



## Aged Care Update

20 October 2014

### Government announces aged care Innovation Hub

Another step in the Government's commitment to reduce unnecessary regulation in aged care was announced by Minister Andrews on 10 October 2014 – the South Australian Innovation Hub.

The concept behind the Innovation Hub is for high performing providers to be given greater autonomy in their governance and quality assurance in return for pursuing better practice in four key areas:

- consumer engagement
- governance
- expanding innovative approaches to care and increased focus on delivering quality care, and
- increased focus on delivering quality care

A key element of the Hub is a collaborative approach by the participants in the pursuit of innovation and improved services.

Information about the Hub issued by the Department of Social Services (DSS) is [here](#).

#### The 'high performance' criteria

Ten approved providers who have met performance standards have joined the pilot to test an 'earned autonomy' approach to the regulation of aged care. The providers that have qualified to participate in the pilot have met performance criteria around accreditation, compliance, complaints, prudential and ACFI history.

The Boards of the participating providers have also been required to commit to achieving better practice in the four key areas.

Neither DSS nor Minister Andrews' office have disclosed the performance benchmarks that were set for participation in the Hub, but the Minister's spokesperson has advised that 'the trial will develop and evaluate appropriate eligibility criteria to ensure it adequately supports the social policy objectives underpinning earned autonomy'.

A small group has been selected for the Hub as it 'allows the trial to more easily identify benefits, costs and risks of the initiative and will allow participants to share experiences and learnings from each other during the trial'.

The following is a summary of what CHA understands to be the key elements of the Innovation Hub.

### **Consumer engagement**

A consumer engagement strategy is to be developed in consultation with COTA to support approved providers within the Hub to actively engage with consumers on the design, delivery and evaluation of care.

The supporting documentation does not go into specifics about the engagement strategy, but an educated guess suggests that increased engagement may extend to trialling consumer directed care in residential care, greater consultation with consumers and their families about service design, early intervention strategies to avoid the escalation of complaints, use of quality of care and life indicators and the conduct and publication of consumer satisfaction surveys.

This collaboration between the Hub participants and a major consumer body is very welcome, and the strategy that is developed will be eagerly awaited by the sector. The Hub is urged to release the strategy as soon as possible.

### **The Hub's light touch regulation elements**

The lighter touch regulation that will be trialled by the Hub participants are as follows:

- less frequent accreditation audits
- less onerous assessment of accreditation standards
- increased opportunities for complaints to be resolved by the provider
- opportunities to work with the Aged Care Financing Authority (ACFA) to improve financial data collection and reporting requirements, and
- the possibility for reduced ACFI reviews.

#### *Less frequent accreditation audits*

Trial participants who achieve the maximum score for their next scheduled accreditation audit will be eligible to be accredited for a longer period than the current maximum of three years. The Government is not revealing what extended period of accreditation will be open to Hub participants, but the rumour mill suggests that up to five years may be in play.

Hub participants will continue to have their ongoing performance monitored, with unannounced visits conducted at least once a year.

CHA has consistently argued in the red tape reduction context that the incentive for providers to achieve good performance would be increased by giving those with a good performance record ongoing accreditation (subject to continuing good performance). Homes that are performing well would not be targeted for unannounced visits, but would receive periodic announced support visits from the Quality Agency to review organisational governance and related pre-conditions for good performance.

Research suggests that unannounced visits provide a better insight into the quality of care delivered, whereas announced visits are the best option for the assessment of both of the organisation and its preconditions for delivering good care<sup>(1)</sup>, without the need for costly paperwork driven review and renewal arrangements. The accreditation regime should place the emphasis on the latter for providers who have a good performance record, consistent with earned autonomy.

#### *Less onerous assessment of accreditation standards*

Under the current accreditation arrangements, each of the four accreditation standards includes expected outcomes relating to continuous improvement, regulatory compliance and education and

staff development. The repetition of these expected outcomes in each of the standards adds complexity to the documentation required for the audit and the assessment process. It is understood that the trial may test the feasibility of having these expected outcomes assessed under one standard.

The current standards have been in place for 15 years and are overdue for review. The trialling of some aspects of accreditation through the Hub ideally should be complemented by an overall review of the standards. Such a review was commenced by the former government but was not progressed.

#### *Resolution of complaints by the provider*

The Innovation Hub is intended to deliver 'increased opportunities for complaints to be resolved by the provider'.

Under successive complaints schemes, there has always been a balance attempted between encouraging the resolution of complaints at the provider level while at the same time having an open complaints scheme accessible by all, including with a capacity for confidential or anonymous complaints in order to protect against retribution. Under the current Aged Care Complaints Scheme, people are encouraged 'to raise their concerns with the provider first if they feel comfortable to do so', including with the assistance of free independent advocacy services, as it 'may achieve a fast and sustainable resolution'.

It is inconceivable that any Government would seek to limit or discourage access to the Scheme, so the opportunity for more complaints to be resolved at the provider level fundamentally rests with the provider. The onus is on each provider to foster and deliver a culture of trust within the service so that people feel comfortable and confident that they will have their complaints dealt with fairly. The Complaints Scheme perhaps could assist by highlighting to complainants the high performance attributes and reputation of the Hub participants, but there would seem to be natural limits to this approach. In the end, increasing the proportion of complaints resolved locally will more likely continue to hinge on each provider's reputation and culture and consumer perceptions of that culture, rather than the administration of the Complaints Scheme.

