



Aged Care Update

8 December 2014

The 2014 ACAR

The successful 'tenderers' under the 2014 edition of the Aged Care Approvals Round (ACAR) were announced by Minister Fifield on 4 December 2014. This is the first ACAR conducted by the Abbott Government, and follows the ACAR that was announced on 5 July 2013.

Full details about the allocations of residential and home care places can be found [here](#).

Prior to the Living Longer Living Better (LLLBB) reforms, the overall service provision target was 113 operational aged care places per 1,000 people aged 70 or over, comprising 88 residential places and 25 home care places. The LLLBB reforms increased the overall target to 125 by 2021-22, comprising 80 residential places and 45 home care places.

The overall operational ratio at 30 June 2014 was 111.3 places per 1,000 people aged 70 or over, comprising 82.2 and 28.7 places for residential and home care respectively. This is lower than the operational ratio two years earlier (30 June 2012) of 111.8 places. In effect, the supply of places over the last two years has decreased marginally when it should have been increasing.

Looking at the situation more strategically, as readers would be familiar, Catholic Health Australia (CHA) continues to advocate for the phased removal of the current constraints on the supply of aged care services and service types, the centre piece of which is the ACAR. Removal of service rationing is one of the prerequisites for achieving a genuinely consumer-driven aged care system.

The next formal opportunity to press home the case for the removal of service rationing will be the independent review of aged care, due to report to Parliament in 2017, which is legislated for in the Living Longer Living Better Act 2013. The terms of reference in the Act require the review, inter alia, to consider:

- whether the number and mix of places for residential care and home care should continue to be controlled; and
- whether further steps could be taken to change key aged care services from a supply driven model to a consumer demand driven model.

Encouragingly, Minister Fifield's Armistice Day CEDA speech committed the Government 'to move closer towards that vision of greater consumer choice, of the money following the individual, of businesses freed up to do what they do best and that today is the start of a conversation about how we might get to the destination'.

Could it be that the days of the pseudo-tender essay writing competition (aka ACAR) are numbered? We hope so, for all concerned.

The 2014 ACAR in brief

The 2014 ACAR allocated 17,849 aged care places, comprising 11,196 residential places and 6,653 home care packages, 63% and 37% of the allocation respectively.

The 2014 allocation is a 31% increase on the 2013 ACAR allocation of 13,610 places and an 85% increase over the 2011 allocation of 9,657 places.

When fully operational, these places will cost taxpayers \$834 million per annum (current prices).

The recent history of allocations is summarised in the table below. The statistics clearly illustrate the 'capital strike' – and the resulting under-allocation of residential places - that was the feature of ACARs prior to the LLLB reforms to accommodation payments.

| ACAR | Resi places advertised | Resi places allocated | Home care places advertised | Home care places allocated | Total places advertised | Total places allocated |
|------|------------------------|-----------------------|-----------------------------|----------------------------|-------------------------|------------------------|
| 2009 | 7,663 | 5,748 (-25%) | 2,784 | 4,699 (+69%) | 10,447 | 10,447 |
| 2010 | 8,140 | 5,643 (- 31%) | 4,078 | 6,629 (+62%) | 12,218 | 12,272 |
| 2011 | 10,493 | 7,933 (- 24%) | 1,698 | 1,724 (+2%) | 12,191 | 9,657 (-21%) |
| 2013 | 8,431 | 7,775 (-8%) | 5,835 | 5,835 | 14,266 | 13,610 (-5%) |
| 2014 | 9,330 | 11,196 (+20%) | 6,653 | 6,653 | 15,983 | 17,849 (+12%) |

ACAR 2014 also saw the allocation of \$103 million in capital grants to assist services catering for CALD communities, rural and remote communities and homeless older people.

The recipient of the largest allocation of residential places care was Opal Aged Care (formerly Domain Principal) with 966 places. UnitingCare NSW.ACT and KinCare with 331 and 303 places respectively received the largest allocation of home care places.

The 2014 ACAR did not call for applications for Extra Service places. It is uncertain when the next Extra Service round will be held. CHA considers that Extra Service is no longer required since the LLLB reforms and has called for its abandonment as part of the Government's commitment to red tape reduction.

Residential care places

After successive years of under allocation of residential places, the renewed interest in 'tendering' for residential places first noticed in the 2013 ACAR (with 92% of advertised places allocated) has gathered pace and extended to most regions, including WA where the 'capital strike' was most pronounced. This resulted in twice as many places being sought as was advertised, though a number of the more remote regions continue to encounter difficulty in attracting investment. The increased interest overall is consistent with surveys reported on in the 2014 ACFA report.

Responding to this improvement, the Minister allocated 20% more residential places (1,866 places)

than was advertised. Comment has been sought from the Minister's Office on the reason for this change in policy. It is noteworthy that (as indicated above) the operational provision ratio has declined marginally in recent years and the over-subscription may have been seen as an opportunity to play 'catch up'. It also suggests that under-subscription in the past may have resulted in a cautious approach when setting the number of residential places to be advertised in 2014.

