



Aged Care Pricing Commissioner  
**Annual Report**

1 JULY 2017 – 30 JUNE 2018



## Australian Government

### Aged Care Pricing Commission

Office Of The Aged Care Pricing Commissioner  
Locked Bag 5, Haymarket NSW 1240  
Tel: 1300 550 970

The Hon Ken Wyatt AM, MP  
Minister for Senior Australians and Aged Care  
Parliament House  
Canberra ACT 2600

Dear Minister

In accordance with Section 95B-12 of the *Aged Care Act 1997*, I have pleasure in presenting to you the Annual Report of the Aged Care Pricing Commissioner covering the Commissioner's operations for the year 1 July 2017 to 30 June 2018.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'John Dicer', with a long horizontal stroke extending to the right.

**John Dicer**

Aged Care Pricing Commissioner

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# Commissioner's Overview

## I am pleased to present the fifth Annual Report on the operations of the Aged Care Pricing Commissioner (ACPC).

This is my first Annual Report as the Aged Care Pricing Commissioner and I was extremely pleased to have been appointed to this role by Minister Wyatt, commencing on 21 May 2018.

I would like to start by acknowledging and sincerely thanking Kim Cull, my predecessor for her outstanding work over the last four or so years. Kim was the inaugural Aged Care Pricing Commissioner and held this role until 18 May 2018. Kim established the processes and procedures of the ACPC and was instrumental in creating an improved level of understanding of residential aged care pricing and ensuring that consumers' interests were protected at all times. I am certainly fortunate to begin my tenure as ACPC from such a solid and well developed platform. I wish Kim all the best in her future endeavours.

### 2017/18 in Review and Trends over the Last Five Years

This year marks the fifth year of operation of the ACPC and it is timely to review trends over the last five years as well as report on our performance during the 2017/18 year. As stakeholders engaged in the Aged Care Sector would know the main statutory functions of the ACPC are to:

1. review and approve proposed accommodation payments that are higher than the maximum amount of \$550,000 as determined by the Minister; and
2. review and approve applications for Extra Service fees.

One main area of activity this year has been the Renewal Applications for approvals for accommodation prices above \$550,000 that were made on or before 1 July 2014. These approvals were valid for four years, so they would have lapsed on 1 July 2018 unless renewed. The renewal of lapsing approvals can take one of two courses namely:

- a short form Renewal Application for a previously approved price, where there is no increase in price sought (other than allowable indexation); or
- a New Application where an increase in price is sought.

The new short Renewal Application form sought from Providers information regarding contemporary photographs of the facility, Refundable Accommodation Deposit (RAD) history over the preceding 12 months, evidence of current value of the facility and any other information that Providers wished to submit in support of their Renewal Application.

Over 2017/18, the ACPC received 539 Applications, an increase of 85.22 % on 2016-17 when there were 291 Applications. Of the 539 Applications, 220 of these were Renewal Applications. The Renewal Applications were from 42 Providers, covering 66 Facilities and in respect of 2,978 rooms.

### **Applications Received by the ACPC over the Last Five Years**

Over the last five years the ACPC has received the following number of Applications (including Renewal Applications):

- 446 in 2013/14;
- 244 in 2014/15;
- 216 in 2015/16;
- 291 in 2016/17; and
- 539 (including 220 Renewals and 319 Applications) in 2017/18.

### **Residential Aged Care Approved Providers Nationally to 30 June 2017**

The number of Residential Aged Care Providers nationally over the last five years is as follows:

- 1,034 as at 30 June 2013;
- 1,016 as at 30 June 2014;
- 972 as at 30 June 2015;
- 949 as at 30 June 2016; and
- 902 as at 30 June 2017.

This steady decline of over 130 Providers over five years shows a continuing consolidation and rationalisation of Residential Aged Care Providers and this is a trend that is expected to continue over the next few years with tightening margins and financial pressures.

### **Residential Aged Care Providers Applying to the ACPC since 2013**

Since 2013/14 we have seen the following number of Residential Aged Care Providers applying to the ACPC:

- 81 in 2013/14;
- 47 in 2014/15;
- 49 in 2015/16;
- 66 in 2016/17; and
- 104 in 2017/18.

Over the last five years the ACPC has received applications from 170 Residential Aged Care Providers representing 18.85% of all Residential Aged Care Providers.

