

# UNDER THE SPOTLIGHT

## A YEAR IN REVIEW: 2018

In what has been a greatly challenging, surprising and at times chaotic calendar year, perhaps the most important takeaway has been the unwavering resilience of Australia's Aged Care Industry and its providers. Those within the industry continue to strive to provide quality and innovative aged care services as the level of demand for these services reaches unprecedented levels across the Nation.

With the end of the calendar year upon us, we delve into the past 12 months and consider the key events of the year and how they may affect the Australian Aged Care Industry in 2019.

### A YEAR IN REVIEW



## AGED CARE IN THE LIMELIGHT

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Over the last 12 months there has been a powerful spotlight on the Aged Care Services Industry in Australia. Whilst some publicity has been negative, it has also started a national conversation about how we care, support and accommodate older Australians. We have explored some of the key themes that have changed and will continue to shape the industry.

### ASSET REPLACEMENT CHARGES – FEDERAL COURT RULING

Residential aged care ('RAC') providers have continued to experience tightening margins as a result of previous cuts to funding and rising care costs. Providers have been seeking alternative resident funding sources. One of these charges was the Asset Replacement Charge ('ARC'). Capital refurbishment fees had been banned by the Department of Health over two years ago. Regis Healthcare had submitted an appeal to the Federal Court to continue charging residents an ARC. However, the appeal was lost in March with the Court ruling that the charges are not allowable under the Aged Care Act.

Whilst the financial impact was not substantial, with most operators providing for this outcome, the result was a reminder of the risks associated operating in a heavily regulated environment that is dependent on Government funding.

This ruling and the Department's position on charging for additional services comes at a time where providers are changing their delivery of services to reflect the preferences of consumers. The forecasted growth in demand for aged care will require a transition towards a more user pay system. However, this ruling and stance on additional fees reinforces overregulation by the Government.

Greater clarity is sought on additional charges and the current funding constraints will continue to impact the viability of the sector into 2019.

### QUALITY CONTROL

Prompted by the Oakden investigation in 2017, an April announcement from the then Turnbull Government revealed a new Aged Care Quality and Safeguards Commission would be implemented by 1 January 2019. Labelled by Minister Wyatt as a 'one-stop shop' for acknowledgement, rectification and prevention of quality concerns in the aged care industry. It is hoped the Commission will streamline and simplify the complaints process in the industry leading to rectification of issues in a timely and appropriate manner. This response to alleged substandard care was to be the first in a sequence of enforcement measures enacted by the Government 'cracking down' on unacceptable care provision (although the home in question was actually Government owned and managed).

A new single set of Aged Care Quality Standards will be implemented in July next year. The new Standards will affect all aged care service providers including RAC and home care. Transition towards the new standards commenced in July 2018. An overarching goal of the Standards is to ensure providers focus more on consumer-centric indicators of quality. Ansell Strategic encountered a range of aged care organisations in various stages of transition throughout the second half of 2018 however, organisations will be best placed committing to the changes well in advance of July 2019. For those wondering how best to tackle the transition to the new quality standards, our recent 'Under the Spotlight' touches on this topic ([here](#)).



Throughout the year, it became apparent the government was making a concerted effort to ramp up compliance and monitoring in the industry. In addition to the establishment of the Quality and Safety Commission, the commencement of unannounced re-accreditation visits occurred in July and a \$16M boost from the Commonwealth Government was provided for increased compliance and monitoring in the industry. Following these measures, a noticeable increase in sanctions and non-compliance notices arose across the Nation and we expect this trend to grow into 2019.

### FEDERAL BUDGET

With challenges in the aged care services industry increasing, it was hoped the 2018 Federal Budget announcements would provide some relief to strained resources in the sector. The headline announcements made positive recognition of the need to address challenges associated with an ageing demographic but majority of the initiatives reflected commitments that must be made in the ordinary course of business. In the absence of genuine sector reform, the availability of suitable aged care remained largely constrained and at times out of reach throughout 2018.



With the Government still heavily regulating supply of RAC services, capital development in the sector was notably slow throughout 2018. The announcement of the 2018-19 Aged Care Approvals Round ('ACAR') in the Federal Budget was highly anticipated due to the long delay from previous rounds. Applications were accepted in August and

the allocation of 13,500 additional funded residential aged care places is to occur in April or May 2019. The announcement was a positive note for a sector constrained in its ability to meet demand, however the operationalisation of allocated places will likely lag through to 2020, suggesting concern for immediate demand identified in many areas across the Nation.

