12 March 2019

Aged Care Update: The 2018-19 ACAR and the supply of aged care services

The successful ‘tenderers’ under the 2018–19 Aged Care Approvals Round (ACAR) were announced by Minister Wyatt on 5 March 2019.

Because of the delay in conducting the 2018–19 ACAR (the previous ACAR was announced on 26 May 2017), the number of places on offer and allocated was greater than usual – 13,500 residential places allocated compared with 9,911 in 2016–17.

The 2018–19 ACAR also allocated 775 Short Term Restorative Care (STRC) places, to take effect across 2018–19 (350 places) and 2019–20 (425 places). These allocations come on top of 475 STRC places that were allocated as part of the 2016–17 ACAR.

Each ACAR also allocates capital grants under the Aged Care Regional and Rural Infrastructure Grants Scheme for new services, extensions, refurbishments and capital improvements. The 2018–19 ACAR allocated capital grants totalling $60 million. This allocation comes on top of a one off allocation of capital grants under the Scheme in December 2018 totalling $40m.

Full details of the 2018–19 ACAR residential care and STRC place allocations and capital grants can be found here.

Provider Demand for Residential Places has Softened

The demand for residential places in the 2018-19 ACAR was softer than 2016-17, with 2.8 applications for every available place compared with 4.5 in 2016-17.

This softening in demand is consistent with ACFA reports of a decline in the value of re-building and upgrading works, and a disposition of many providers to put investment on hold due to uncertainty regarding ACFI funding, a new funding model for care in residential aged care, and the Royal Commission.

As was the case in 2016-17, not all the places offered in the Northern Territory were allocated (99 places not allocated) due to insufficient suitable applications. This was also the experience in the 2018-19 ACAR for the ACT (158 not allocated) and Tasmania (51 not allocated). These places were re-directed to providers in other States.

What the above tells us, contrary to the views put by some, is that the current regulated ACAR allocation arrangements do not ensure that services will be provided in all geographic areas. This evidence is material to the concerns expressed in some quarters that a consequence of the removal of the ACAR for residential places will be that services will not be built in some geographic areas. What it tells us, especially in relation to Tasmania and the Northern Territory, is that the funding and financing arrangements also have to be appropriate to ensure the financial viability of services in those geographic areas.

The 2018-19 ACAR in brief

Residential aged care places

The 2018-19 ACAR allocated 13,500 residential places, compared with 9,911 allocated in 2016, 10,940 in 2015 and 11,196 in 2014.

The Department estimates that the 2018-19 allocations will cost taxpayers $907 million per annum (current prices) when they all become operational. ACFA has reported that there were 39,294 provisionally allocated places from previous ACARs awaiting to be commissioned at 30 June 2017, which represented 16% of total allocated places. It will be interesting to see to what extent deferral of the 2018-19 ACAR has resulted in a reduction in the number of provisional allocations, or whether this has been offset by the uncertain investment climate.

The 16 approved providers who gained the most places in this year's ACAR are listed below. All but four are for-profit, a recurring theme in recent years. Together these 16 providers received 52 per cent of allocated places.

Provider	Places	Provider	Places
Signature Care Pty Ltd	1,390	Infinite Aged Care Pty Ltd	318
DPG Services Pty Ltd (Opal)	967	Aegis Aged Care Group Pty Ltd	315
Arcare Pty Ltd	668	Advantaged Care 3 Pty Ltd	272
Lendlease Aged Care Pty Ltd	417	Uniting Care Property Trust NSW	262
Japara Aged Care Services Pty Ltd	387	MercyCare WA	243
Aveo/Aveo Durack Pty Ltd	384	Palm Lake Care Operations Pty Ltd	240
McKenzie Aged Care Group Pty Ltd	361	Australian Unity Care Service Pty Ltd	229
RSL/RDNS	353	Uniting Church Homes WA	221

Approved providers who featured amongst the more successful in the 2016 ACAR and are not listed above include BUPA, Regis, Oryx Communities, Moran and Allity.

The table below shows the ten approved providers who have been allocated the most places over the last five ACARs. A number of providers have also increased their portfolios by purchasing operational places, including BUPA, Allity and Opal, and through amalgamations. The number of approved providers has declined by 21% to 886 providers in 2018, down from a peak in 2010 of 1,121.

