



Aged Care Quality and Safety Commission Consultation on the Cost Recovery Implementation Statement

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.

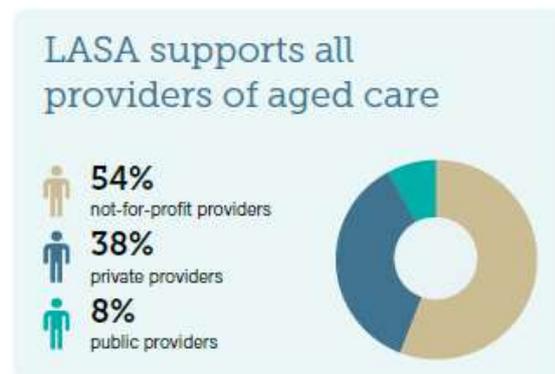
Our Purpose

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.



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

Leading Age Services Australia (LASA) thanks the Aged Care Quality and Safety Commission (ACQSC) for providing its Members the opportunity to provide consultation feedback in response to its *Cost Recovery Consultation Paper: Applications for aged care approved provider status 2021-22*.

There are varied views amongst Members about the proposed introduction of the Cost Recovery Implementation Statement (CRIS). Some Members appear hopeful that charging fees will speed up the process of approved provider applications. There are some Members, however, who have expressed their concern with the introduction of the proposed CRIS indicating that the ACQSC is seeking to charge providers for implementing its budgeted responsibilities while providers contend with financial and reform-related cost pressures.

Already we are aware that prospective providers exploring entry into the aged care market are somewhat discouraged, noting the inefficiencies in the current application processes with it being red tape heavy for becoming an approved provider. On current indications, the proposed CRIS fee schedule does not represent value for money given the time-wasting exercises that providers report they are required to go through.

Importantly, the Aged Care Quality and Safety Commission's (ACQSC) application of the CRIS cost recovery methodology to the existing approved provider application process without initially undertaking quality review of existing application processes raises questions as to whether cost recovery is commensurate with a reasonable and justified application process based on existing stakeholder experience. Through the *Increasing Choice in Home Care* reforms, the process for becoming an approved provider was to be simplified. In contrast, the current application process is highly complex and it is quite easy to miss something as the application document is very difficult to populate. Online submission of all the required information to the ACQSC is also cumbersome.

A more efficient application process that breaks detailed requirements down into sections which are submitted separately or even in stages relative to detailed guidance, and the ability to upload documents more efficiently may improve the submission of more complete applications. In this context, transparency and consensus positioning/co-design for improvement of the approved provider application process followed by the application of the CRIS cost recovery methodology commensurate with this process would be more appropriate if Government were to pursue the CRIS despite provider objections.

Introduction of CRIS

The Department of Health had previously provided advice to LASA indicating that in 2017–18, a total of 347 applications were received from organisations seeking approval to provide aged care. The Department approved 167 applications; 171 applications were not approved and 27 applications were withdrawn by the applicant. Following there were 1,501 operational approved providers of residential and home care services (excluding providers of flexible aged care services) at 30 June 2018. The majority of non-approved applications in 2017–18 were from first-time applicants inexperienced in describing and demonstrating their suitability as providers of aged care.

The operations of this Departmental regulatory function, along with other regulatory functions transferred over to the ACQSC in January 2020, was budgeted for, and was not undertaken by the Department with the application of a cost recovery framework. When these regulatory functions

were transferred over to the ACQSC in January 2020, the budget for the administration of these regulatory functions at levels previously undertaken would have been accounted for.

The CRIS consultation paper states the 2021-22 application volume forecast as comprising a total of 122 annual applications, representing only 35 percent of the total number of applications processed by the Department of Health in 2017-18. The Government's response to Recommendation Ten of the Royal Commission into Aged Care Quality and Safety specifies that Government agrees to fully fund through Budget appropriations, the Aged Care Quality and Safety Authority (ACQSA) to supersede the ACQSC. With only 35 percent volume forecast on this budgeted regulatory function and establishment of the ACQSA in the near future, LASA questions the necessity for introducing an upfront cost recovery charge on the full assessment of approved provider applications that has staffing resources as the main cost related factor informing the introduction of the CRIS.