### **Residential Aged Care Facilities Approved Nationally to 30 June 2017**

Over the last five years the numbers of nationally approved Residential Aged Care Facilities were as follows:

- 2,720 as at 30 June 2013;
- 2,688 as at 30 June 2014;
- 2,681 as at 30 June 2015;
- 2,669 as at 30 June 2016; and
- 2,672 as at 30 June 2017.

As can be seen the number of Residential Aged Care Facilities nationally has remained fairly constant certainly over the last four years.

# Commissioner's Overview (continued)

## Number of Residential Aged Care Facilities Approved by the ACPC since 30 June 2014

The number of Residential Aged Care Facilities approved by the ACPC over the last four years is as follows:

- 108 as at 30 June 2014;
- 71 as at 30 June 2015;
- 73 as at 30 June 2016; and
- 102 as at 30 June 2017; and
- 135 as at 30 June 2018.

So we have seen an almost doubling in the number of Facilities approved by the ACPC since 30 June 2015.

## Residential Aged Care Places/Rooms Approved Nationally since 30 June 2013

The number of Residential Aged Care Places/Rooms approved nationally since 30 June 2013 is as follows:

- 186,278 as at 30 June 2013;
- 189,280 as at 30 June 2014;
- 192,370 as at 30 June 2015;
- 195,825 as at 30 June 2016; and
- 200,689 as at 30 June 2017.

As the figures above indicate, the number of places continues to grow fairly steadily over the last five years.

## Residential Aged Care Places/Rooms Approved by the ACPC since 30 June 2014

The ACPC has since 30 June 2014 approved applications in relation to the following number of places/rooms:

- 5,690 as at 30 June 2014;
- 3,001 as at 30 June 2015;
- 4,142 as at 30 June 2016;
- 7,205 as at 30 June 2017; and
- 7,705 as at June 2018.

The ACPC has seen an increase of over 4,700 rooms approved since 30 June 2015. This increase is in part due to new and refurbished rooms coming into the Aged Care Sector.

## Existing v New and Refurbished Residential Aged Care Facilities Approved by ACPC

The number of Existing Residential Aged Care Facilities approved by the ACPC from 30 June 2014 is as follows:

- 102 as at 30 June 2014;
- 57 as at 30 June 2015;
- 46 as at 30 June 2016;
- 63 as at 30 June 2017; and
- 86 as at 30 June 2018.

The number of New or Refurbished Residential Aged Care Facilities approved by the ACPC over the same period is as follows:

- 16 as at 30 June 2014;
- 14 as at 30 June 2015;
- 29 as at 30 July 2016;
- 44 as at 30 June 2017; and
- 50 as at 30 June 2018.

So whilst the number of New and Refurbished Facilities approved by the ACPC has continued to increase, the rate of increase is tapering off, perhaps reflecting the financial pressures being experienced by the Aged Care Sector.

As recent research reveals, including reports by ACFA and StewartBrown, the level of investment in New and Refurbished Residential Aged Care Facilities will need to increase dramatically in order to not only replace existing old stock but to meet future expected demand with the baby boomer generation coming on line.

### **Reframed and Withdrawn Applications**

The office of the ACPC continues to work closely with Providers to ensure that applications stand the best chance of being approved. This educative role has meant that no Applications were actually rejected; rather Applications were revised, reframed or withdrawn on the basis after close consultation with my office that they would have been rejected in their original form. Actual rejections are of no benefit to anyone in the Aged Care Sector and the results shown below would tend to indicate an increasing level of knowledge and understanding of what is required to have a successful application that is ultimately approved by the ACPC.

The number of withdrawn Applications over the last five years is:

- 9 in 2013/14;
- 38 in 2014/15;
- 13 in 2015/16;
- 8 in 2016/17; and
- 12 in 2017/18.

The number of reframed Applications over the last five years is:

- 2 in 2013/14;
- 36 in 2014/15;
- 25 in 2015/16;
- 20 in 2016/17; and
- 41 in 2017/18.

### **Turnaround Times for Applications and Renewals**

Over the last five years we have seen approval times in working days from the receipt of Applications to Approval present as follows:

- 22 Days for 337 Applications In 2013/14;
- 17 Days for 246 Applications In 2014/15;
- 18 Days for 196 Applications in 2015/16;
- 17 Days for 290 Applications in 2016/17; and
- 31 Days for 386 Applications and Renewals in 2017/18.