A related consideration which arises from the higher than advertised allocation of residential places is whether it will have an impact on the level of expenditure under the higher accommodation supplement, and whether, and how, this was taken into account. Again, comment has been sought from the Minister's Office. Hopefully the net impact of this apparent re-phasing of place releases will be neutral over the period and that any re-phasing of expenditure will not present a Budget problem. It would be useful to have this confirmed.

The welcome increase in investment no doubt reflects the introduction of market-based accommodation prices under the LLLB reforms, and the significant increase in the accommodation supplement for supported residents living in new and significantly refurbished homes.

The ten providers who gained the largest allocations in this year's ACAR are listed below, all of whom are for-profit.

| Provider | Places | Provider | Places |
|--|---------------|--|---------------|
| Opal Aged Care (DPG P/L), | 966 | Moran Australia (Aged Care Services) P/L | 407 |
| Thompson Health Care P/L | 466 | Craig Care (Glenn-Craig Villages P/L) | 312 |
| Japara (Aged Care Services P/L -various) | 465 | Hahndorf Holdings P/L | 250 |
| Innovative Care Limited (ICL Operations One P/L) | 462 | Living Choice Australia Limited | 240 |
| TLC Aged Care (various approved provider entities) | 445 | Bupa Care Services P/L | 239 |

Of the above, Bupa (763 places), Opal (338 places) and Innovative Care Limited (318) were also amongst the most successful in 2013. Although not amongst the top 10 in 2014, Arcare was a prominent recipient in 2013 (106 places) followed up by 180 places this year. Providers from 2013 who did not feature as prominently this year include the McKenzie Group and Aegis.

Innovative Care Limited and Bupa are worthy of special mention given their success in the last three ACARs, having accumulated 1,320 and 1,177 places respectively. In addition, Bupa in 2013 purchased a large number of services that Innovative Care Limited had commissioned.

Amongst the not-for-profit sector, the most successful providers in the 2014 ACAR are set out below.

| Provider | Places | Provider | Places |
|-----------------------------------|---------------|--------------------------------|---------------|
| Southern Cross Care WA | 211 | Ozcare | 161 |
| St Vincent's Health and Aged Care | 200 | Catholic Healthcare | 134 |
| The Frank Whiddon Group | 196 | Baptist Care Incorporated WA | 130 |
| Anglican Retirement Villages | 162 | Catholic Homes for the Elderly | 122 |

Other points to note:

- The trend for an increasing proportion of places to be allocated to for-profit providers continues, with about 67% of places going to for-profit providers compared with about 60% in the 2013 ACAR. This compares with for-profits holding 37% of operational places at 30 June 2014.
- 62 new services will be established as a result of the 2014 ACAR (involving 6,355 places or 57% of places allocated); of these, 68% will be established by for-profit providers (42 services); 15 by religious providers; and five by community-based and charitable providers.
- The average new service size is 102 places, with the for-profits building the largest (average size 107 places), compared with 92 and 72 places for religious and charitable/community providers respectively. The latter probably reflects a greater tendency to establish services in regional and rural areas.

Residential care capital grants

Capital grants totalling \$103 million were allocated under the Rural, Regional and Other Special Needs Building Fund as a contribution towards capital works by 25 providers, ranging in size from \$0.1 million to \$19 million. The larger than usual allocation reflects the combination of two years' appropriation for the Fund given that one year (2012) was missed.

Capital grants mainly targeted CALD communities (Spanish speaking, Turkish, Vietnamese, Indian and Indigenous), homeless services and 16 rural and remote services.

The bulk of the funding is directed to the redevelopment of existing services, with only 268 new places to be built.

The ten providers receiving the largest capital grants are listed below:

| Provider | Project | \$ | New places |
|---|--|------------|------------|
| The Uniting Church in Australia Property Trust (Qld) (BlueCare) | Blue Care Star of the Sea Elders Village, Thursday Island (Indigenous) | 19,093,000 | – |
| Australian Regional and Remote Community Services Limited | Terrace Gardens, NT (Indigenous) | 12,117,000 | – |
| Corpus Christi Community Greenvale Inc. | Corpus Christi Community Greenvale , Vic (homeless service) | 11,945,000 | – |
| Hocart Lodge Aged Centre Inc. | Hocart Lodge, Harvey WA (rural) | 11,231,000 | 4 |
| Gallipoli Health Services Ltd | New service, Auburn, NSW (Turkish) | 10,000,000 | 95 |
| Southern Cross Care Vic | New service, Dandenong, Vic (Indian Cultural Centre) | 4,800,000 | 60 |
| Millmerran Centenary Retirement Village | Yallabee Hostel, Millmerran, Qld (rural) | 4,139,000 | 16 |
| Island Care (Tasmania) Limited | Coroneagh Park Hostel, Penguin , Tas (rural) | 3,700,000 | 13 |
| Maranatha House | Maranatha House, Wellington, NSW (rural) | 3,000,000 | 8 |
| Southern Cross Care (SA/NT) | Pearl Support Care, Fannie Bay, NT | 3,000,000 | - |

Home care packages

Consistent with the trend in recent ACARs, all advertised places (6,653 places) were allocated, reflecting continuing strong interest amongst providers to delivery home care services. Places sought significantly exceeded (16 times) places advertised.

