



Aged Care Pricing Commissioner
Annual Report

1 JULY 2014 – 30 JUNE 2015



Australian Government
Aged Care Pricing Commissioner

Office Of The Aged Care Pricing Commissioner
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The Hon Sussan Ley MP,
Minister for Aged Care
Parliament House
Canberra ACT 2600

Dear Minister

In accordance with Section 95B-12 of the *Aged Care Act 1997*, I present to you the Annual Report of the Aged Care Pricing Commissioner covering the Commissioner's operations for the year 1 July 2014 to 30 June 2015.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'K. Cull'.

Kim Cull
Aged Care Pricing Commissioner

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Commissioner's Overview

I am pleased to provide the second Annual Report on the operations of the Aged Care Pricing Commissioner.

During this year, our work with aged care providers and our experience in assessing price applications for payments above the Minister's threshold has allowed us to consolidate and refine our processes and to evaluate emerging trends.

The last financial year has produced sufficient information and data to allow for further streamlining of these applications to the Aged Care Pricing Commissioner, as well as to assess aspects of these functions and to observe some effects. This has been assisted by collaboration with providers and peak industry and consumer groups.

I am pleased to report that while our statutory timeframes for decision making in respect of accommodation payments is 60 days, it has been further reduced this year from an average of 30 days in 2013/14 to an average of 18 days in 2014/15.

The Office also began accepting applications for increases in Extra Service fees this financial year, and decisions for Extra Service fee applications have taken an average 5 days to completion. This is referred to in Part 7 of this Report.

As I foreshadowed in the establishment of the approval process in respect of accommodation payments, analysis of requirements relevant to the decision making function has been undertaken through 2014/15. Our Application Form has been slightly modified and I believe, will be significantly more straightforward. The Form more clearly orients providers to relevant information, and a worked example has been produced to assist providers in identifying information required to support their applications. It is envisaged that this will lead to a considerable reduction of the need to seek additional information from providers making applications. This work has been undertaken in close consultation with industry and consumers through a Reference Group and Working Group and I would like to thank those individuals and organisations that have contributed their time in assisting us.

My observations of the financial year 2014/15 suggest that a far more consistent emphasis is being placed by providers in setting their prices on the assessment of the product that is being offered to people in terms of its quality and amenity. A greater focus on market expectations in respect of the value of the accommodation for the price proposed seems apparent.

Thus we see some increasing homogeneity in the size, quality and amenity of the accommodation offered within particular price parameters in metropolitan cities. For example, within 10 kilometres of Sydney and Melbourne central business districts there are patterns, although not definitive, of prices per square metre being charged for rooms of broadly

similar quality and amenity. Because of the diversity of locations and differing emphases on types of accommodation provided in particular facilities, this can only be a broad assertion; but a correlation between the nature of the product and its price is observable. “One-off” higher prices for particular rooms that are not justified by the relative standard of accommodation in a facility are not being sought in the above-threshold market. This of course was one of the policy objectives in consumer protection sought by the introduction of the regime.

The approach of working with providers in achieving a coherent but “light touch” regulatory environment has continued and as with last year, there has been no formal refusal of an application, but there has been considerable time spent by assessors in working with providers as providers reframe applications that do not readily establish the bases for prices sought.

There has been a significant increase in applications for new developments in 2014/15, both in actual numbers and proportionally. Of the total number of applications received, 41% of applications were for accommodation groups in proposed new facilities in the 2014/15 financial year, as compared to 10% in the previous financial year (102 applications in 2014/15, compared to 38 in 2013/14).

We have also received applications this year for variations in prices for rooms previously approved by the Commissioner. In most cases the bases for these adjustments have been either a refinement of price points or where the

provider has been overly conservative in their approach to the introduction of the significant reforms in 2014. The *Fees and Payments Principles 2014 (No. 2)* allow for CPI increases automatically during the 4 year life of the approval. We do not take the view that increases in median house price alone are sufficient to justify increases in prices, but is one factor to which regard may be had. Applications are assessed with the quality and amenity of the offering in entirety being considered. While recognising the diversity of accommodation offerings, the various business models and approaches applied by providers, the value for the resident remains a key focus in the assessment of applications.

During 2014/15, a survey in respect of the Office and its performance was conducted and the survey is now distributed to each applicant at the conclusion of an assessment. I am very pleased that to date we have had overwhelmingly positive feedback on staff, service, timelines and approach.