The approval times above are all well within the 60 day period and reflects in 2017/18 an 85% increase in Applications/Renewals and a large increase in workload for Assessors within the office of the ACPC with no real change in the level of resources and some lessening of support and disruption with the departure of the Director during the 2017/18 year.

# Commissioner's Overview (continued)

## Internal Processes

A consistent area of focus for the work of the ACPC is to ensure that our processes and procedures are efficient as possible, applied consistently and that our pricing determinations are transparent and commercially sound. This approach enables Providers to feel confident that we are being rational, pragmatic and applying a logical and comparative pricing lens across our pricing deliberations. The office of the ACPC has consistently sought to stream-line its processes and this is evident this year in the development of the Renewal Application process. The office of the ACPC has at the heart of its functions the objective of ensuring that any approved price represents true value to the resident. We are constantly reviewing and revising our documents, including applications, manuals, forms, guides and letters to Providers and consumers so our communications are clear and unambiguous.

## Industry Consultation

The office of the ACPC has continued over 2017/18 to consult widely across the Aged Care sector, including with peak industry bodies, Aged Care Providers and ultimately with the end users, the actual residents themselves. This collaborative approach seeks to learn and understand from our various stakeholders the pressures and constraints they are facing, some of the trends that are emerging and seek from the ACPC's perspective to gain a broader view and appreciation of the workings of the Aged Care industry and what we as an office can do, to improve dialogue and understanding of the roles we all play and perform. This consultation is vital in improving our service delivery in line

with industry and Government expectations and objectives. We continue to seek feedback from industry by asking Providers to complete a survey so that we can receive valuable information on our operations, our people, service and responsiveness. The responses received over 2017/18 would tend to indicate a general level of stakeholder satisfaction with our service provision model, though we continuously seek to improve and refine our service offering.

## The Approach to Regulation

In line with our Minister's Statement of Expectations, it is the responsibility of the office of the ACPC to operate in such a fashion that we minimise the regulatory obligations on Aged Care Providers and that we keep administrative requirements to a minimum by only seeking information/documentation that is necessary for our assessment process. This light handed approach is well received by industry and ensures we are being commercial and balanced in our dealings and outcomes.

## The Year Ahead

Since coming into the role of ACPC on 21 May 2018, I have been struck by the professionalism and dedication of my office and in particular the excellent team that I have the pleasure of working with. I look forward to working with them over the coming years. The office of the ACPC contributes in a positive way to the achievement of the Government's objectives under the Aged Care Act, to improve and increase transparency in pricing in Residential Aged Care services, ensuring at all times Aged Care residents receive real value in terms of quality accommodation, care, services and

amenity of facilities. Over the next 12 months, I would like to work on a number of tasks which I believe will have real and enduring value to the industry and Government. These pieces of work include:

- Review and revision of our internal processes and procedures;
- Regular and active engagement with industry, peak bodies, providers and consumers;
- Creation of new Industry Reference and Working Groups to improve consultation and aid feedback;
- Complete review and revision of the ACPC's website to improve relevance, readability and utility, including updated guides and FAQs;
- Development of a newsletter on activities, trends and concerns as seen by this office;
- Regular meetings and visits to Aged Care facilities; and
- Active engagement with financial institutions.

I would also like to thank the Minister, various stakeholders, peak industry bodies, Aged Care Providers, consumers and government representatives who have engaged with and actively supported the work of the ACPC over 2017/18.

## **Member of Aged Care Financing Authority (ACFA)**

I am delighted to be a Government Representative on the Aged Care Financing Authority (ACFA) and truly excited by the opportunity to gain a broader understanding of the Aged Care Sector. I am very appreciative of my new role as ACPC and feel that it is a challenging and opportune time to be involved with such a growing and significant part of the Australian economic landscape.

