Implications for home care package consumers and providers in 2018

Noting the increasing numbers of consumers with either unmet needs or unspent funds, approved providers will be faced with a unique set challenges in 2018 when providing care to home care package consumers. This is likely to increase the need for regular care plan reviews in the context of unmet needs and unspent funds, an additional care demand/consumer charge to manage associated risks.

Importantly, the bimodal distribution reflected in the mismatch between consumer package assignment and a consumer's current care needs appears to have always existed in the context of lengthy wait times for consumer access to home care packages. Previously, such mismatches were managed through program level cross-subsidisation whereby providers would identify those consumers in their home care package program accessing care at a level less than what their funded package would provide for. Providers would allocate some of the unspent funds from these packages to service the unmet care needs of other consumers in their home care package program whose care needs were greater than what their package funds would allow for. Such cross-subsidisation practices were effective because of the timeliness with which approved providers could identify both unmet needs and unspent funds in the context of program level budget

⁷ Stewart and Brown, Aged Care Financial Performance Survey, Home Care Report, September 2017.

administration and care delivery. Program level cross-subsidisation, however, is no longer permissible with the move to individualised consumer level funding of packages. As a consequence, the time that lapses between a consumer's assessed care needs and package assignment creates operational risks for approved providers. This lapse of time must be reduced significantly by Government in supporting providers and consumers to minimise these risks. In many cases, reassessment or review of consumers approaching package assignment may be required.

LASA recommends the current bimodal distribution of package assignment relative to consumer care needs should be addressed as an immediate priority in progressing the ongoing home care reforms. LASA is committed to supporting its Members in managing the operational risks associated with the current observed imbalance between package assignment and consumers care needs in the interim period. Home Care Masterclasses addressing these matters are being scheduled throughout Australia. Key recommendations, some of which were previously put forward by LASA^{1,4,8} to Government to improve ICHC operations, should be considered as a priority to resolve the escalating imbalance. These recommendations are listed below.

3. LASA recommended immediate improvements for home care

- 3.1. Increase the number of consumers in the system receiving home care packages to meet the demand reflected in the national queue by:
 - i. Exploring recuperation of **unspent funds** in existing home care packages (LASA estimates this to be between \$200 and \$350 million) and redirecting this money to create possibly up to 4,000 new Level 3 and 4,000 new Level 4 packages). This can be done through a one-off end-of-financial year acquittal process where unspent funds above a defined threshold (equivalent to ten per cent contingency on annual package value) are returned to government for reallocation to the national queue. This process will also help to confirm the amount of unspent funds that are accumulating in the system.
 - ii. Assessing whether there is an opportunity to better direct funds to those most in need through **limiting the time for package activation** to 56 days, not 56 days and a further extension of 28 days. Introduction of the consumer readiness letter referenced at 3.1 (iii) would support this.
 - iii. Monitor the implementation of 90-day pre assignment **consumer readiness letters** introduced as part of the MAC upgrade commencing 26 February 2018, seeking feedback from both providers and consumers to understand the impact of these readiness letters on consumer behaviour for commencement of new and upgraded home care packages. Refinement of this process in 2018 based on received feedback may be required.
 - iii. Creating additional **new level three and four home care packages** in response to priority demand on the national queue (every \$100 million per annum injection would purchase 1,150 Level 3 and 1,150 Level 4 packages)⁴. LASA notes that higher levels of expenditure will require new public and private funding. Increasing the ratio of high to low level home care packages relative to demand should be couched within an intent for adjustment of

⁸ LASA response to implementation of Increasing Choice in Home Care Issues Paper, September 2017.

this ratio in the future based on monitoring the length of wait times on the national queue by package levels.

3.2. Inject additional private funds into home care via:

- i. increasing the **annual fee cap** for home care package income tested care fees (e.g. to \$20,000 per annum), and abolishing lifetime caps for these fees (Tune #15)^{1,2};
- ii. introducing **mandatory consumer contributions** for CHSP services – commensurate with an individual's financial means (Tune #16)^{1,2}; and
- iii. Commencing design of a more optimal **consumer contribution** regime for both CHSP and the Home Care Package Program, so that there is a consistent approach which is commensurate with an individual's financial means.

3.3. In moving towards establishing a single assessment workforce by 2020 (Tune #27), undertake aged care **assessment workforce modelling** to ensure adequate resources/funding are allocated ongoing to this segment of the aged care workforce for completion of timely assessments, reassessments and reviews relative to current referral demand for assessment/reassessment and accounting for ageing population projections⁸.

3.4. Increase the frequency of the Home Care Package Program Data Report quarterly release cycle to a **monthly release cycle** providing industry with more detailed and granular reporting to support providers to better plan and manage service delivery. The scope of reporting could be co-designed and further enhanced by including insights from MAC with regards to issues arising in the course of their operations.

3.5. In designing the nature and speed of reforms to integrate the Commonwealth Home Support Program (CHSP) and the Home Care Package (HCP), the Government should as a priority:

- i. Work with the aged sector to develop an **economic model for the reforms** which includes principles as to when block funding versus consumer directed funding should apply for entry level home care services such as for geographically remote services.
- ii. Work with the sector to ensure that **modelling of consumer demand** for home care is understood and that the service model, including Government funding and consumer contributions, is set to ensure effective demand management.
- iii. Work with the sector to develop a **clear and robust timeframe and supporting infrastructure** for integration of CHSP and HCP, noting various problems with the ICHC reforms in 2017.
- iv. Improve the transparency of **purchasing outcomes for CHSP** in 2018 and for future block funding agreements.
- v. Redirect **CHSP funds assisting people waiting for HCP** to the HCP program.

4. LASA recommended medium term improvement for home care

- 4.1. Implement a system for ongoing acquittal of **unspent package funds**, ensuring package funds continue to be redirected back to the national queue to increase the release of packages and assist in reducing the delay between assessment approval and package assignment.
- 4.1. Increase **funding for the release of more home care packages relative to demand** to support system responsiveness for timely assignment of package funds once there is an assessment/reassessment to assist matching of package assignment to assessed need.
- 4.2. Review and resource the **consumer upgrade functionality of MAC** and associated processes to assist with the matching of the consumer upgrade to a consumer's current care needs. This could include developing a consumer upgrade screening protocol with reassessment indicators where care needs have changed. Additional reassessment resourcing is required to support matching of consumer upgrades with a consumer's current care needs⁸.
- 4.3. Review the need for **legislative change to facilitate consumer downgrades** and extend MAC functionality to facilitate this in the context of an increasing focus on reablement and restorative interventions ongoing to reduce the accumulation of unspent funds and improve matching of package assignment with consumer need.
- 4.4. Continue to build the **evidence-base concerning reablement and restorative interventions** ongoing to inform the implementation of consumer downgrade processes. Such evidence should include determining the ongoing impact of short-term re-ablement and restorative intervention in terms of consumer maintenance of functional gains and trajectories for reduced consumer demand for ongoing care and services.