Instead with clearer guidance on approved provider applications being provided, and review of the application process prior to establishment of the ACQSA, the ACQSC only need introduce its cost recovery framework on extended assessment processes for submitted applications that demand that the ACQSC request additional information to complete its assessment. An outline of issues that indicate the need for clearer guidance in approved provider applications is detailed throughout this submission.

Discouragement of approved provider applications

LASA is concerned that the CRIS, as it is currently proposed, will discourage at least the bottom quartile of home care providers from applying for approved provider status – perhaps given the uncertainty about success.

Fundamentally, the issue with the proposed CRIS in applying an upfront expense is that you can apply, with all the costs of the application, policies and IT systems, employing staff, etc with no guarantee that you will get approved. The cost without the application fee can amount to \$30,000-\$50,000.

Excessive CRIS fees, cumbersome application processes and poor applicant experience will likely exclude small private provider businesses from applying. Consequently, the proposed CRIS has the potential to restrict new market entrants and impact market competition and development.

An increase in the use of sub-contracted direct service arrangements

The proposed CRIS, in unintentionally discouraging people from being approved providers, may also increase the delivery of services through sub-contracted arrangements which is something towards which the Royal Commission expressed an aversion. This is likely to become more of an issue in the context of the Royal Commission recommendations for people to only be approved for a particular scope of service and incremental business development activity relative to reform implementation.

For example, the impact of introducing the CRIS on Commonwealth Home Support Programme (CHSP) providers who don't have any other form of aged care approval status is significant. This represents some 825 (57%) of CHSP providers who did not provide any other forms of aged care in 2019-20 based on ACFA estimates. In moving to a single Support at Home Care Program by July 2023 and the high cost of entry to HCP services, CHSP providers who offer community level services and need to consider further business development to remain viable will be severely disadvantaged and

financially discouraged from seeking approved provider status. This in turn will contribute to an increasing proportion of these direct care services for many in-home care recipients transitioning to be provided through sub-contracting arrangements.

Application for operation in underserved areas and/or provide services to underserved special categories of consumers

Fee reduction/waivers for provider operations in thin markets is supported. It will provide an opportunity for providers or potential new market entrants to develop their operations in these underserved areas. The publication of clear definitions of what comprises a thin market, underserved area or gap in aged care services is required to which any reduction/waiver of CRIS fees would apply. LASA notes nearly one quarter of SA2 regions were classified in the CHSP Data Study as thin markets and these should be targeted accordingly.

Importantly, incentivising provider operations in thin markets creates risks for service suitability and quality among new market entrants. Consumer protections to strengthen quality retention in these underserved areas needs to be considered as part of targeted approved provider applications. This targeted application approach should include funded educational and capacity building activities matched to an approved provider's application, applied across the first twelve months of service delivery and cross subsidised by CRIS revenue. The design of this thin market intervention approach should be developed with the sector using a co-design methodology.

Transparency in the application of a reasonable cost recovery fee schedule

The consultation paper itself does little to explain the detail of application assessment and processing activities to be implemented by the ACQSC against the CRIS. Specification of these activities and minimum requirements are necessary in justifying the proposed fee schedule, particularly noting reports of poor provider experience thus far. There also needs to be clear performance indicators for ACQSC application assessment and processing relative to any finalised cost recovery fee schedule. For example, the application approval process should not exceed 90 days.