# Functions of the Office of The Aged Care Pricing Commissioner

**The functions of the Aged Care Pricing Commissioner include the approval of proposed accommodation payments that are higher than the maximum amount determined by the Minister (\$550,000) and the approval of Extra Service fees.**

## 1. Applications for accommodation payments

As at 30 June 2017, there were 902 approved Aged Care Providers nationally (compared to 949 in 2015/16), operating 2,672 services / residential Aged Care Facilities (compared to 2,669 services in 2015/16), with a total of 200,689 places (compared to 195,825 places in 2015/16).<sup>1</sup>

This shows the continuing consolidation in the Residential Aged Care sector, with a reduction in the number of Providers but with the total number of residential Aged Care places having markedly increased.

The ACPC has approved Applications from 166 Aged Care Providers (18.4% of all Providers) representing 347 services (12.99% of all services), and for approximately 27,774 rooms. Approval has been given for Providers to charge higher accommodation payments for 13.8% of all Aged Care places over the last five years.

### From 1 July 2017 to 30 June 2018

In the period from 1 July 2017 to 30 June 2018, 539 individual Applications (including Renewal Applications) were made for the approval of prices above \$550,000.

During the 2017/2018 year 386 Applications were approved and 12 Applications withdrawn, either on the basis that they were judged as unlikely to succeed or were so substantially reframed as to require a complete resubmission. 41 Applications were reframed by applicants (either through reducing the proposed prices or by amending rooms in an accommodation group). This review of Applications undertaken by the ACPC has helped to meet the policy objective of protecting residents from paying unjustifiably high prices and at the same time, ensuring minimal disruption to the operations of the Providers and consumers. The remaining 100 Applications were reviewed after 1 July 2018.

1. Based on figures from the Aged Care Financing Authority's *Report to inform the 2016-17 review of amendments to the Aged Care Act 1997 – Part Two – Appendices* (p 48). And, from the 30 June 2016 Stocktake of Australian Government Subsidised Aged Care Places (last updated 31 October 2016), Department of Health: <https://agedcare.health.gov.au/news-and-resources/publications/research-and-statistics/links-to-the-30-june-2016-stocktake-of-australian-government-subsidised-aged-care-places>.

The office of the ACPC is not a mere rubber stamp but will work with Providers to ensure that Applications have the best chance of being approved in line with the statutory duties of the ACPC. This continues the approach taken by the former Commissioner in seeking to work with Aged Care Providers to facilitate the approval of Applications where possible, to seek further information where required, or to identify where Applications are not likely to succeed as currently framed.

The 539 Applications received in 2017/18 was substantially higher than the 291 received in 2016/17 (an 85.22% increase). This was mainly due to the 220 Renewal Applications which were received for approvals which were lapsing after a four year period.

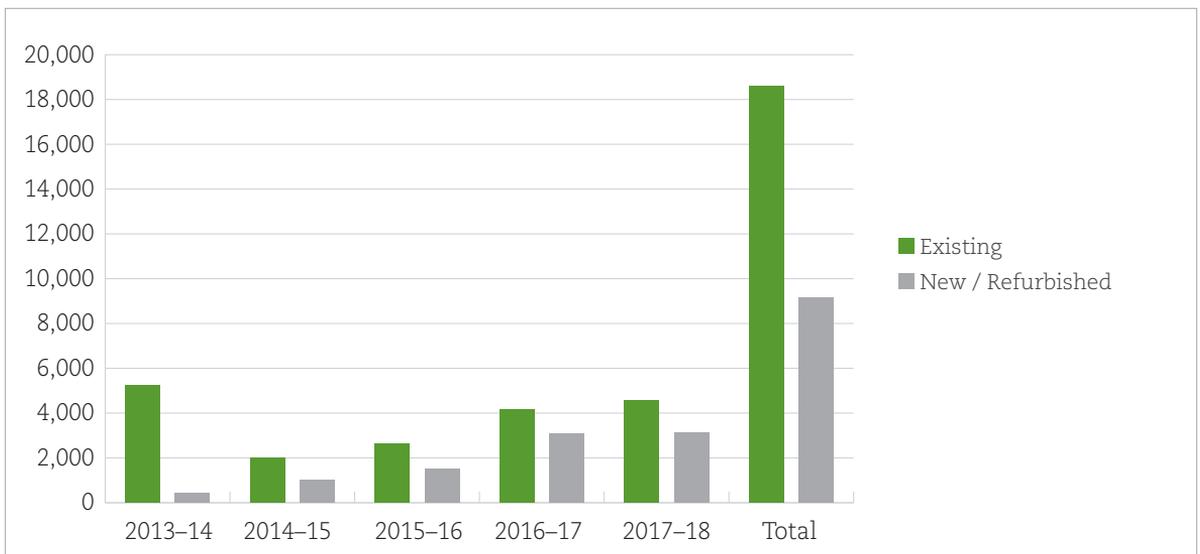
### Approved Rooms by Facility Type – Existing or New/Refurbished