Provider	Places	Provider	Places
DPG Services Pty Ltd (Opal)	3,208	Arcare Pty Ltd	1,286
Signature Care Pty Ltd	2,842	Aveo Pty Ltd	910
BUPA	1,972	Allity Pty Ltd	691
Regis Aged Care Pty Ltd	1,355	Baptcare Ltd	570
Japara Aged Care Services Pty Ltd	1,379	Moran Australia Pty Ltd	501

The most successful not-for-profit providers in the 2018-19 ACAR are listed below:

Provider	Places	Provider	Places
RSL/RDNS	353	Anglican Community Services NSW	212
Uniting Church Property Trust NSW	262	Goodwin Aged Care Services	140
MercyCare WA	243	Churches of Christ Property Trust	135
Uniting Church Homes WA	221	Anglican Aged Care Services Group Vic	131
Southern Cross Care (all states)	214	The Presbyterian Church of Qld	114

Other points to note:

- The trend for a majority of places to be allocated to for-profit providers continues, with 66% of places allocated to for-profit entities in the 2018-19 ACAR. This compares with 63% in 2016, 70% in 2015 and 60% in 2013.
- 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% at 30 June 2012 to 40.5 % at 30 June 2018.
- About 65% of places were allocated for the development of new services.

Capital grants

Capital grants totalling $60 million were approved for 28 projects involving 286 new places (compared with 374 new places in the 2016 ACAR). The grants targeted services for rural and remote, Indigenous, financially and socially disadvantaged and CALD communities, with the bulk of the funding going to non-metropolitan areas.

Short Term Restorative Care (STRC) Places

The Short Term Restorative Care Program was established in the 2015-16 Budget to increase the care options available for older people through a time limited, goal oriented, multi-disciplinary package of services delivered in a home setting or a residential care setting. It builds on the Transition Care Program, which remains as a joint Commonwealth/State funded program delivered mainly by State Government health services targeting older people following a hospital stay.

Interest in the new STRC Program, which is open to non-government providers, was pleasingly high. Applications for 14 new places were received for every place on offer, including from for-profit and nor-for-profit providers.

The 775 STRC places in the 2018-19 ACAR will involve an estimated annual recurrent cost of $58 million per annum when fully operational.

The following table lists the providers who received 20 or more STRC places in the latest ACAR, representing 54% of allocated places. The balance were widely distributed.

Provider	Places	Provider	Places
Integrated Living Australia Ltd	85	Suncare Community Services Pty Ltd	27
Hammond Care	49	Enrich Living Pty Ltd	25
EACH Ltd	44	Presbyterian Church NSW & Qld	24
Uniting Church Property Trust NSW & VIC	37	Hibernian Friendly Society	23
The Carers' Phone Pty Ltd	32	Mercy Health & Aged Care C Qld	23
Feros Care Ltd	30	Mercy Community Services Inc.	20

How Catholic providers fared

Catholic providers were allocated 685 residential places, compared with 888 in the 2016 ACAR. This represents 15% of the residential places allocated to not-for-profit providers. The Catholic providers who were allocated places are listed below.

Provider	Places	Provider	Places
MercyCare WA	243	Southern Cross Care SA/NT	24
Southern Cross Care Qld	214	Southern Cross Care Broken Hill	20
Holy Family Services	72	Franciscan Sisters of the Heart of Jesus	8
Catholic Healthcare	47	The Catholic Diocese of Port Pirie	3
Ozcare	54		

Catholic providers were allocated 15% of the SRTC places on offer. The table below lists Catholic providers who were allocated STRC places in the 2018-19 ACAR.

Provider	Places	Provider	Places
Hibernian Friendly Society	23	Villa Maria Catholic Homes	15
Mercy Health & Aged Care C Qld	23	Our Lady of Consolation	12
Mercy Community Services Inc.	20	Southern Cross Care SA/NT	8
Catholic Homes Inc.	15		

The Government's service provision targets

The 2012 *Living Longer Living Better*(LLLB) reforms increased the overall service provision target for **operational** aged care places from 113 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 subsequently reduced the residential care ratio by two places to 78 in order to accommodate places for the new Short Term Restorative Care Program, but maintained the overall target and the re-balancing towards home care.

It is important not to overlook that the LLLB's overall service provision target ratio and the re-balancing of the care type ratios in favour of home care were part of a deliberate ten-year transition plan. The objective of the transition plan was to gauge the level of unmet demand for aged care services and consumer preference of service type by gradually increasing the overall number of places and gradually re-reweighting them towards home care.

This strategy would provide valuable data to enable a reliable estimate of the cost of uncapping the supply of aged care services and the affordability and sustainability of a consumer-driven and more competitive aged care system. At the same time, the LLLB reforms preserved the population-based provision formula, the policy strength of which is to ensure that the volume of services funded by the

Government keeps pace with the ageing of the population.