- One Member has reported one of their applications having been with the ACQSC for over 150 days. The Member has been advised by the ACQSC that they cannot give a date for when they will be notified if the application has been successful or not. On a fee for service basis this is not acceptable.
- Another Member has reported receiving a request for additional information to support its application. According to the Member, their response to the request included reference to information having already been provided to the ACQSC, was not asked for by the ACQSC as part of the initial application, and was referenced in initial guidance without clear specification of the level and breadth of detail requested. This suggests the current application process is somewhat ambiguous, being open to interpretation regarding the amount and breadth of detail being sought, with potential for variability in application assessments and processing across approved provider applications. On a fee for service basis this is also not acceptable.

In summary, providers have raised significant concerns about the effectiveness of the current application assessment process. The application form and process for uploading documents are

cumbersome. It is very easy to make errors or for uploads to fail, with this being unbeknown to the applicant until there is a request for further information.

LASA recommends consistent with Member experience of current ACQSC approved provider application process that a co-design approach be adopted for:

1. Revision of the content of the ACQC application which covers all the care types;
2. Ensuring its guidelines are sufficiently detailed and consistent with the intended application process;
3. Revision of the ACQSC application and assessment processes so that they are consistent with (a) the guidelines, (b) the application, and (c) a common understanding of frequently used terms in applications; and
4. Revision of the ACQSC cost recovery fee schedule based on a revised cost recovery costing methodology which is matched to the above. Note, these costs will be substantially reduced once the inefficiencies, fabricated deficiencies and irrelevant/inaccurate requests for additional information are eliminated.

Procedural fairness in approved provider applications

Part of these implementation activities against the CRIS should include a preliminary screening of submissions concerning 'intent to apply' so that the application process is more helpful for those who may potentially be investing a lot of money as new market entrants. A small cost recovery charge for ACQSC staff resources to participate in the preliminary screening interview may be more proportionate than applying full cost recovery methodology for standardised assessment of an approved provider application. Before submitting the application, applicants need to be able to have an interview with an appropriate officer, who can discuss their proposal up front, and the officer can provide detailed and considered guidance on whether they have enough application documentation to make the application viable and what might be missing.

With regard to current ACQSC application processes, providers are concerned that fiscal pressures may create a perverse incentive for the ACQSC to issue a Request for Further Information in the context of new and existing applications for the purpose of increasing revenue. As such, there needs to be clear accountability and program assurance for the transparent implementation of the CRIS. Providers should have the opportunity to escalate any concerns about the implementation of the CRIS to an independent third party for investigation as part of ACQSC program assurance, such as the Office of the Inspector-General of Aged Care to be established under the new Aged Care Act, or to an interim independent third-party ombudsman from CRIS commencement until such time that the Office of the Inspector-General of Aged Care is established. Communication of quality assurance processes needs to be communicated to the sector from commencement of the CRIS.

Interim exemptions for existing aged care providers

LASA believes the CRIS application fee should be waived for existing aged care providers, in particular residential aged care and CHSP providers who want to expand their service remit in the context of details being forthcoming concerning aged care reforms across the next three years to June 2024 that will impact on the sustainability of provider operations.

While the ACQSC may argue they have provided sufficient advance notice of its intention to introduce the CRIS, intended aged care provider business development has stalled in the context of aged care reform directions being largely dependent on the publishing of the Final Report of the Royal Commission of Aged Care Quality and Safety being handed down to Government with an official response then published in May 2021.

Consultation with the sector on reform activity has been incrementally introduced to the sector over the subsequent months and this will be ongoing. Many existing aged care providers have delayed their decision to apply for any planned new/expanded approved provider status subsequent to their accessing further information from Government regarding the direction and detail of reform implementation impacting on their current operations.

LASA recommends that an interim three-year period be applied for the universal reduction/waiver of CRIS fees for existing aged care providers relative to Government's making known the detailed design of aged care program and financing reform. Implementing the CRIS independent of this broader reform agenda will simply increase sector frustrations about Government's siloed approach to aged care reform without regard for supporting aged care sector transition to support the reform agenda.

A Strong voice and a helping hand

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