32.97% of all approved rooms since 2013/14 are in facilities that have either been newly built or have been subject to a significant degree of refurbishment or extension works. In 2017/18 40.69% of all rooms approved were in New or Refurbished facilities. Over time, the number of existing facilities being approved has proportionally decreased when compared with the number of New or Refurbished facilities being approved.

For existing facilities, in 2017/18, a total number of 4,570 rooms (59.31%) were approved, compared to 4,140 rooms (57.21%) in 2016/17.

For New or Refurbished facilities, a total number of 3,135 rooms (40.69%) were approved in 2017/18, compared to 3,096 rooms (42.79%) in 2016/17.

**Chart 1 – Number of Approved Rooms by Facility Type**



# Functions (continued)

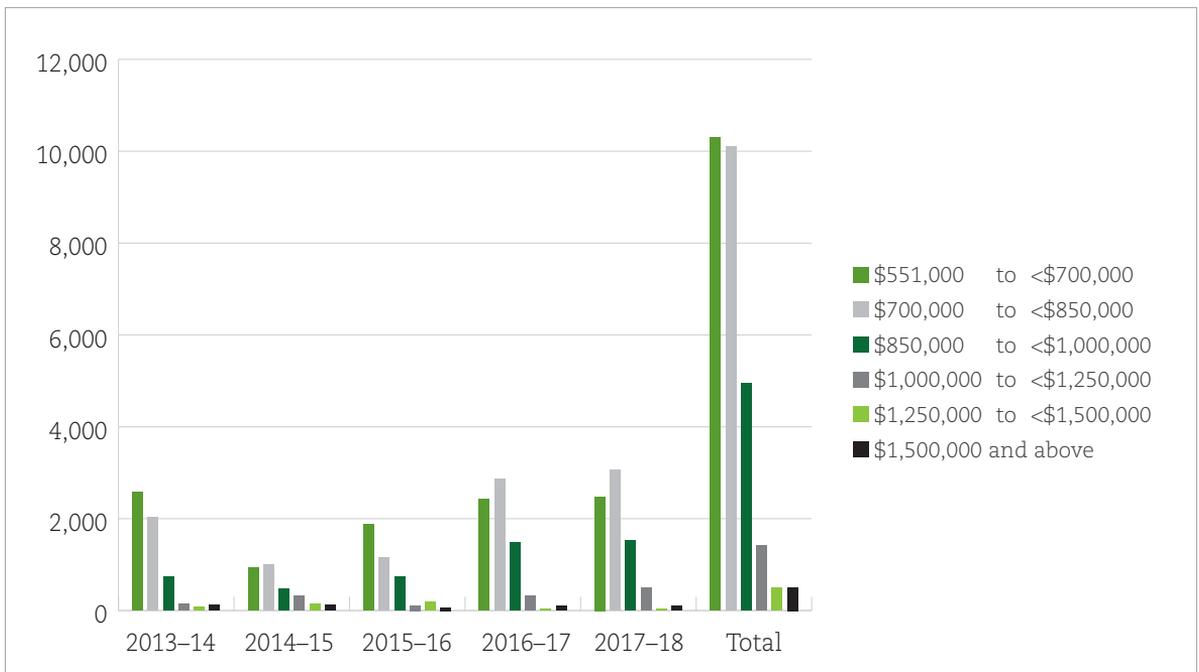
## Approved Price Range of Rooms over the Five Years

The five year period (2013/14 to 2017/18) shows the total percentages of rooms approved for the following price ranges:

- \$550,001 to under \$700,000: 37.09%
- \$700,000 to under \$850,000: 36.42%
- \$850,000 to under \$1,000,000: 17.84%
- \$1,000,000 to under \$1,250,000: 5.07%
- \$1,250,000 to under \$1,500,000: 1.76%
- \$1,500,000 and above: 1.82%