Ever-increasing demand for home care services has been a key challenge for the sector over 2018 but the Budget offered little assurance of meeting demand. A less than adequate provision of 14,000 additional home care packages was announced which fell far short of the existing 100,000 people on the Home Care Package Waitlist at that time.

For an overview of aged care related 2018 Federal Budget initiatives, our May Issue of '[Under the Spotlight](#)' offers a closer look.

### THE ROYAL COMMISSION

Public perception of RAC services suffered in the third quarter of 2018 when the ABC released a damning two-part episode on RAC services in Australia. The exposé titled 'Who Cares?' depicted terrible abuse and neglect of residents at more than one facility in Australia. In a time of increased sanctions, non-compliance notices and growing public awareness, the exposé prompted rapid response from the Federal Government and a Royal Commission into Aged Care Quality and Safety was established in early October.

The Terms of Reference for the Royal Commission focus on review of the quality of care and services provided to older Australians, the extent to which current services meet identified need and will analyse the extent to which substandard care is being provided. In addition, the Commission will consider the future of aged care services in Australia including how best to deliver services, challenges and opportunities in the industry and ways to ensure sustainable and person-centred care can be delivered. The published Terms of Reference can be found [here](#).

Aged care providers across the Nation have been invited to make a submission to the Commission regarding instances of substandard care, complaints and quality management at individual services.

With the industry under examination, we expect heightened enforcement of compliance and regulation will continue into 2019 and throughout the Royal Commission period. This may result in higher numbers of non-compliance and sanction notices across the Nation.

### HOME CARE PACKAGE DEMAND AND WAITLIST

The preference for many older Australian's is to remain in the home and age in place. However, with a growing national queue to receive the appropriate funding to facilitate this, the reality of this ideal is out of reach for most of the older Australians that qualify for this support. Many people who are in need of higher levels of care at home are being forced to settle for unsuitable alternatives such as relying on family or friends for informal care, accepting lower level packages or moving into RAC too early.

As at September 2018, there were almost 127,000 people on the wait list for Home Care Packages. This list continues to grow and places pressure on the wider health system and families. This is a critical issue in the aged care industry and is likely a contributor to Australia possessing the highest proportion of older persons living in permanent RAC in comparison to most other OECD countries. Excluding the fact that older persons wish to remain at home, the cost of providing RAC services is significantly above that of home care, suggesting the current situation is neither financially or socially beneficial. The release of the 10,000 higher level packages in the MYEFO is a step in the right direction, however with exponential growth expected for the older cohort further action will be needed.



### PROVIDER VIABILITY

Consolidation across the industry was slower this year which reflected the underlying uncertainty across the sector. This has been further heightened by the declining financial viability of both RAC and home care providers. Both StewartBrown and the Aged Care Financing Authority (ACFA) reported 2017-18 as a challenging year for the industry due to limited revenue sources, rising costs, increasing competition and agency scrutiny.

For RAC specifically, the negative financial impacts seen throughout the last twelve months have been driven by the ACFI funding cuts in 2016 which included indexation pauses and changes to the complex health care domain.

Consumer preferences towards paying a refundable accommodation deposit (RAD) appear to be declining in favour of daily accommodation payments (DAPs) or combination arrangement. This was indicated in the ACFA update report and was evident in our half-yearly analysis of listed aged care organisations. The reduction in RAD inflows will likely challenge providers in meeting their expansion and development objectives in the coming years and new strategies to move forward with capital opportunities will need to be developed.

## THE NEW YEAR

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Ansell Strategic has long advocated for a less regulated aged care industry in Australia. It is our view that with less regulated supply of aged care services, industry competitiveness will increase and become more responsive to consumer demand allowing for innovation and consumer driven care and service standards. In a less regulated market, subsidies can be retained for those most in need while consumers who can contribute to their care, do.

A big year awaits the Australian Aged Care Services Industry. A new, single set of Quality Standards, increased compliance and monitoring measures and a Royal Commission will undoubtedly keep aged care in the spotlight throughout 2019 (for further commentary click [here](#)). Positively, the 2018-19 ACAR announcement will likely facilitate some much-needed investment into RAC services across the Nation and bring a new range of innovative and consumer focussed models of care.

*Whilst we are hopeful the next twelve months will address some of the challenges of the year past, 2019 is promising to be another challenging year. We look forward to continuing to work with the industry to deliver meaningful outcomes that enhance the lives of older Australians.*

## ABOUT “UNDER THE SPOTLIGHT”

To help busy executives in a rapidly changing aged care world, Ansell Strategic provides summaries and high level commentary on new developments in the industry. Detailed reports are provided on our website at [www.ansellstrategic.com.au](http://www.ansellstrategic.com.au).

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