31 May 2017

The 2016 ACAR

The successful ‘tenderers’ under the 2016 edition of the Aged Care Approvals Round (ACAR) were announced by Minister Wyatt on 26 May 2017.

This was the first ACAR that did not involve an allocation of home care packages. Since 27 February 2017, home care packages have been assigned to eligible consumers who can direct their package funding to their preferred service provider.

The 2016 ACAR sought applications for residential care places, residential capital grants and places under the new Short Term Restorative Care (STRC) program. It was intended that the 2016 ACAR be advertised in June 2016, but was delayed until 19 September 2016 because of the Federal election.

The successful applicants for STRC places were announced at the end of February 2017. A total of 475 STRC places were allocated, involving estimated annual expenditure of $34.7 million.

Full details of the 2016 ACAR residential care place allocations and capital grants, including the previously announced STRC places, can be found here.

Demand for Residential Places Remains Strong

The demand for places in the 2016 ACAR was again strong. The Department received applications for 45,053 residential places against the 10,000 places advertised for allocation.

This level of demand indicates that the accommodation reforms introduced by the 2012 *Living Longer Living Better* package are having the intended effect of increasing investment in new and refurbished aged care homes. The reforms included extending lump sum accommodation deposits to all residential care (previously restricted to low care and extra service homes) and a significant increase in the accommodation supplement for supported residents living in new and significantly refurbished aged care homes.

A concern is that no applications were received in the 2016 ACAR for places in the Northern Territory. This mainly accounts for the total allocation (9,911 places) falling short of the 10,000 target.

The 2016 ACAR in brief

Residential aged care places

The 2016 ACAR allocated 9,911 residential places, compared with 10,940 and 11,196 in the 2015 and

2014 ACARs respectively.

The Department estimates that the 2016 allocations will cost taxpayers $649 million per annum (current prices) when they all become operational. Because of the lead time involved in commissioning new services and undertaking refurbishments, between 10 and 12 per cent of allocated residential places are not operational at any time.

As has been the case since the *Living Longer Living Better* package, the 2016 ACAR did not advertise Extra Service places. It seems unlikely that they will ever again feature in an ACAR given the reforms to accommodation payment arrangements.

The 16 approved providers who gained over 150 places in this year's ACAR are listed below. All but five are for-profit. Together they received 47 per cent of allocated places.

Provider	Places	Provider	Places
Lend Lease Care P/L	648	Tricare P/L	242
Signature Care P/L	640	RSL Life Care P/L	228
Aegis Aged Care Group P/L	353	Oryx Communities AP P/L	194
Regis	352	Japara	184
The Salvation Army	320	Frank Whiddon Masonic Homes	183
Infinite Aged Care (SEQ) P/L	305	Australian Unity Service P/L	156
Opal	283	Arcare P/L	152
Villa Maria Catholic Homes	256	Baptcare Ltd	150

The approved provider entities receiving the largest allocation of residential places were Lend Lease Aged Care Pty Ltd (648 places) and Signature Care Pty Ltd (640 places). Both of these entities appear to have been granted approved provider status relatively recently (they do not appear on the Department of Health's approved provider list). However, Signature Care Pty Ltd was formerly known as Innovative Care Limited, who had approved provider status.

Innovative Care and Signature Care Pty Ltd have been allocated 1,134 residential places in the last three ACARs. Innovative Care changed to Signature Care after contracting to sell operational places to BUPA. Between 2013 and 2016, Innovative Care has completed the sale of some 2,000 places to BUPA.

Approved providers who featured amongst the more successful in the 2015 ACAR and are not listed above include BUPA, Aveo, Moran and Allity.

The table below shows the ten approved providers who have been allocated the most places over the last four ACARs.

Provider	Places	Provider	Places
Opal	2,241	Allity	691
BUPA	1,927	Arcare	618
Signature Care P/L (formerly Innovative Care Ltd)	1,452	Baptcare Ltd	570
Regis	1,355	Aveo	526
Japara	992	Moran	501

When considering the above table, bear in mind that many of these providers, especially the listed companies, have also been actively purchasing existing aged care homes in recent years in order to build up their portfolios.

The most successful not-for-profit providers in the 2016 ACAR are listed below:

Provider	Places	Provider	Places
The Salvation Army Property Trust	320	Southern Cross Care WA	145
RSL Life Care Ltd	228	Scalabrini	94
Villa Maria Catholic Homes	256	Mercy Aged and Community Care	81
Frank Whiddon Masonic Homes	183	Churches of Christ Queensland	80
Baptcare Ltd	150	Hammond Care	60

Other points to note:

- 132 approved providers were allocated places in 2016 (compared with 137 for the 2015 ACAR).
- The trend for a majority of places to be allocated to for-profit providers continues. However, the for-profit share of the 2016 ACAR allocation (63 per cent) is less than for 2015 (70 per cent), and on a par with the 2013 ACAR (60 per cent).
- The above trend is reflected in a gradual increase in the proportion of operational places held by for-profit providers, which has increased from 36 per cent at 30 June 2012 to 39 per cent at 30 June 2016.
- 80 new residential services will be established as a result of the 2016 ACAR (57 for the 2015 ACAR), involving about 72 per cent of places allocated.
- Sixty-four per cent of the new services will be built by for-profit providers (compared with 73 per cent for the 2015 ACAR).
- 75 per cent of new services involve 90 plus places, whereas 16 per cent involve fewer than 60 places.