The \$550,001 to under \$700,000 price range, followed closely by \$700,000 to under \$850,000 price range, make up the two most common price ranges for rooms approved during the five year period. Of these, 73.5% have been approved in the price range of \$550,001 to under \$850,000 as a Refundable Accommodation Deposit (RAD). In particular, 37.09% of all approved rooms are in the range \$550,001 to under \$700,000 and a further 36.42% in the range \$700,000 to under \$850,000. This proportion appears relatively consistent over the last five years. 8.65% of all rooms exceed \$1,000,000. In the context of all Aged Care places, this proportion is small. Approximately, 1.2% of all Aged Care places may charge a Refundable Accommodation Deposit (RAD) over \$1,000,000.

**Chart 2 – Number of Rooms by Approved Price**



### Rooms Approved By Jurisdiction over the Five Years

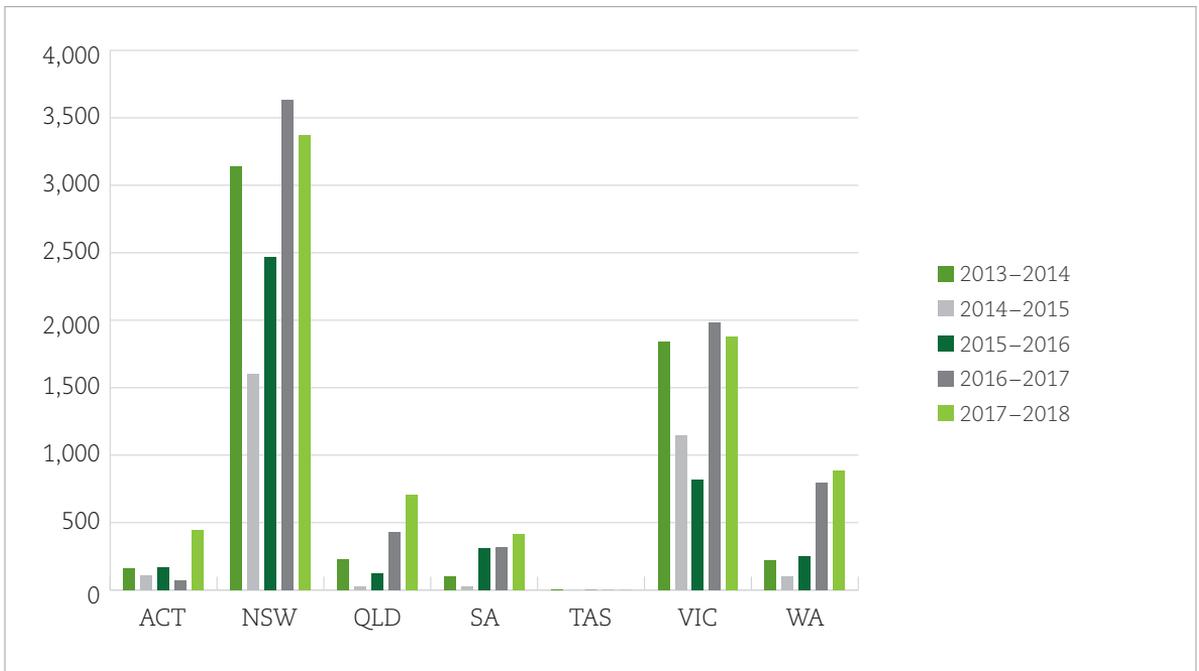
The five year period from 2013/14 to 2017/18 shows the total percentages of rooms approved by jurisdictions as follows:

- New South Wales: 51.14%
- Victoria: 27.63%
- Western Australia: 8.14%
- Queensland: 5.42%
- South Australia: 4.25%
- Australian Capital Territory: 3.42%
- Tasmania: 0.01%

The NT was 0% with no facilities or rooms submitted for ACPC approval, which is somewhat surprising given the strong growth in house prices especially in the Darwin area over the last four to five years.

NSW followed by Victoria, makes up the most proportion of rooms approved over the five years, reflecting the number of applications received from these jurisdictions. Conversely, Tasmania, followed by the ACT, make up the lowest proportion of rooms approved over the five years, reflecting the least number of applications received from these jurisdictions.

