Australian Government
Aged Care Pricing Commissioner

Aged Care Pricing Commissioner

Annual Report

**1 July 2018 – 30 June 2019**

Office Of The Aged Care Pricing Commissioner  
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Tel: 1300 550 970

Senator the Hon Richard Colbeck  
Minister for Aged Care and Senior Australians  
Minister for Youth and Sport  
Senate  
Parliament House  
Canberra ACT 2600

Dear Minister

In accordance with Section 95B-12 of the *Aged Care Act 1997,* I have great pleasure in presenting to you the Annual Report of the Aged Care Pricing Commissioner covering the Commissioner’s operations for the financial year from 1 July 2018 to 30 June 2019.

I look forward to working with you in what is no doubt an important period for the Australian Aged Care Industry. Please do not hesitate to contact me should you have any questions or require any additional information.

Yours sincerely,

**John Dicer**Aged Care Pricing Commissioner

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Commissioner’s Overview

I am delighted to present the sixth Annual Report on the operations of the Aged Care Pricing Commissioner covering the period from 1 July 2018 to 30 June 2019.

This is my second Annual Report as Aged Care Pricing Commissioner and in my view marks an interesting and important time in the history of Australia’s Aged Care Industry, especially with the creation and the ongoing work of the Royal Commission into Aged Care Quality and Safety.

I am very pleased to be working to Minister Richard Colbeck as Minister for Aged Care and Senior Australians. I look forward to working with Minister Colbeck in the years ahead and contributing positively to meaningful improvements in the Australian Aged Care Industry.

I would like to take this opportunity to thank Minister Wyatt for his guidance and support over the last 12 months. I would also like to publicly congratulate Minister Wyatt on his elevation to Cabinet as Minister for Indigenous Australians, a role I believe he is uniquely suited to and will no doubt carry out with grace, dignity and the utmost integrity.

The Office of the Aged Care Pricing Commissioner contributes in a positive way to the achievement of the Government’s objectives under the Aged Care Act 1997, to improve and increase transparency in pricing in Residential Aged Care Services, ensuring at all times aged care residents , paying Refundable Accommodation Deposits (RAD) greater then $550,000 receive real value in terms of quality accommodation, services and amenity of facilities.

The main statutory functions of the Aged Care Pricing Commissioner 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 determine applications for changes in Extra Service Fees.

In the Statement of Expectations, the then Minister for Aged Care expressed the Government’s vision for the Aged Care Pricing Commissioner in the following terms:

*“…that the Commissioner contributes to Government objectives to increase levels of transparency in the pricing of Residential Aged Care services and to ensure that residents receive quality accommodation and services where higher prices are paid, and approve extra service fees. In doing so, the Commissioner has a role to play in improving confidence in the regulation of aged care and in the aged care sector itself in a way that minimises the burden on care recipients, consumers and approved providers.”*

Internal Processes

The Office of the Aged Care Pricing Commissioner has strived to keep this vision in mind when reviewing applications for RAD and applications for changes to Extra Service Fees (ES Fees). I want to ensure that our internal processes and procedures are simple, clear and applied consistently at all times. In my view, good administrative practices not only assist with compliance but can result in better business performance outcomes for Aged Care Providers, Consumers and all involved in the Aged Care Industry.

We are working towards implementing the following initiatives over the next 12 to 18 months:

1. Online application forms for both RAD and ES Fees;
2. New User Guides with best practice examples for both RAD and ES Fees applications;
3. Updated FAQs; and
4. Revitalised website.

Of special importance to me was the launch in April 2019 of a short animated video on the activities of The Office of the Aged Care Pricing Commissioner. This video and other updates can be accessed via our website [www.acpc.gov.au](http://www.acpc.gov.au/).