Capital grants

The 2016 ACAR allocated $64 million in capital grants to assist services catering for rural and remote communities, CALD communities and homeless older people ($67 million in the 2015 ACAR).

Capital grants were approved for 22 projects (the same as for 2015) involving 374 new places. The bulk of the 2016 allocation went to services in non-metropolitan areas.

The capital grants range in size from $150,000 to $8.5 million, and involve a mix of new services, extensions and refurbishments.

How Catholic providers fared

Catholic providers were allocated 888 residential places (9 per cent of total allocations). The Catholic providers who were allocated places are listed below.

Provider	Places	Provider	Places
Villa Maria Catholic Homes	256	Catholic Homes Inc	46
Southern Cross Care WA	145	St Vincent's Care Services Ltd	36
Scalabrini Village Ltd	94	Southern Cross Care Qld	25
Mercy Aged and Community Care	81	Sisters of Our Lady of China	7
Mercy Health and Aged Care Services Central Queensland	70	Mercy Community Services SEQ	5
Australian-Croatian Cardinal Stepinac Ass Ltd	60	Sacred Heart Mission	4
Catholic Healthcare	55	Mercy Community Services NQ	3
		Southern Cross Care NSW&ACT	1

Performance against the Government's service provision targets

The 2012 Living Longer Living Better reforms increased the overall service provision target from 113 operational aged care places per 1,000 people aged 70 or over (comprising 88 residential places and 25 home care places) to 125 (comprising 80 residential places and 45 home care places), to be achieved by 2021-22 .

The 2015-16 Budget reduced the residential care ratio by two places to 78 in order to accommodate places for the new Short Term Restorative Care Program.

The overall operational ratio at 30 June 2016 was 113.2 places per 1,000 people aged 70 or over, comprising 79.8 and 31.9 places for residential and home care respectively. This is the first time that the overall operational ratio has exceeded the peak operational ratio achieved in June 2011 of 112.8 places (ratios of 85.8 and 27 for residential care and home care respectively).

While there has been limited progress towards the 2021-22 overall target, there has been a significant shift in the balance of residential and home care operational places. The residential care ratio has declined from 85.8 at 30 June 2011 to 79.7 as 30 June 2016, fast approaching the target of 78. The decline in the residential operational ratio has been offset by an increase in the home care operational ratio from 27 to 31.9, still considerably short of the target of 45 to be achieved by 2021-22.

The gradual decline in the operational ratio for residential care and the increase in the operational ratio for home care that commenced in the early 2000s has been accompanied by a steady decline in residential occupancy levels. From a peak of 96.7 per cent in 2002, the average occupancy level of residential care has declined to 92 per cent in 2016 (though there are regional variations).

The total number of subsidised operational residential and home care places has been increasing despite minimal movement in the overall operational ratio because of the ageing of the population.

Residential places have increased by 6 per cent since 30 June 2012 to 195,825 places at 30 June 2016. Reflecting the shift in the balance of care in favour of home care packages, home care package numbers have increased by 44 per cent over the same period to 78,956. Total places have increased by 15 per cent to 274,781.

Home care packages

Although all new home care packages since 27 February 2017 are being assigned to consumers, the service provision target continues to apply to home care, including caps on the number of places at each of the four package levels. The overall cap and caps at each package level serve as a budget control.

The Department of Health has not indicated to date the provision target for home care packages for 30 June 2018, or how many new packages will be released, other than to say that releases will be consistent with achieving the target ratio of 45 by 2021-22.

It is fair to observe that compared with the relative certainty of the previous ACAR processes in home care, assigning home care places to consumers is proving somewhat challenging for planning purposes, at least in the short term.

Not only were a very large number of ‘unoccupied’ packages returned to the Department for allocation on 27 February 2017, but also priority was given to existing package holders who were using a package lower than their assessed level. In addition, for a variety of reasons that are under review by the Department, many consumers are taking a long time before they activate their package. Consumers have up to 73 days to initiate services under their package.

As a result, many providers are reporting fewer new consumers than was the case before 27 February.

It seems, or at least it is hoped, that this is a transitional issue as the system moves to a new steady state. Until a pattern of consumer behaviour is established, and the factors affecting the rate of activation of packages are understood and addressed where necessary, the Department will be proceeding carefully with assigning new packages in order to remain within its Budget. Also, the Department is not releasing data until it is confident of the new trends, including data on how many new packages have been activated since 27 February.

Meanwhile, providers are facing considerable uncertainty and difficulty in gauging the impact on their services and operations as the sector transitions to the new competitive environment that accompanies ‘funding following the consumer’ and increased consumer choice.

Disclosure statement: The author of this 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.

You can read previous Aged Care Updates here.