



Aged Care Update

17 March 2015

Proposed national fees policy for the Commonwealth Home Support Program (CHSP)

The Living Longer Living Better package of 2012 foreshadowed that the creation of the Commonwealth Home Support Program in 2015, for which the Commonwealth would have full policy and funding responsibility, would provide the opportunity to move to more uniform arrangements for charging fees for entry level aged care and support services.

This was seen as one means of improving national consistency and equity within a national aged care system.

Under current policy, fees may be charged for services under the Home and Community Care Program (HACC) - one of four existing programs that will combine to form the CHSP - but the fees charged vary across the States and Territories and between providers.

This lack of consistency is an outcome of the process that was followed when fees were first introduced for HACC services ie a savings measure introduced by the Commonwealth in the context of a joint-funded HACC program where responsibility for day to day management of the program rested with the States and Territories. The Commonwealth simply realised its savings target by reducing its contribution to HACC and invited the States and Territories to make up the difference by introducing fees. Not surprisingly, the States and Territories did there 'own thing', hence the inconsistent policies that currently apply.

Fast-forwarding to the present, the Department of Social Services (DSS) has recently released for **consultation with the sector a paper** which sets out a proposed national fees policy for the CHSP, to be phased in over four months from 1 July 2015 when the new CHSP is launched (in all States and Territories except Victoria and Western Australia).

Comments on the fees consultation paper and its two companion papers (a draft Good Practice Guide for Restorative Care and a draft CHSP Program Manual) have been requested by 15 April 2015.

Key features of the proposed national fees policy

The key features of the proposed policy are as follows:

- Full-pensioners and part-pensioners would be required to pay “discounted” fees set by the

Government, with lower fees applying for full-pensioners. The discounted fees would vary according to service type, with 16 service types identified. Although referred to as “discounted” fees, the Government would, in effect, simply be setting the contributions that pensioners would be expected to make towards the cost of the services.

- On the other hand, self-funded retirees would pay a fee set by the service provider (to be known as the “standard fee”) which is an amount up to, but not exceeding, the full cost of the service delivered to the consumer, as determined by the service provider.
- The full-pensioner discounted fees would be the minimum that consumers would be expected to pay as a contribution towards their cost of care, subject to hardship provisions.
- Fees would apply for all CHSP services except assistance with care and housing (the former ACHA program) and service system development grants paid to providers for sector support and development activities.
- Only the consumer’s assessable income would be relevant in determining fee liability, and the cut-off income thresholds would be those that apply for the age pension and the Commonwealth Seniors Health Card. The Pensioner Concession Card and the Commonwealth Health Card would be used to establish status.
- Fees would apply to existing and new consumers. There would be a four month transition period from 1 July 2015, partly to accommodate the phasing in of fees for existing consumers.
- CHSP fees would not count towards the annual and lifetime caps that apply to the means tested care contributions in home care and residential care.
- Each service provider would be required to have a fees policy that is publicly available.

The consultation paper includes a schedule of the proposed discounted fees for full-pensioners and part-pensioners.

Matters arising from the proposed national fees policy

CHSP to remain block funded

CHSP providers will continue to be block-funded, with new Grant Agreements to run from 1 November 2015 to 30 June 2017.

Funding will not follow the consumer and consumers will not have individual budgets. Given Minister Fifield’s comments in a **recent speech** about moving towards a more consumer-driven aged care system, it may be only a matter of time (ie the time needed to devise a workable system) before funding does follow the consumer for many CHSP services (and home care packages).

Unlike the subsidy reduction that applies for means tested care fees in home care and residential care, the funding received by service providers through the CHSP will not be reduced by the amount of means tested fee revenue collected. However, it is anticipated that a condition of the Grant Agreement will be that service providers will be required to adhere to the national fees policy.

The standard fee

Contrary to what the term ‘standard fee’ might imply, the standard fee is not proposed to be a common fee for each service type that would apply for all self-funded retirees. Rather each provider would be able to set their standard fees as long as the fees do not exceed the “full cost” of the service delivered to the consumer, as determined by the provider.

In practice, the fee will be a margin over the Government-set rate for the service up to the full cost of the service. Therefore, each provider will, in effect, be determining the level of subsidy that will apply for their self-funded retiree clients. This has the potential to generate price competition in the provision of services for self-funded retirees, though the extent of competition will be muted by the current block-funding arrangements. These arrangements would need to be reviewed before ‘funds following the consumer’ could be introduced.

A question that arises is whether the “full cost” of the service includes a rate of return for the provider. In normal circumstances, a rate of return would be part of the full cost of a service or product.

This matter will have increasing relevance if, as expected, the number of for-profit service providers under the CHSP increases. Already under HACC there has been an increase in the number of private and publicly listed entities receiving HACC funding (85 as at 30 June 2014, excluding Victoria and Western Australia). It is inconceivable that these providers are operating on a purely cost recovery basis.

A consequence of the proposed arrangements may be that prices for self-funded retirees may increasingly be set on a market basis, with providers competing on quality and value for money. This policy might also encourage more for-profit providers who are already providing home care and support-type services for the wider community to enter the sector, as is happening in the home care package sector.

Activity Reporting and Acquittal

As well as continuing the current monitoring of overall performance by service providers through activity reporting, it is anticipated that DSS will also use activity reporting to monitor the requirement for fees to be reinvested in services for the target group (noting that the Regional Assessment Services will determine who is eligible for CHSP services).

