

Revised Aged Care Financial Report Consultation

LASA submission

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About LASA

Who We Are

LASA is the national association for all providers of age services across residential care, home care and retirement living/seniors housing.

Our Purpose

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.

Our Members

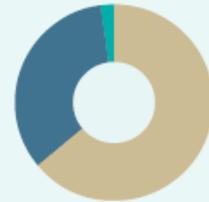
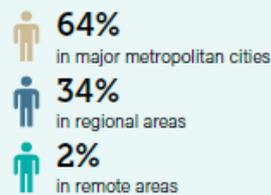
We represent providers of age services of all types and sizes located across Australia's metropolitan, regional and remote areas. We are dedicated to meeting the needs of LASA Members by providing

- a strong and influential voice leading the agenda on issues of importance;
- access to valuable and value-adding information, advice, services and support; and
- value for money by delivering our services and support efficiently and effectively.

LASA supports all providers of aged care



Our Members are located across Australia



Our Affiliates

LASA Affiliates are proud supporters of the critical role played by the age services industry in caring for older Australians. Their value-adding products and services help age services providers apply innovative solutions that improve the provision of efficient and quality care.

Our Strategic Objectives

1. Be the credible and authoritative voice of aged care representing the views of our Members for the benefit of older Australians.
2. Build sector capability and sustainability by delivering valued services and support to Members
3. Lead continuous improvement by promoting and celebrating excellence and innovation in age services
4. Deliver value for money for Members and Affiliates.
5. Be a high performing, respected and sustainable association that cares for our purpose, our Members and our people.

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Key points

- LASA generally supports the proposed changes, and appreciates amendments made to address earlier concerns around transition and apportionment of balance sheet items.
- LASA notes that the report does not fully capture the impact of COVID as it only captures COVID revenue and expenses. Consideration should be given to adding an optional COVID revenue foregone item, or to undertaking some other analysis to ensure COVID related revenue foregone is captured alongside direct costs and revenue.
- Consideration needs to be given to the future issue of apportioning administrative costs between care and other activities for the purposes of cost studies.

What is being proposed

The Government is proposing to introduce the following changes to the Aged Care Financial Report (ACFR) for FY20/21:

- detailed residential segment income and expense statement at the facility level
- enhanced approved provider reporting
- consolidated parent level segment report
- permitted uses reconciliation

This was first raised with LASA at a Residential Aged Care Funding Reform Working Group meeting in November. At LASA's request a subsequent targeted consultation was conducted with Member CFOs in November. Further targeted consultation was undertaken prior to the publication of this paper.

LASA response

Transitional issues

The initial targeted Member consultation suggested the changes were broadly supported but there was significant concern about the proposal to introduce this for the financial year currently underway. The consultation paper recognises this and states that the Government will allow for transitional arrangements in relation to facility level reporting for services that do not currently hold data in relevant form.

Apportionment of balance sheet items

Another issue raised was the apportionment of parent entity assets to entities within the group, which the department is proposing to address by allowing some assets (Cash and Cash Equivalents', 'Financial Assets' and Equity items) to only be reported at the group level and not segmented.

Members raised no further examples of allocation parent entity allocation issues.

COVID impacts

There is some concern regarding the completeness of the estimation of COVID impacts. The stated definition only captures expenses and revenue, not revenue foregone. This is important as some support measures, such as JobKeeper were made available on the basis of revenue foregone. As a result, the true cost of COVID will be understated relative to the additional funding made available. Revenue forgone is not the sort of thing normally included in a financial report, but it may be useful to include as an optional item to provide a more complete picture of financial circumstances.

Another option would be to undertake an analysis that compared the annual change in revenue stripping out expected changes in revenue due to population change or program expansion.

Administration costs

An emerging issue will be the apportionment of administrative costs. In the short-term, only care costs will be based on cost studies (under AN-ACC). The Government may or may not accept the broader recommendations to introduce cost studies for accommodation and hotel services. Accordingly, it is not clear how administration costs should be apportioned to different activities. This is particularly problematic as the administrative costs of implementing the proposed reform agenda is likely to be high. This issue goes beyond the scope of the currently proposed ACFR changes but is worth mentioning regardless.

A Strong voice and a helping hand

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