**Chart 3 – Number of Rooms Approved by Jurisdictions**



# Functions (continued)

## Distances of Facilities from Central Business Districts with Rooms Approved

The highest total number of rooms approved during the five year period (2013/14 to 2017/18) was for facilities located within 10 kms of a CBD.

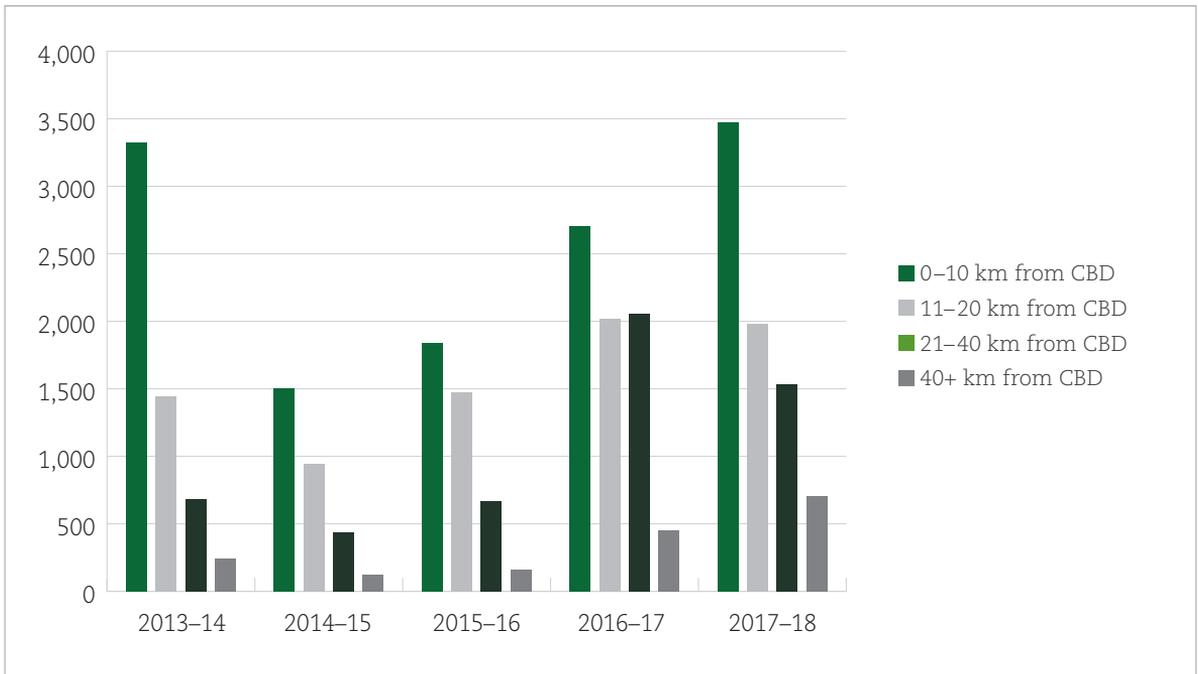
**Table 1 – Number of Rooms Approved by Distance Bands on Yearly Basis**

Rooms Approved						
Distance Band	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	Total
0 – 10 kms from CBD	3323	1502	1836	2706	3485	12852
11 – 20 kms from CBD	1442	941	1476	2022	1979	7860
21 – 40 kms from CBD	685	437	670	2053	1534	5379
40+ kms from CBD	240	121	160	455	707	1683
<b>Grand Total</b>	<b>5690</b>	<b>3001</b>	<b>4142</b>	<b>7236</b>	<b>7705</b>	<b>27774</b>

Distance Band	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	Grand Total
0 - 10 kms from CBD	58.40%	50.05%	44.33%	37.40%	45.23%	46.27%
11 - 20 kms from CBD	25.34%	31.36%	35.63%	27.94%	25.68%	28.30%
21- 40 kms from CBD	12.04%	14.56%	16.18%	28.37%	19.91%	19.37%
40+ kms from CBD	4.22%	4.03%	3.86%	6.29%	9.18%	6.06%

In terms of distances of facilities from the CBD, the highest percentage of rooms approved to charge RADs higher than \$550,000 still remains in facilities located within 10 kms from the CBD. Of all the applications approved in 2017-2018, 45.23% were for facilities located 0 to 10 kms from the CBD, 25.68% 11 to 20 kms from the CBD, 19.91% 21 to 40 kms from the CBD and 9.18% over 40 kms from the CBD.