Industry Engagement

A practical application of our vision has been the creation of an Industry Reference and Working Group (IRWG). The IRWG was created in late 2018 and comprises representatives from peak industry bodies such as Aged & Community Services Australia (ACSA), Leading Aged Services Australia (LASA) and the Aged Care Guild, COTA, Dementia Australia as well as a number of For Profit and Not For Profit Providers. The aim of the IRWG is to transform the Office of the Aged Care Pricing Commissioner’s processes and procedures.

During the year I also had the pleasure of participating in a webinar courtesy of LASA and presenting to the Aged Care Quality and Safety Advisory Council. I was also invited to sit on a panel at a COTA Conference in Sydney in November 2018 where we explored the Future of Finance in Aged Care.

Facility Visits

This year I had the privilege of visiting over 80 Residential Aged Care Facilities (RACF) across Australia covering all States and Territories with the exception of the Northern Territory, which I hope to visit in the next financial year. These visits enabled me to see firsthand a range of RACF, varying from Wintringham in Port Melbourne which caters for the homeless and socially disadvantaged, through to multi-storey complexes providing residential aged care alongside commercial services and independent living units.

These visits have assisted me as the Aged Care Pricing Commissioner to attain a better appreciation of pricing and explain how the Office of the Aged Care Pricing Commissioner goes about its business and the factors it takes into account in carrying out assessments.

It also provides the opportunity to hear plans for new developments, visit facilities under construction, attend official openings of facilities once complete, discuss financial pressures and concerns facing Aged Care Providers, and ultimately see the value being provided to the Consumer of Residential Aged Care Services.

Infographic explaining the key assessment criteria for proposed RADs

Key assessment criteria when evaluating proposed RADs above $550,000

Qualitative analysis

* A key part of our assessment is the quantitative analysis of the ‘numbers’ that you provide us for each room – the proposed price, the room size and the amount of common area associated with that room.
* We consider how each factor compares with other facilities in the local area, within the state and the overall median house price for the facility location.
* And if you have multiple accommodation groups in your facility we check that the numbers reflect your internal pricing rationale.

The question we ask ourselves throughout the assessment is… Does this proposed RAD represent value to the resident?

We want to know about any special or unique features of your rooms and facility.

Remember, we cannot consider how much residents may be able to afford. Rather, it is our role to verify that there is evidence to support that the room has the value that you are proposing.

Using the information you provide us, we compare and contrast:

* room features;
* common area features; and
* services provided at no extra cost.

Supporting factors that may be considered

As we build up the context for your facility, we may also use additional information such as:

* RAD history
* Cost per room
* Occupancy rate
* Change in median house price
* Business sustainability factors
* Your market and competitor analysis

For more information see Aged Care Legislative Instrument ‘Fees and Payments Principles 2014 (No. 2)’.­

Overall, it has been an interesting and challenging year which included facility visits and learning about an industry that is driven by pride and compassion for older Australians. This is an industry I feel proud and fortunate to work in, and hope to make a positive and constructive contribution to Residents, Consumers and Providers in the Aged Care Industry.

Financial Year 2018/19

In 2018/19 the Office of the Aged Care Pricing Commissioner received 328 applications, which included 98 Renewals and 230 New Applications. A New Application was where the price increase sought was above indexation changes. The streamlined Renewal Application form was designed to capture price increases based on indexation only. In this financial year 411 applications were approved. The difference between the number of applications received as opposed to actually approved, can be accounted for by the fact that a number of applications were received prior to, but then approved in, 2018/19.