Presumably DSS will also be seeking to monitor the level of subsidy received by self-funded retirees, noting that service providers have the discretion to set the fees for self-funded retirees, and hence the level of subsidy they receive by setting fees below full cost. Will competitive pressures work to maximise the level of subsidy (and lower fees) so that providers can spend all their grant monies, or will providers be more motivated by mission and/or profit to maximise fees and services provided?

The current unmet need for services should, in theory, generate the latter response. Either way, one can be sure that DSS will take an active interest in how this aspect of the fees policy plays out.

Unlike performance reporting, however, fee income would not be part of the annual financial acquittal report. Sensibly, it is proposed that the acquittal report would acquit only grant monies to provide assurance that grant monies have been spent for their intended purpose.

Publication of fee policies

It is proposed that service providers be required to make their fees policy publicly available. The fees policy would cover matters such as the schedule of fees that will be charged for different types of services and policies on related matters such as fee reviews, complaints and non-payment of fees.

Consistent with the general move to increase consumer choice and give consumers easy access to information to make informed choices, it is reasonable that service providers should be required to make their schedule of fees and related matters publicly available.

The consultation paper is non-specific as to what form ‘publicly available’ should take. It raises publication on the provider’s web site as an example, but is silent about myagedcare. If the Minister Fifield’s vision of myagedcare becoming a virtual market place for aged care is to be realised, it would seem that publication of prices for both CHSP and home care package services on myagedcare will happen in the future. However, requiring publication of CHSP prices on myagedcare in the short term would seem to be a bridge too far for both DSS and service providers.

Hardship provisions

Providers will be permitted to reduce or waive fees under the CHSP if a consumer is experiencing, or is likely to experience, financial hardship by paying the standard or discounted fees.

However, unlike the hardship provisions set out in the Aged Care Act and Principles for home care packages and residential care, the decision to reduce or waive fees on hardship grounds will rest with each service provider, rather than a DSS delegate.

The fees consultation paper does not provide much in the way of guidance for providers in exercising this discretion, and the fees chapter of the draft CHSP Program Manual is still to be written. One would expect, however, that the fees chapter, when available, will include guidance for providers in administering the hardship provisions. Some service providers may find the exercise of this discretion challenging, though those with home care packages may be already exercising a similar discretion in relation to the basic daily fee.

It is noteworthy that the consultation paper is silent on whether providers will be required to report on the extent to which they use the hardship provisions.

Addressing disincentives and inequities

The new fees policy would result in more nationally consistent fees within the CHSP.

However, there is still a way to go to address financial disincentives for consumers to move between programs better suited to their needs, in particular the current disincentive for some consumers to move from CHSP services to Level 1 packages.

Because of the vastly different regulatory and funding arrangements that apply for the home care package and home care and support sub-sectors, addressing the current inconsistencies is not an easy matter to deal with in the short term.

While significant differences will remain even after the implementation of the proposed fees policy, one that stands out is that a full-pensioner under the CHSP would be required to pay the discounted fees set by the Government, whereas the full-pensioner in receipt of a home care package may be paying much less or nothing. This is because full-pensioner package recipients are not required to make an income tested contribution and charging of the basic daily fee (and its level up to 17.5% of the single pension) is at the discretion of the service provider.

A consequence is that a full-pensioner with a package may be making no contribution to their care costs if the provider chooses not to charge the basic daily fee (the practice of many providers up till now). On the other hand, if the provider chooses to charge the full basic daily fee, the consumer on a Level 1 package would be contributing \$67.90 per week for about 2.25 hours of care per week. However, a CHSP full-pensioner being charged the proposed \$10 per hour for personal care could receive up to 7 hours of care for a similar outlay.

This ambiguity and potential for inconsistency also extends to self-funded retirees. Income tested fees for self-funded retiree package recipients are determined by the Government's income test, linked to capacity to pay. Fees paid by self-funded retirees receiving CHSP services will vary according to provider discretion, hence the level of any subsidy.

Given the significant differences between the sub-sectors, it will be very difficult to create a consistent and equitable fees policy across home care and support and home care packages without significant changes to both. Minister Fifield has floated in **his recent speech** the worthy aspiration of better integration between CHSP and home care packages. Integration will need to address issues such as block funding v individual budgets, the granularity of the fee structures, whether subsidy reduction mechanisms apply in both sub sectors and how all of these combine to

lend themselves to ‘funds following the consumer’.

One short term option to improve the current situation would be to discontinue the discretionary basic daily fee in packaged care, which is a legacy arrangement that pre-dates the introduction of the income tested fee, and instead introduce a set fee for full-pensioners receiving packages which is a percentage of the single pension.

Reduction in growth funding for CHSP

Following a decision taken by the former Government in August 2013, the annual growth rate of the CHSP will reduce from 6% to 3.5% (after indexation) from 1 July 2018. As well as aligning the funding growth rate with growth in the population aged 65 and over, the decision also took into account the intention to introduce a national fees policy with the launch of the CHSP.

It was revealed in the 2015 IGR that the reduction in the growth rate would reduce CHSP funding by \$14 billion over the 40 years to 2055. The national fees policy, on the other hand, is expected to increase total CHSP funding by up to 15%, thereby moderating to some degree the impact of the reduced annual growth rate.

Feedback

We would welcome feedback as we prepare our submission in response to the invitation to provide comments to DSS by 15 April 2015. Please email your comments to secretariat@cha.org.au

Want to know more?

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***Disclosure Statement:** The author of Aged Care Update, Nick Mersiades, is a member of the Aged Care Financing Authority. The opinions in this Update should not be read as being an expression of the views of the Aged Care Financing Authority.*

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