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Inquiry into Aged Care Legislation Amendment (Financial Transparency) Bill 2020

Thank you for the opportunity to make a submission to the Senate Community Affairs Legislation Committee on the Aged Care Legislation Amendment (Financial Transparency) Bill 2020.

Aged & Community Services Australia (ACSA) is the leading aged care peak body supporting church, charitable and community-based, not for profit organisations. Not for profit organisations provide care and accommodation services to about one million older Australians. ACSA represents, leads and supports its members to achieve excellence in providing quality affordable housing and community and residential care services for older Australians.

The Bill states that as soon as practicable within 6 months after the end of a financial year, an approved provider must provide the Quality and Safety Commissioner with a written report for each facility operated by the provider that provided residential care during that financial year.

The Explanatory Memorandum to the Bill notes that this will include information on a provider's income and how much they pay to parent bodies, as well as their spending across a range of areas.

ACSA has constantly supported transparent, meaningful, and understandable information that facilitates informed choices for older Australians and their families.

Transparency in reporting is under active consideration in the Royal Commission into Aged Care Quality and Safety (the Commission), with a number of propositions put forward by Senior Counsel Assisting in the recent *Sydney Funding, Financing and Prudential Regulation* Hearing addressing transparency and reporting on matters such as financial reporting, continuous disclosure requirements, outsourcing of care management, liquidity and capital adequacy requirements and enforcement of prudential standards.

ACSA believes it would be premature, and potentially result in duplication, to develop additional reporting requirement prior to the Commission presenting its report to Government and Government providing its response to the report's recommendations.

We offer the following commentary to a number of the points raised in the Financial Transparency Bill Explanatory Memorandum:

- **Income reporting** – Aged care providers are already required to provide audited financial reports annually to the Department of Health including attending an Annual Prudential Compliance Statement¹. The Department analyses this information including ‘risk rating’ providers and as part of this process provides distilled reports to the Aged Care Quality and Safety Commission. Not-for-profit providers who are registered with the Australian Charities and Not-for-Profits Commission also have responsibilities to attend Annual Information Statements that requires disclosure of a range of information including financial. From January 2020 the Aged Care Quality and Safety Commission commenced responsibility for monitoring provider compliance with the Prudential Standards. These reporting requirements and accountabilities are appropriate, if there are evidence based reasons for improving transparency in particular areas of reporting (and as may be identified by Royal Commission into Aged Care Quality and Safety) then it would be appropriate to change the reporting criteria within the above processes rather than adding another separate reporting requirement.

- **Staffing** – ACSA supports the employment of more staff in aged care. It is widely recognised and now acknowledged that the sector is underfunded, and that indexation of care funding is inadequate. Providers require funding that addresses sustainability and provides for a level of care and services that meets community expectation, not additional reporting requirements.

Aged care providers are required under the Quality Standards to staff appropriately to meet the needs of their residents and this is monitored by the Aged Care Quality and Safety Commission as part of their Standards monitoring activities. Staffing skills and qualification mix is driven by the level of acuity of the resident population and the service model of the provider.

- **Accommodation** – Providers are required to publicly list ‘published prices’ for their accommodation, this is attended on their own websites as well as on My Aged Care website (a requirement). Incoming residents are then able to negotiate an ‘agreed-to’ price for their accommodation. Additionally, residents are given full choice as to how they pay their accommodation cost, either via a [Refundable Accommodation Deposit](#) (often referred to as a ‘Bond’) or a [Daily Accommodation Payment](#) or a combination of both. Where Services Australia deems a person eligible (of low means) Government contributes (either partially or fully) to the cost of their accommodation via an [Accommodation Supplement](#). Accommodation prices are effectively ‘capped’ at a ceiling of \$550,000 with providers required to apply to the Aged Care Pricing Authority to go above this limit. Information about all of the above process are in the public domain and available to all and as such ACSA is unclear from the Explanatory Memorandum what is meant by reporting accommodation costs.
- **Medicines** – Prescribing of medicines is a matter between an individual and their prescribing doctor. Older Australians in residential aged care pay for and receive subsidised medicines in the same manner as other older Australians. Where residential aged care providers incur medicines related costs is in the management of their own imprest systems and where charged by a community pharmacy, for the cost of having resident medicines packed into dose administration packaging (e.g. ‘Webster Packs).

¹ There are consequences under the Aged Care Act 1997 for not attending these annual compliance reports, including imposition of sanctions.

Again, we are unclear from the Explanatory Memorandum why it is believed greater public reporting is required.

- **Food** – ACSA understands the discussions that have occurred in relation to food costs. There are challenges in getting consistent understanding and definitions in place to be able to meaningfully report on food expenditure. What needs to be considered in this context is understanding the full cost of food delivery, including production costs (including staffing), and other ‘on-costs’. More work needs to be attended in these areas to ensure we are fully and consistently addressing all costs when discussing this issue and that comparisons that are made are done so providing meaningful explanation of the full costs of food service delivery for consumers.
- **How much is paid to parent companies** – A recent BDO consulting report commissioned by the Royal Commission into Aged Care Quality and Safety and discussed in their recent Sydney Hearing highlighted that there are a range of legitimate legal corporate structures in place across the sector and that this is perfectly reasonable. The authors of the report caution implementing new policies in this area lest they negatively impact returns on investment, impacting the sector as a whole. The report makes recommendations to improve transparency in reporting, which we support and again we would urge waiting on the Royal Commission’s findings on these matters.

In relation to the reference in the Explanatory Memorandum to a ‘wasting’ of funds, a recent report titled [The Cost of Residential Aged Care](#), commissioned by the Royal Commission and undertaken by the University of Queensland, found that the average total cost efficiency of residential aged care providers was higher than in reported literature, and in fact more efficient than other healthcare sectors such as hospitals.

Transparency in reporting is important, but we must avoid duplication in reporting requirements or adding new reporting requirements that will not materially improve information for consumers, the regulator or Government.

Any new reporting requirements must be evidence based and clearly articulate the need for the additional reporting.

ACSA’s recommends the authors of this Bill await the release of the Royal Commission into Aged Care Quality and Safety final report, review any recommendations relating to transparency contained therein and then determine progress of this proposed Bill.

Yours sincerely,



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