I have endeavoured to see many facilities during this year to appreciate the spectrum of accommodation and services being provided. This is an exciting period to be involved with the aged care sector and I thank the many providers and organisations that have supported us in our work in this year.

I have greatly appreciated the opportunity to serve as a Government representative on the Aged Care Financing Authority, with the broader view of the aged care sector that this entails.

Functions

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, and the approval of increases to Extra Service fees.

The Commissioner is also an *ex officio* member of the Aged Care Financing Authority, which provides independent advice to the Government on funding and financing issues, informed by consultation with consumers and the aged care and finance sectors.

1. Applications for accommodation payments

In the period from 1 July 2014 to 30 June 2015 inclusive, 244 individual applications were made for the approval of prices above the maximum amount determined by the Minister.

246 applications were approved during the financial year (with the higher number of applications approved than applications received reflecting applications which were received during the 2013/14 financial year and approved in the 2014/15 financial year).

No applications were refused. However, 38 applications were withdrawn by applicants. A large proportion of these were either re-submitted or substantially reframed, with a further proportion being amended

by applicants either in respect of content or proposed price during the assessment and decision making process. This continues the approach taken by the 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.

2. Applications for approval of Extra Service fee increases

The Commissioner's responsibilities in respect of the approval of proposed Extra Service fees took effect from 1 July 2014. In the period 1 July 2014 to 30 June 2015, the Commissioner received 52 applications to increase Extra Service fees from 34 residential aged care facilities. One application was withdrawn. Of the 51 remaining applications, 49 were approved. Additional information is provided in the Performance section of this Report.

3. Internal and external review

Decisions made by the Commissioner in respect of proposed accommodation prices and Extra Service fee increases are reviewable decisions under the Aged Care Act 1997. In the year to 30 June 2015, no affected person sought a review of a decision by the Commissioner.

4. Freedom of Information requests

The Commissioner received no Freedom of Information requests during 2014-15.

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

About the Office of The Aged Care Pricing Commissioner

5. Corporate governance

The 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 also comply with the Commonwealth Procurement Rules.

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

6. Budget and staffing

To meet the variability of volume in applications, the Commissioner was supported by up to 6 staff during the 2014-15 year. This included assessment officers and administrative support.

The Commissioner's budget allocation for 2014/15 was \$1.179M, which included staff salaries and the Commissioner's remuneration.

7. Performance

Applications for approval of accommodation payment amounts

The principal means by which performance can be measured relate to the statutory timeframes for making decisions on applications for accommodation payments above the maximum amount determined by the Minister. The *Fees and Payments Principles 2014 (No 2)* provide that the Aged Care Pricing Commissioner must notify applicants of a decision to approve, or to refuse to approve and application within 60 days of receiving an application. This time period does not include any period during which the Commissioner formally sought further information in respect of an application.

All decisions made by the Commissioner were within this 60 day period.

The average time taken to assess an application and make a decision on proposed accommodation prices was 18 days in the 2014/15 financial year. This compares to 30 days in 2013/14.

The average time period referred to above does not include any period during which the Commissioner formally sought further information in respect of an application. The approach taken in assessments, with a small number of exceptions, has been to seek the information required to complete an assessment outside the parameters of a formal request. This increases the apparent time taken to process an application. Where this time is discounted, the average time taken to make a decision on an application was 17 days, compared to 25 days in 2013/14.

Applications for approval of Extra Service fee increases

The Commissioner received 52 applications to increase Extra Service fees from 34 residential aged care facilities. One application was withdrawn because it was not valid. Two applications were not able to be considered by the Commissioner during the 2014/15 financial year, because they were subject to a concurrent variation of Extra Service benchmarks by the Department of Social Services which was not concluded during the financial year.

The Commissioner approved 49 applications for an increase to Extra Service fees at 33 facilities. At the time of receiving these applications, the Commissioner was not able to consider 38% of the applications from the date on which applications were made, principally because the Commissioner cannot make a decision to approve a proposed increase to an Extra Service fee unless at least 12 months has elapsed since the date on which the last approval took effect.

In a number of other cases, applications were determined not to be valid, including for reasons such as the incorrect calculation of proposed fees or the inadvertent failure to observe other statutory requirements in respect of timeframes, and required amendment by applicants. Again, rather than taking an overly pedantic view, the approach has been to work with aged care providers to remedy applications and assist them in observing regulatory requirements.

The average time taken to make a decision on an Extra Service fee application (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 days.

Contacts

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:

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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**