This strategy still has currency, as was recognised by David Tune's independent mid-term review of the LLLB reforms, the *Legislated Review of Aged Care Reforms 2017*.

Although the 2021-22 provision target of 125 is still Government policy, it is only in a limited sense.

Since the assignment of home care packages directly to consumers from February 2017, performance against the home care package target can no longer be calculated in a way that is comparable with previous calculations. Likewise, therefore, neither can performance against the overall target ratio of 125.

This situation has occurred because the definition of 'operational places' used for the provision formula includes places allocated to providers that are vacant. As home care packages are no longer allocated to home care providers, a definition that includes vacant places no longer has relevance to home care packages. Hence, while progress towards the target ratio for residential places can still be measured, progress against the Government's overall and home care package targets for 2021-22 can no longer be measured (and are no longer reported on in government publications).

The last occasion when the ratios could be calculated in a comparative sense was 30 June 2016, when the overall operational ratio 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. Since then, the ratio for residential places has declined to 79.2 at June 2018.

At 30 June 2016, the home care package ratio of 31.9 was well short of the 2021-22 provision target ratio of 45. At 30 June 2016, the number of operational home care packages was 78,956, whereas the number of packages held by consumers at 30 June 2018 was 91,847.

Based on population projections at the time, the LLLB target of 45 translated to

150,000 operational packages. Since then, the queue for home care packages has been made transparent by the national prioritisation arrangements introduced in February 2017 (and no doubt lengthened by the higher profile given to consumer-controlled packages and individual budgets). The prioritisation arrangements also provided data for the first time about the extent of the misalignment of packages per level with assessed need ie. there is a preponderance of lower level packages whereas assessed need is for more higher level packages.

In recent times, there has been a succession of Government announcements designed to rebalance package levels in favour of higher level packages, and to make them available earlier (but substantially within the 2021-22 provision target). The table below sets out the current planned release of home care packages which takes these announcements into account, and highlights the timing of the more significant changes. This information was provided to the Senate by the Department of Health during the February 2019 Senate Estimates hearings.

Package Level	2016-17 (actual)	2017-18 (actual)	2018-19	2019-20	2020-21	2021-22	Change on 2017-18	Share by Level at 2021-22
Level 1	1,166	4,841	6,038	11,240	11,915	13,119	+8,278	8.5%
Level 2	47,242	51,496	53,452	64,630	65,192	66,133	+14,637	43.1%
Level 3	6,742	12,693	28,189	30,689	31,559	33,578	+20,885	21.9%
Level 4	16,177	22,817	36,353	38,353	39,501	40,607	+17,790	26.5%
Total	**71,327**	**91,847**	**124,032**	**144,912**	**148,166**	**153,437**	+61,590	

At 30 June 2018, there were 207,142 operational residential places and a provision ratio of 79.2 places per 1,000 people aged 70 and over, compared with the target ratio of 78 by 2021-22. Although the residential provision target ratio has been almost reached, further releases of new residential places are expected as the number of people aged 70 and over increases. However, these releases will need to take into account that application of a provision formula based on the aged 70 and over cohort to the large baby boomer generation would see the release of a large number of residential places during the 2020s which, based on current age-related aged care users' rates, would not be needed by the bulk of baby boomers until the 2030s when they start reaching their 80s.

Based on the operational provision target ratio for residential aged care of 78 by 2021–22, the Health portfolio's 2018–19 Budget Statements projections for operational residential places are set out below.

	2017-18 (actual)	2018-19	2019-20	2020-21	2021-22	Change on 2017-18
Operational Residential Places	207,142	210,100	217,000	225,000	234,000	+29,300

It should be noted when considering the above projections of residential places and home care packages that the 2018–19 Budget created a single appropriation item for residential care and home care. This means that in future there will be flexibility to move funding over the forward estimates between the two types of care, whereas previously any under-spend in either the home care or residential care appropriations (due to misalignment with consumer preferences or delays in commissioning new services) was surrendered.

Since the assignment of packages direct to consumers rather than allocating them to providers, the queue for home care packages has taken centre stage and has been a major policy focus. However, this development should not distract the sector from the importance of having in place a population-based formula for expanding the availability of aged care services as the population ages, and the importance to aged care reform of maintaining the LLLB strategy and transition plan as a key mechanism for determining the affordability and sustainability of an aged care system based on consumer choice of service type and provider.

Accordingly, it is important that a new formula for generating additional aged care services in line with the ageing of the population during the transition period, and perhaps beyond, is developed and adopted by government. The simplest approach would be to base the formula on the ratio of consumers (residents and package holders) to a population threshold, rather than 'operational' places.

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.

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