In contrast, in 2017/18, 539 applications were received, comprising 220 Renewals and 319 New Applications. 386 applications were approved in the 2017/18 financial year.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Applications** | **New** | **Renewal** | **Received** | **Approved** |
| 2017-2018 | 319 | 220 | 539 | 386 |
| 2018-2019 | 230 | 98 | 328 | 411 |

Aged Care Providers

As at 30 June 2018, nationally there were 886 Residential Aged Care Providers (RACP). This contrasts nationally with 902 RACP as at 30 June 2017. If we break down the number of applications further, the number of RACP applying to the Aged Care Pricing Commissioner in 2018/19 was 84, whereas in 2017/18 the number of RACP applying was 104.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Year** | **Applying** | **Approved** | **Sector** | **Sector % Approved YTD** | **Sector % Approved Since June 2014** |
| 2017-2018 | 104 | 90 | 902 | 9.98% | 18.40% |
| 2018-2019 | 84 | 80 | 886 | 9.03% | 21.56% |

This continued decline in the number of RACP shows evidence of Providers leaving the residential aged care market as well as industry consolidation. This evidence is supported by studies from StewartBrown Chartered Accountants and the Aged Care Financing Authority. I would expect to see RACP numbers contract further in the future given the current state of the industry and the need for greater economies of scale required to support ongoing viability and sustainability for industry participants.

As can be seen from the figures in the table above the Office of the Aged Care Pricing Commissioner deals with approximately 9-10% of all RACP on an annual basis and cumulatively over the last 5 years the office has dealt with close to 22% of all RACP. This means that the Aged Care Pricing Commissioner has had dealings with 1 in 5 RACP, a pleasing figure in terms of industry wide engagement.

Aged Care Facilities

During 2018/19, the Aged Care Pricing Commissioner received Applications from RACP in relation to 163 RAC Facilities. This contrasts with 2017/18 when the number of RACP lodged applications in relation to 190 facilities.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Year** | **Applying** | **Approved** | **Total in Sector** | **Sector % Approved YTD** | **Sector % Approved Since June 2014** |
| 2017-2018 | 190 | 135 | 2,672 | 5.05% | 12.99% |
| 2018-2019 | 163 | 155 | 2,695 | 5.75% | 15.81% |

It is interesting to note that the number of RACF nationally increased over the last 2 years from 2,672 in 2017/18 to 2,695 in 2018/19, an increase of 23 facilities. The number of RACF dealt with annually by the Aged Care Pricing Commissioner is fairly constant at around 5-6%. Of note, over the last 5 years the Aged Care Pricing Commissioner has dealt with just under 16% of all RACF, again showing reasonable levels of Industry engagement.

Residential Aged Care Rooms/Places

During 2018/19, the Aged Care Pricing Commissioner received Applications, including Renewals for 6,388 Rooms/ Places. During 2018/19 the Aged Care Pricing Commissioner approved Applications, including Renewals in relation to 8,117 Rooms/Places.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | Applying | Approved | Total in Sector | Sector % Approved YTD | Sector % Approved Since June 2014 |
| 2017-2018 | 10,497 | 7,705 | 200,689 | 3.84% | 13.8% |
| 2018-2019 | 6,388 | 8,117 | 207,142 | 3.92% | 17.31% |

As can be seen from the table above the number of Rooms/Places offered nationally has increased from 200,689 in 2017/18 to 207,142 in 2018/19. From the Aged Care Pricing Commissioner’s perspective we approved 8,117 Rooms/Places this year. The higher number of Rooms/Places applied for last year 2017/18 of 10,497 is largely reflective of the large number of Renewals received at the end of the first 4 year cycle. As Aged Care Pricing Commissioner, since June 2014, the office has approved over 17% of all Rooms/Places offered by RACP. This level of engagement at a Provider, Facility and Room/Place level enhances the Aged Care Pricing Commissioner’s level of understanding of what the Industry is offering in terms of accommodation and enables the Office to be consistent and draw true comparisons across different pricing points.