#### *Improved financial data collection and reporting*

One of the tasks Minister Fifield set the ACFA on taking office was to report by 30 September 2014 on options for improving the collection of appropriate financial data from aged care providers, including options to rationalise financial reporting requirements.

ACFA engaged RSM Bird Cameron to review, in consultation with the sector, the current financial data collection and reporting arrangements. ACFA's report to the Minister is required to be released within 28 days of its receipt by the Minister, so its release can be expected in the not too distant future.

The implication of this element of the Hub's focus is that there will be piloting by Hub participants of whatever new arrangements are decided on by the Minister following consideration of the ACFA recommendations.

Testing of the preferred option for improving financial performance data collection is essential. But testing would be more robust and meaningful if undertaken with a wider group of providers that is more representative of the sector, rather than only high performers.

#### *Reduced ACFI reviews*

In the documents announcing the Hub, it is stated that Hub participants will have 'the possibility of reduced ACFI reviews'.

DSS already uses a risk-based approach to ACFI compliance so that those with a good record already receive reduced reviews.

How the possibility of a further reduction in reviews will operate for Hub participants has not been revealed, but it will presumably involve modifications to the current risk-based approach. This could include reducing the number of assessments reviewed on each visit by a validation team or even fewer visits by the validation team. There is a policy argument that details of risk management strategies used by regulators should not be revealed, so it is quite possible that the details of this element are not known by the Hub participants, except that good performance holds out the prospect of even fewer reviews than applies to other services with comparable good ACFI claiming records.

### **Red Tape Reduction Action Plan**

In a parallel process, Minister Fifield has been engaging with the Aged Care Sector Committee in the development of a Red Tape Reduction Action Plan whose implementation would be staged over a number of years. The sector is awaiting public release of the Action Plan. Some measures to reduce regulation have already been implemented, such as the removal of building certification and reduced reporting requirements for home care package providers.

The relationship between the elements of the Action Plan and the elements to be trialled by the Innovation Hub has not been explained, but it may be the case is that the Hub will be trialling measures that are in the Action Plan. At this stage, there is no suggestion from the Government that the red tape reduction measures in the Action Plan will be conditional on providers meeting qualifying performance standards.

### **Safety net for consumers**

Although the Hub participants will experience less intervention by the Government's regulatory programs, a spokesperson for Minister Andrews indicated that the 'the safety, health and wellbeing of care recipients is a priority of the Australian Government. Hub participants will have their ongoing performance monitored with unannounced visits conducted at least once a year. In the event consumer concerns are identified, normal regulatory processes will apply. In addition, reviews of Hub participants will be conducted to ensure they continue to meet performance criteria. If one or more services of a provider no longer meet the criteria, the provider will not continue participating in the Hub trial.'

### **What happens to the savings from reduced regulatory intervention?**

Providers are expected to direct savings from the lighter touch regulation to improved services. While not explicitly stated, the clear implication of the Government's announcement is that there is no intention to realise any of the savings accruing to providers from less regulation, eg. by reducing indexation rates. The savings are to be directed to support innovation and better services.

This is as it should be as the ramping up of regulation over the years has not been accompanied by increased care prices to cover the additional cost of regulation.

There is the potential, however, for administrative savings for government if the 'earned autonomy' is extended nationally and a sizeable proportion of providers meet the high performance criteria.

### **What's next?**

The pilot will be evaluated in late 2015 (ie. in a little over twelve months) with a view to extending the 'earned autonomy' approach to all providers who meet the performance criteria. Consumers will be encouraged to contribute to the evaluation.

The evaluation will help determine the effectiveness of the lighter touch regulation in supporting continued high standards of care and encouraging service innovation. The benchmarks for service innovation and improvement will be of particular interest to providers within the context of potential extension of the trial nationally, as will be the evaluation of the appropriateness of the qualifying high performance criteria. Providers across Australia must already be wondering how they currently measure up.

An implication of extending the 'earned autonomy' approach nationally is that it may provide an additional incentive for providers to meet the qualifying performance benchmarks. This would add to current pressures and incentives flowing from increasing consumer choice and control for aged care providers to achieve higher standards of service quality, financial management and overall governance.

While the Hub initiative is a positive step, CHA has consistently argued that the policy lever with the greatest potential to reduce regulation and stimulate greater innovation and responsiveness in aged care is to remove service rationing. There are limits, given the frailty and vulnerability of consumers, to the removal of regulations aimed at protecting consumers, noting that such regulation also has a role in helping to secure the reputation of providers and the industry.

Extending the Hub concept nationally also creates the potential for a transparent two-tier system – the providers who meet the government's higher performance standards and those that do not. Interesting policy issues may flow from such a dichotomy.

## Footnotes

(1) Klerks, Ketelaars and Robben *Unannounced, Compared with Announced Inspections*, Health Policy, May 2013

*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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