It is unclear to what extent the level of interest reflects assumed high levels of unmet need, perceptions about consumer preferences or lower barriers to entry, or a combination of all three.

Clearly, however, the requirement that consumer directed care principles must apply to the delivery of all home care places after 1 July 2015 has not diminished interest.

The trend in past ACARs to allocate places in small parcels continues (average size of 18 places), spread across 137 providers.

Of the places allocated, 14% were Level 1 packages, 27% Level 2, 43% Level 3 and 15% Level 4. As at 30 June 2014, the occupancy rate for Level 1 and Level 3 packages (49% and 60% respectively) remained low compared with Levels 2 and 4 packages (89% and 90% respectively).

The distribution of places across the Levels is presented below.

| | Level 1 | Level 2 | Level 3 | Level 4 |
|--|--------------|----------------|----------------|--------------|
| 30 June 2014 | 1,303 | 50,159 | 1,010 | 13,679 |
| Post 2014 ACAR (excluding 55 places subject to obtaining approved provider status) | 2,254 (+73%) | 51,969 (+3.6%) | 3,838 (+ 280%) | 14,686 (+7%) |

Not-for-profit providers continue to receive the overwhelming majority of home care places, with some 15% going to for-profit providers. The for-profit share however is growing steadily, having

increased from 6% of total home care places at 30 June 2012 to 9.6% at 30 June 2014.

For-profit providers who received large allocations in the 2014 ACAR include KinCare (303 places, mainly in NSW, but also Qld, Victoria, WA and ACT); Oxley Blue (103 places in NSW); and St Ives Care (93 places, mainly in WA). Of these, KinCare and St Ives were also significant recipients in the 2013 ACAR with 446 and 228 places respectively.

The ten not-for-profit providers who received the largest allocations are listed below.

- UnitingCare NSW-ACT : 331 places
- Royal District Nursing Service: 269 (mainly NSW)
- Integrated Living Australia : 279 (mainly NSW and Queensland)
- Southern Cross Care (NSW-ACT) : 216 (NSW)
- Hammond Care : 205 (mainly NSW)
- Anglicare : 194 (NSW)
- ACH : 181 (SA and Victoria)
- Feros Care : 162 (mainly Victoria)
- Ozcare : 140 (Queensland)
- Annecto : 132 (NSW and Victoria)

Of these, Feros Care (416 places), Hammond Care (240 places), Integrated Living Australia (202 places), Southern Cross Care (NSW/ACT) (190 places) and Ozcare (169 places) also received large allocations in 2013.

How Catholic providers fared

Catholic providers were allocated 1,273 residential places (11%), 714 home care places (11%) and \$19.75 million in capital grants (19%).

A list of Catholic providers who received allocations under the 2014 ACAR is provided below.

| Provider | Home care places | Residential places | Capital Grant \$ |
|---|-------------------------|---------------------------|-------------------------|
| Calvary Home Care Services | 37 | | |
| Catholic Healthcare | 15 | 134 | |
| Catholic Homes | 56 | | |
| Mercy Health & Aged Care | 52 | 30 | |
| Ozcare | 140 | 161 | |
| Southern Cross Care (NSW&ACT) | 216 | 100 | |
| Southern Cross Care (SA&NT) | 15 | | 3,000,000 |
| Southern Cross Care (TAS) | 7 | | |
| Southern Cross Care (WA) | 71 | 211 | |
| Southern Cross Care (VIC) | | 60 | 4,800,000 |
| Trustees of the Roman Catholic Archdiocese of Brisbane | 25 | | |
| Trustees of the Roman Catholic Church Wollongong Diocese | 15 | | |
| Trustees of the Order of the Sisters of Mercy in Queensland | | 6 | |
| Trustees of the Roman Catholic Church Lismore Diocese | | 20 | |
| Villa Maria Society | 28 | | |
| VincentCare Victoria | 37 | | |
| Catholic Homes for the Elderly | | 122 | |
| Catholic Homes | | 56 | |
| Corpus Christi Community Greenvale | | | 11,945,000 |
| Holy Spirit Care Services (Brisbane) | | 50 | |
| Nazareth Care | | 2 | |
| St Vincent's Health and Aged Care | | 200 | |
| Stella Maris Aged Care Facility | | 2 | |
| The Mary Potter Nursing Home | | 20 | |
| St Brigid's Convent of Mercy Perth | | 99 | |

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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