



22 March 2016

## Aged Care Update - The 2015 ACAR

The successful 'tenderers' under the 2015 edition of the Aged Care Approvals Round (ACAR) were announced by Ministers Ley and Wyatt on 18 March 2015. This year's announcement is somewhat later in the cycle than usual because of the significant increase in applications for residential places. This serves to remind us that the ACAR process is an onerous process for all.

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

As a result of the Living Longer Living Better (LLLB) reforms, the overall service provision target was increased 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). 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. 'Tenders' for the new places for this new program will be called as part of the 2016 ACAR which is scheduled to be advertised in June 2016.

The overall operational ratio at 30 June 2015 was 111.5 places per 1,000 people aged 70 or over, comprising 81.1 and 30.4 places for residential and home care respectively. This is lower than the peak provision level achieved in June 2011 of 112.8 places. In effect, the overall supply of places since 2011 has decreased marginally notwithstanding the LLLB commitment in April 2012 to achieve a target of 125 operational places per 1,000 people 70 and over by 2021-22. This suggests the need for a sizeable pick-up in the rate of increase of places, but one cannot help observing that the years ahead coincide with a period of falling Commonwealth revenues.

Readers of Aged Care Updates will recall that Catholic Health Australia has consistently advocated for the removal of the current cap on the supply of aged care services and the number of places allocated for residential and home care within the overall cap. These

rationing arrangements are antithetical to the objective of giving consumers with assessed aged care needs timely access to the services and service provider of their choice.

The 2015 ACAR is noteworthy in this context because it marks an important milestone towards the objective of greater consumer choice and control, ie. it will be the last ACAR that will allocate home care packages. From 27 February 2017, all home care packages, including those allocated in this ACAR, will revert to the Department of Health as consumers leave home care for reallocation by the Department to newly assessed and prioritised consumers who will direct the package to their preferred provider. However, the service provision target will continue to apply, including caps on the number of places at each of the four package levels as this will serve as a budget control.

Whether and how the aged care system is moved to uncapped supply depends in part on what reform destinations are embodied in the Roadmap, whose release is imminent, and the 2017 legislated independent review of aged care.

### ***The 2015 ACAR in brief***

The 2015 ACAR allocated 17,385 aged care places, comprising 10,940 residential places and 6,445 home care packages, 63% and 37% of the allocation respectively (the same ratio as for the 2014 ACAR).

The 2015 allocation is a reduction of 464 places (-2.6%) compared with the 2014 ACAR, but 400 more places than was advertised in August 2015, with all of the increase going to home care packages.

The Department estimates that when fully operational, these places will cost taxpayers \$911 million per annum (current prices).

ACAR 2015 also saw the allocation of \$66.7 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 Bupa with 925 places, followed by Regis with 844 places. Feros Care (435 packages), Integratedliving Australia (372 packages) and UnitingCare NSW/ACT (362 packages) received the largest allocations of home care packages.

As was the case in 2014, the 2015 ACAR did not advertise Extra Service places. It seems unlikely that they will ever again feature in an ACAR given the 2014 reforms concerning accommodation payment arrangements and optional additional services in mainstream facilities.

### ***Residential care places***

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

<b>Provider</b>	<b>Places</b>	<b>Provider</b>	<b>Places</b>
Bupa	925	Moran	312
Regis	844	Allity	256
Innovative Care Limited	672	Catholic Healthcare	190
Opal	654	Arcare	180
Japara	343	The Presbyterian Church of Queensland	180
Aveo	337	Provectus Care	165

Of the above, Opal, Innovative Care Limited, Bupa and Japara were also amongst the most successful in 2014 with 966, 462, 239 and 465 places respectively.

The table below shows the approved providers who received the most places over the last three ACARs.

<b>Provider</b>	<b>Places</b>	<b>Provider</b>	<b>Places</b>
Opal	1,958	Japara	808
Bupa	1,927	Moran	719
Innovative Care Limited	1,452	Allity	656
Regis	1,003	Aveo	420

When considering this table, it is also necessary to bear in mind that many of these providers, especially the listed companies, have also been actively purchasing existing facilities in recent years in order to build up their portfolios.

Amongst the not-for-profit sector, the most successful providers in the 2015 ACAR are set out below:

<b>Provider</b>	<b>Places</b>	<b>Provider</b>	<b>Places</b>
Catholic Healthcare	190	Ozcare	108
The Presbyterian Church of Qld	180	Villa Maria Catholic Homes	108
RSL LifeCare	152	Uniting Church Homes WA	100
Baptcare Ltd	120	The St Brigids Convent Mercy Perth Inc	90
GLAICA	144	DutchCare	70

The residential places were spread across 137 approved providers, of whom the top 12 received 46% of the places.

A feature of the 2015 ACAR is that it has confirmed that the investment climate for residential care has improved significantly since the new accommodation payment and supplement arrangements were announced as part of the LLLB in April 2012, and which took effect from July 2014. After a succession of ACARs when it was not possible to allocate all the residential places that were advertised due to lack of applications, the advertised

places are now being fully allocated.

Other points to note:

- The trend for an increasing proportion of places to be allocated to for-profit providers continues, with about 70% of places going to for-profit providers compared with about 60% in the 2013 ACAR. This compares with for-profits holding 38% of operational places at 30 June 2015.
- 57 new residential services will be established as a result of the 2015 ACAR (involving 5,704 places or 52% of places allocated). Most of the new services will be built by for-profit providers (73%).
- The average new service size is 101 places, the same as for the new services under the 2014 ACAR. This is significantly higher on average than existing facilities which average 68 places.