**Chart 4 – Number of Rooms Approved by Distance**



## 2. Applications for approval of Extra Service fees

The ACPC’s responsibilities in respect of the approval of proposed Extra Service fees took effect from 1 July 2014. In the period 1 July 2017 to 30 June 2018, the ACPC received 45 applications to increase Extra Service fees from 32 Residential Aged Care facilities. We also received one application to reduce an Extra Service Fee.

Since 2014/15 the ACPC has approved applications for Extra Service fees as follows:

- 51 in 2014/15;
- 44 in 2015/16
- 58 in 2016/17; and
- 45 in 2017/18.

So over the last four years, from 1 July 2014 when Extra Service fees fell into the remit of the ACPC, the ACPC has approved 198 increases and one decrease in Extra Service fees.

# About the Office of The Aged Care Pricing Commissioner

## 3. Internal and external review

Decisions made by the ACPC in respect of proposed accommodation prices and Extra Service fees are reviewable decisions under the *Aged Care Act 1997*. In the 2017/18 year no affected person sought a review.

## 4. Freedom of Information requests

The ACPC received no Freedom of Information request during 2017/18.

The ACPC provides an Information Publication Scheme entry and Freedom of Information disclosure log on the ACPC's website.

## 5. Corporate governance

The ACPC's spending of public money is regulated by the *Financial Management and Accountability Act 1997* and *Financial Management and Accountability Regulations 1997*. Spending must also comply with the Commonwealth Procurement Rules.

The ACPC exercises expenditure powers under delegation from the Secretary of the Department of Health pursuant to the *Public Governance, Performance and Accountability Act 2013*.

## 6. Budget and staffing

To meet the variability of volume in applications, especially Renewal Applications, the ACPC was supported by up to 7 staff during the 2017/18 year. This included assessment officers, IT/Database operator and administrative support.

The ACPC's budget allocation for 2017/18 was \$1,000,000 which included staff salaries and the Commissioner's remuneration. There has been a continuing focus on prudent budget management, effective administrative processes/procedures and smarter use of technology.

## 7. Performance

### Applications for approval of accommodation payment amounts

Performance measurement relates to the statutory timeframes for making decisions on Applications/Renewals for accommodation payments above \$550,000. The *Fees and Payments Principles 2014 (No 2)* provide that the ACPC must notify applicants of a decision to approve, or to refuse to approve an Application within 60 days of receiving an Application. This time period does not include any period during which the ACPC formally sought further information in respect of an Application.

All decisions made by the ACPC in 2017/18 were within this 60 day period.

The increase of 85.22% in the Applications received (539 compared to 291 in 2016/17), increased the average time taken to assess an Application and make a decision on proposed accommodation prices to 31 days in 2017/18.

The average time period does not include any period during which the ACPC formally sought further information in respect of an Application. The approach taken in assessments, with a small number of exceptions, has been to seek informally the required information to complete an assessment outside the parameters of a formal request. This increases the time taken to process an Application. Where this time is discounted, the average time taken to make a decision on an Application in 2017/18 is 25 days.

### **Applications for approval of Extra Service fee**

The ACPC received and approved 45 applications for Extra Service fees from 32 Residential Aged Care facilities and one reduction in Extra Service Fees. No applications were withdrawn.

While approved Providers may make an application at any time, the ACPC cannot make a decision to approve a proposed Extra Service fee unless at least 12 months has elapsed since the date on which the last approval took effect.

The average time taken to make a decision on an Extra Service fee application in 2017/18 (i.e. the time taken from the first date on which the Commissioner was permitted to make a decision and the decision date) was 5 working days.

The approach of the ACPC has been to work with Aged Care Providers to remedy any Applications and to assist them in observing regulatory requirements. We will continue to work with providers to improve performance, perception and service standards.

# Contacts

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The **Office of the Aged Care Pricing Commissioner** can be contacted by phone **1300 550 970**, by email on **acpcenquiries@acpc.gov.au**, or by post at:

**Office of the Aged Care Pricing Commissioner**

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Further information about the Aged Care Pricing Commissioner can be found on the Commissioner's website at **www.acpc.gov.au**