Existing versus New and Refurbished Facilities (approved rooms)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Facility Type** | **2017-2018** | | **2018-2019** | |
| Existing | 4,570 | 59.31% | 5,501 | 67.77% |
| New / Refurbished | 3,135 | 40.69% | 2,616 | 32.23% |

In the above figures the percentage of Existing Rooms approved over the last 2 years has increased by 8.46%, whereas the percentages for New/Refurbished Rooms over the last 2 years have decreased by 8.46%. The reduced level of investment in new facilities is symptomatic of the level of uncertainty in the industry and also a reflection of the tough economic times being faced by many Aged Care Providers. It would appear that investment plans, even at the top end of the Residential Aged Care market, are being deferred, with more investment being allocated to Existing Facilities and extending the economic and productive life of the asset. This concern is highlighted by bodies such as the Aged Care Financing Authority and StewartBrown Chartered Accountants. There is a real need for new investments to come online to replace ageing stock as many older style facilities may not be viable or sustainable over the next 3-5 years.

Reframed and Withdrawn Applications

|  |  |  |
| --- | --- | --- |
| **Year** | **Withdrawals** | **Reframed** |
| 2017-2018 | 12 | 41 |
| 2018-2019 | 58 | 48 |

In the case of Withdrawals and Reframed applications the majority were associated with New Applications as opposed to Renewals.

The main reasons for Withdrawals and Reframing relate to revision of pricing, change of accommodation groups/allocation, inadequate or incorrect information, poor pricing rationale and failing to explain different price points between accommodation groups.

Turnaround Times

In terms of turnaround time, the average number of days to process an application (both New Applications and Renewals) was:

* In 2017/18: 31 days; and
* In 2018/19: 33 days.

The assessment process continues to be completed well within the statutory timeframe of 60 days.

Functions of the Office of The Aged Care Pricing Commissioner

The functions of the Aged Care Pricing Commissioner include the review and approval of proposed Refundable Accommodation Deposits that are higher than the maximum amount of $550,000 as determined by the Minister, and the review and determination of Extra Service Fee applications.

Aged Care Pricing Commissioner Operations 2018/19

Approved room price ranges

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Rooms approved by number and percent (%)** | | | | | | |
| **Price Range** | **2016-2017** | | **2017-2018** | | **2018-2019** | |
| **No.** | **%** | **No.** | **%** | **No.** | **%** |
| $550,001 to $700,000 | 2428 | 33.7% | 2479 | 32.17% | 3584 | 44.15% |
| $700,001 to $850,000 | 2869 | 39.82% | 3070 | 39.84% | 2968 | 36.57% |
| $850,001 to $1,000,000 | 1476 | 20.06% | 1522 | 19.75% | 1191 | 14.67% |
| $1,000,001 to $1,250,000 | 324 | 4.5% | 502 | 6.52% | 189 | 2.33% |
| $1,250,001 to $1,500,000 | 32 | 0.44% | 40 | 0.52% | 94 | 1.16% |
| $1,500,001 and above | 107 | 1.49% | 92 | 1.19% | 91 | 1.12% |

The above figures show that for RADs greater than $550,000 approximately 80% of the rooms fall in the bracket of greater than $550,001 to $850,000. For RAD prices in 2018/19 exceeding $1 million, the Aged Care Pricing Commissioner approved 374 Rooms/Places, approximately 4.61% of all rooms.

Rooms approved by jurisdiction

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Rooms approved by number and percent (%)** | | | | | | |
| **States/Territories** | **2016-2017** | | **2017-2018** | | **2018-2019** | |
| **No.** | **%** | **No.** | **%** | **No.** | **%** |
| ACT | 69 | 0.96% | 445 | 5.78% | 217 | 2.67% |
| NSW | 3634 | 50.44% | 3368 | 43.71% | 2373 | 29.23% |
| QLD | 431 | 5.98% | 702 | 9.11% | 1295 | 15.95% |
| SA | 320 | 4.44% | 418 | 5.43% | 104 | 1.28% |
| TAS | 0 | 0.00% | 0 | 0.00% | 16 | 0.20% |
| VIC | 1985 | 27.12% | 1877 | 24.36% | 3751 | 46.21% |
| WA | 797 | 11.06% | 895 | 11.62% | 361 | 4.45% |