### ***Residential care capital grants***

Capital grants totalling \$66.7 million were allocated under the Rural, Regional and Other Special Needs Building Fund as a contribution towards capital works involving 22 facilities, with grants ranging in size from \$0.15 million to \$14.5 million.

Capital grants mainly targeted rural and remote facilities, including facilities for Indigenous communities. Four facilities targeting homeless people and CALD communities also received capital grants.

The bulk of the funding is directed to the redevelopment of existing services, with only 297 new places to be provided. The ten providers receiving the largest capital grants are listed below:

Provider	Project	\$m	New places
Edgarley Home Inc	Edgarley Home, Casterton , Victoria	14.5	17
Sacred Heart Mission Inc	Sacred Heart Community, St Kilda, Victoria	8.85	10
Ethnic Communities Council Queensland	Berlasco Court , Indooroopilly, Qld	10.0	48
Corporation of the Order of the Canossian Sisters	Canossa Nursing Home, Trebonne , Qld	4.66	-
Kaloma Home for the Aged	Kaloma Home, Goondiwindi, Qld	4.0	22
Australian Regional and Remote Community Serviced Ltd	Terrace Gardens, Darwin , NT	3.8	-
Brotherhood of St Lawrence	Sambell Lodge , Clifton Hill, Vic	3.5	74
Esperance Aged Care Facility Inc	Esperance Aged Care Facility, WA	3.1	30
Hamley Bridge Memorial Hospital Inc	Hamley Bridge Rest Home, SA	2.8	10
St Vincent de Paul Society (TAS) Inc	Mt St Vincent Nursing Home and Therapy Centre, Ulverstone , TAS	2.5	-

### *Home care packages*

Consistent with the trend in recent ACARs, places sought (126,808) significantly exceeded places advertised (6,045) and allocated (6,445).

Even though 400 more home care places than advertised were allocated, the 2015 allocation is still lower than the 2014 allocation (6,445 compared with 6,653).

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. It does suggest however that the level of competition post 27 February 2017 is likely to be intense.

Unlike the 2014 ACAR, the bulk of the places allocated were at levels 3 and 4 (93%), with no level 1 places allocated. This is a reaction to the take up rates at each level experienced since the new levels and income testing were introduced, but it remains to be seen how accurately this reflects assessed need and consumer choice. The number of places allocated at each package level will be an ongoing topical issue while the allocation of places at each level remains a budget control under a rationed system.

**Not-for-profit providers** continue to receive the overwhelming majority of home care places, with some 9% going to for-profit providers, down from about 15% in the 2014 ACAR. The for-profit share however is growing steadily, having increased from 6% of total home care places at 30 June 2012 to 10.1% at 30 June 2015.

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

- Feros Care: 435 places, mainly NSW and SE Queensland
- Integratedliving Australia: 372, mainly NSW and Queensland
- UnitingCare NSW/ACT: 362 places
- Hammond Care: 230 places, NSW and a service in Melbourne
- Southern Cross Care (NSW/ACT): 199
- St Ives Care: 180 places, WA and two services in Queensland
- ECH: 138 places, SA
- Annecto: 132 places, NSW, VIC and Queensland
- Resthaven: 128 places, SA
- The Churches of Christ Property Trust: 125 places, NSW

Of these, Uniting Care NSW/ACT (331 places), Feros Care (162 places), Hammond Care (205 places), Integratedliving Australia (279 places), Southern Cross Care NSW/ACT (216 places) also received large allocations in 2014.

**For-profit providers** who received large allocations in the 2015 ACAR include The Carers' Phone Pty Ltd (173 places), Sarmace Pty Ltd (126), (KinCare (116 places) and Australian Unity (64). Of these, KinCare was also successful in the 2014 ACAR (303 places); KinCare has been allocated 865 places over the last three ACARs.

### ***How Catholic providers fared***

Catholic providers were allocated 599 residential places (5%), 800 home care places (12%) and \$16.01 million in capital grants (24%).

A list of Catholic providers who received allocations under the 2015 ACAR is provided below.

Provider	Home care places	Residential places	Capital grant (\$)
Catholic Healthcare		190	
Catholic Homes Incorporated	12		
Hibernian Friendly Society (Ballycara)	85		
Italian Aged Care Incorporated		20	
Mercy Community Services North Queensland Limited		8	
Ozcare		108	
Sacred Heart Mission Inc	34	10	\$8,850,000
Southern Cross Care (NSW & ACT)	199	3	
Southern Cross Care (SA & NT)	8		
Southern Cross Care (VIC)	96	18	
Southern Cross Care (TAS)	18		
Southern Cross Care (WA)	55		
St Vincent de Paul Society (TAS)	96		\$2,500,000
The Corporation of the of the Order of the Canossian Sisters			\$4,661,000
The Corporation of the Synod of the Diocese of Brisbane		44	
The Saint Brigids Convent of Mercy Perth Inc		90	
The Trustees of the Roman Catholic Church for the Diocese of Lismore	27		
Villa Maria Catholic Homes	113	108	
VincentCare Victoria	57		

*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.*



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