There has been a steady increase in Rooms/Places approved by the Aged Care Pricing Commissioner over the last 3 years, increasing from 7,236 in 2016/17 to 7,705 in 2017/18 and 8,117 in 2018/19, an overall increase of 912 Rooms/ Places. Of the 8,117 Rooms approved by the Aged Care Pricing Commissioner this year, 6,124 are in NSW and Victoria, accounting for approximately 75% of all Rooms approved. The following trends have been noted:

* Queensland has seen a steady and marked increase over the last 3 years, going from 431 to 702 last year and up to 1295 this year for Rooms/Places approved. This growth is associated with a number of new facilities coming online in recent years, particularly in the Greater Brisbane area, and completion of developments on the Gold and Sunshine Coasts.
* Tasmania has jumped into the spotlight this year with 16 Rooms/Places coming online at The Queen Victoria at Lindisfarne at Hobart; a brand new wing attached to the existing facility.
* Victoria seems to be the standout in terms of increasing available Rooms/Places over the last 3 years, with an increase of 1,875 rooms in the last 2 years, and with a 100% increase to 3,751 Rooms in 2018/19. Most of this increase can be attributed to new rooms coming online from recently completed developments in inner Melbourne.

Rooms approved by distance from Central Business Districts

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Rooms approved by number and percent (%)** | | | | | | |
| **Distance Band** | **2016-2017** | | **2017-2018** | | **2018-2019** | |
| **No.** | **%** | **No.** | **%** | **No.** | **%** |
| 0 - 10 kms from CBD | 2706 | 37.40% | 3485 | 45.23% | 2245 | 27.66% |
| 11 - 20 kms from CBD | 2022 | 27.94% | 1979 | 25.68% | 2901 | 35.74% |
| 21- 40 kms from CBD | 2053 | 28.37% | 1534 | 19.91% | 1391 | 17.14% |
| 40+ kms from CBD | 455 | 6.29% | 707 | 9.18% | 1580 | 19.47% |
| **Total** | **7236** |  | **7705** |  | **8117** |  |

Rooms approved by Provider type

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Rooms approved by number and percent (%)** | | | | | | |
| **Provider Type** | **2016-2017** | | **2017-2018** | | **2018-2019** | |
| **No.** | **%** | **No.** | **%** | **No.** | **%** |
| For Profit | 3476 | 48.04% | 3594 | 46.65% | 5498 | 67.73% |
| Not for Profit | 3760 | 51.96% | 4111 | 53.35% | 2581 | 31.80% |
| Government | 0 | 0.00% | 0 | 0.00% | 38 | 0.47% |
| **Total** | **7236** |  | **7705** |  | **8117** |  |

Applications for Extra Services Fees

In 2018/19 The Aged Care Pricing Commissioner received 53 applications for changes to Extra Service Fees. In contrast, in the previous financial year 2017/18 the Aged Care Pricing Commissioner received 45 Extra Service Fee applications.

Of the 53 applications for changes to Extra Service Fees this year, the Aged Care Pricing Commissioner approved 50 applications, 2 were withdrawn and 1 fell into the next financial year 2019/20. The average number of days to approve an application for changes to an Extra Service Fee this year was 23 days.

Extra Service Fees involve the provision of a significantly higher standard of accommodation, food and services to care recipients. A Provider with Extra Service status can apply to the Aged Care Pricing Commissioner to change the fee every 12 months. The maximum amount that the Extra Service fee can increase is 20% plus movements in the relevant CPI figure. In considering applications for a change to Extra Service Fees, the Aged Care Pricing Commissioner looks at a number of factors, including the food options, entertainment options, enhanced personal services, specific products and organised outings.

**About the Office of the Aged Care Pricing Commissioner**

Internal and External Review

Decisions made by the Aged Care Pricing Commissioner in relation to both applications for Refundable Accommodation Deposits and Extra Service Fees are reviewable decisions under the *Aged Care Act 1997*. In 2018/19 no person or body sought internal review. If an internal review is undertaken the original decision can be affirmed, varied or a new decision made. However, an affected person can seek external review by lodging an appeal with the Administrative Appeals Tribunal.

Freedom of Information Requests

The Aged Care Pricing Commissioner received no Freedom of Information requests during 2018/19. The Aged Care Pricing Commissioner provides an Information Publication Scheme entry and Freedom of Information Disclosure Log on the Aged Care Pricing Commissioner’s website.

Corporate Governance

The Aged Care Pricing Commissioner’s spending of public money is regulated by the *Financial Management and Accountability Act 1997* and *Financial Management and Accountability Regulations 1997.* Spending must comply with the Commonwealth Procurement Rules.

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

Budget and Staffing

The Office of the Aged Care Pricing Commissioner is supported by a team of 4 Assessors, 1 Data Analyst and 1 Executive Assistant.

The Aged Care Pricing Commissioner’s budget for 2018/19 was $1,004,000 which included salaries, contractor costs, Commissioner’s remuneration and travel expenses.

Aged Care Financing Authority

As Aged Care Pricing Commissioner I have the great privilege and honour to be a Government Representative on the Aged Care Financing Authority (ACFA). This enables me to see the myriad of issues facing the Aged Care Industry in Australia and to learn from distinguished and experienced ACFA members. I look forward to this continued involvement with ACFA and examining what is required for the Australian Aged Care Industry from a financing and funding point of view.

Future Developments in 2019/2020

During the course of next year 2019/20 the Office of the Aged Care Pricing Commissioner will:

* continue to work with the assistance and guidance of members of the Industry Reference and Working Group on streamlining and improving internal office processes such as the online Application forms and other matters.
* continue visits to Residential Aged Care Facilities, including facilities below the Ministerial threshold of $550,000, to enhance knowledge and understanding of the issues being faced by Aged Care Providers and Consumers.
* maintain regular meetings with Minister Colbeck, Department of Health Senior Executives, with peak industry bodies, Providers, Consumer groups and financiers.

I remain committed to building relationships across the Aged Care Industry and further improving the confidence and trust in the workings of the Office of the Aged Care Pricing Commissioner. This will ensure our decisions are robust and transparent with a view to ensuring that pricing determinations, in respect of RAD and ES Fees, are well understood and the knowledge of pricing assists consumers of Residential Aged Care Facilities to make informed choices about the type of room and facility they would like to live in.

My aim is to develop a number of new documents including:

* Corporate Strategy for 2019-2021;
* Shared Values Booklet; and
* Various flyers/videos on the Aged Care Pricing Commissioner and its activities.

Acknowledgements & Thanks

I would like to end this Annual Report by thanking Ministers Colbeck and Wyatt, Senior Department of Health Executives, the various industry and peak bodies for both Aged Care Providers and Consumers, the IRWG members for their patience, perseverance and ideas in helping to shape our online presence, as well as my colleagues on ACFA for their help, advice and tips in helping me navigate and strive for better service delivery, as well as all the people who I had the pleasure to meet in my travels and visits over the course of 2018/19.

However, the biggest thanks must go out to my team at the Office of the Aged Care Pricing Commissioner who are all brilliant in their own right and have developed incredible trust and respect from Aged Care Providers during the assessment process. As the Aged Care Pricing Commissioner I am very fortunate to have such a great team and they truly make coming to work every day a real pleasure and joy. I look forward to working with my team in 2019/20.

Contacts

The Office of the Aged Care Pricing Commissioner can be contacted by phone 1300 550 970, by email on [acpcenquiries@acpc.gov.au](mailto:acpcenquiries@acpc.gov.au?subject=Enquiry), or by post at:

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Haymarket NSW 1240

Further information about the Aged Care Pricing Commissioner can be found on the Commissioner’s website at [www.acpc.gov.au](http://www.acpc.gov.au/)