THE BOARD PACK
QUARTER 2 OF FY23

Ansell Strategic

What Executives and Directors need to know in Aged Care.

The reform rollercoaster kept us all on our toes in the lead up to Christmas. Providers are making headway to meet the new requirements but there is some heavy lifting to do as we enter the New Year.

In this issue of The Board Pack, we consider the major reforms and updates in the last quarter, their impact on the sector and what you need to look out for as an Executive and Director in the aged care sector.

SNAPSHOT

Operations & Compliance

Providers in Australia are currently delivering an average of 186 care minutes per resident at Sep-22, compared to 180 minutes at Sep-21. This still falls short of the targeted average of 200 minutes.

Most frequent non-compliances are under Standards 3 (personal care and clinical care), 7 (human resources), and 8 (organisational governance) in residential aged care (RAC) and Standards 2 (ongoing assessment and planning), 7 and 8 in home care (HC).

Funding & Financing

Financial performance remains critically low and worsened in Q1. At Sept-22, 70% of homes operated at a loss (56% in Sept-21).

From 1 October 2022, AN-ACC replaced the ACFI. Providers are reporting mixed feedback on the impact to revenue.

Regulation & Reform

In December 2022, Mandatory Serious Incident Response Scheme (SIRS) reporting was expanded to HC, the Code of Conduct for Aged Care and Star Ratings in RAC were released.

New Board governance responsibilities commenced on 1 December 2022 for new providers, with some transitional provisions for existing providers (Dec-23).

Workforce

Release of the Productivity Commission's Inquiry on Aged Care Indirect Employment report in October 2022.

The Fair Work Commission (FWC) made an interim decision to increase wages by 15% for frontline staff. Government made a submission to phase the rise, with a 10% increase in Jul-23 and a further 5% in Jul-24.

KEY UPCOMING CHANGES

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JAN 2023		Home Care Package pricing limits implemented
FEB 2023		Launch of 2023 Residents' Experience Surveys
APR 2023		Expansion of the Mandatory Quality Indicators
JUL 2023		IHACPA begins to inform government on pricing Approved providers of RAC must have at least one RN on site and on duty 24/7
OCT 2023		Mandatory care time commences for RAC
DEC 2023		New governance provisions apply to all existing providers
JUL 2024		New Support at Home Program
OCT 2024		Mandatory care time increases to 215 minutes (average)

OPERATIONS & COMPLIANCE

TOPIC	SUMMARY	ACTIONS
CARE MINUTES	StewartBrown trends show that as of September 2022, homes across Australia are delivering an average of 186 minutes per resident per day. This is an increase of 6 minutes from the previous year (Sep-21). This is still considerably below the care time average of 200 minutes that will be mandated from October 2023. Chronic workforce and funding shortages create challenging conditions for providers to meet the required 200 minutes by October 2023. On 10 January 2023, the Department of Health and Aged Care published a **Care Minutes and 24/7 Registered Nurse Requirements Guide**. The guide states that: • Minutes of care provided by ENs cannot be counted towards RN-specific care minutes. • The department is considering options for incorporating the 24/7 RN requirement into the Star Ratings. • Ongoing audits to monitor the submitted care minutes data is planned to be introduced in 2023-24.	**Assess:** What is your current care minutes gap? What strategies are you undertaking to reduce this gap? Does your care and staffing model enable your organisation to reach the mandated average 200 care minutes by October 2023? What strategies are you exploring to optimise the workflow of your teams and to demonstrate delivery of safe and quality care?
MONTHLY CARE STATEMENTS	Monthly care statements will provide a summary of care received and changes or events that occurred in the previous month. These statements will be provided to residents and their representatives. A pilot phase for the implementation of **monthly care statements** is running from November 2022 to March 2023, this will be followed by a review and evaluation from March to June 2023. At this stage there is limited insight on the trial documents and templates. Whilst we will need to await the completion of the trial to fully understand the requirements, this is likely to increase the administrative burden of staff.	**Assess:** Do you have the necessary systems and processes to meet these proposed reporting requirements? What information do you currently share (and how frequent) with residents and their representatives?
QUALITY INDICATOR TRENDS	The latest **April to June 2022 Residential Aged Care Quality Indicators Report** showed the following trends in comparison to the previous January to March 2022 report: • The prevalence of pressure injuries has slightly increased. • The use of physical restraint has remained similar. • Unplanned weight loss has decreased. • Falls prevalence has slightly increased. • A similar proportion of residents are prescribed 9 or more medications. • A slight reduction of residents who received an anti-psychotic medication.	**Ask:** How are these indicators reported, measured and monitored across your organisation? Are these indicators and benchmarks reported to the Executive and Board level? What actions are in place to respond to these indicators? **Inform:** Develop an understanding of what the data is telling you and act on it in order to improve care and decrease the likelihood of residents sustaining these types of injuries.

OPERATIONS & COMPLIANCE (CONT.)

	SUMMARY	ACTIONS
STAR RATINGS	From December 2022, Star Ratings have been available for all RAC services, these are published on the My Aged Care website for public viewing. Star Ratings were implemented to support older Australians and their representatives to compare services and make informed choices. A provider's rating is determined based on four sub-categories with assigned weighting: • Five quality indicators, which are reviewed every three months and account for **15%** of the rating. • Compliance, which is often only monitored by the Commission on an annual basis accounts for **30%** of the rating. • Residents' experience, which is evaluated annually accounts for **33%** of the rating. • Staff care minutes, which are reviewed every three months accounts for **22%** of the rating. Nationwide, only 1% of facilities have been rated within the one or five star brackets, while 36% have received a four star rating, 54% have received a three star rating and 8% have received a two star rating. There has been some controversy regarding the accuracy of the data and outputs, with little time for providers to respond before the ratings were published. This has impacted the perception of some providers and services. To achieve a five-star rating in the staff care minutes category, an organisation must significantly exceed its mandated care minutes target (above 125%). If the provider is meeting its care minutes target (ranging from 100-114%), it will only receive a three-star rating. Given the current operational environment, it will be extremely challenging to achieve a five-star rating in staffing while still maintaining viability. The My Aged Care portal has a section dedicated to allowing a service to present information regarding the measures they are implementing to enhance their star rating.	**Monitor:** Ensure that internal management and Board reporting captures Star Ratings and the measurements that determine the Star Rating. **Consider:** Consumer experience is updated annually and accounts for 33% of the weighting. Providers can enhance the resident experience without incurring significant monetary expenses by fostering a shift in the attitude of their staff and improving engagement and communication with residents and their representatives. **Assess:** Are there established procedures to ensure timely submission of the NQIP data prior to deadlines? Failure to submit the data prior to the deadline will result in a one-star rating in the quality indicators category. Is the organisation looking beyond the raw numbers to assess performance in relation to sound governance for prevention purposes (in relation to NQIP data in particular)?

OPERATIONS & COMPLIANCE (CONT.)

TOPIC	SUMMARY	ACTIONS
SECTOR PERFORMANCE REPORTS	The **latest sector performance report (1 Jul - 30 Sept 22)** has shown the following trends: **Residential Aged Care:** The Commission received 11 applications to become an approved provider of residential aged care, 3 applications were not approved, and 5 applications did not proceed. The Commission conducted 380 RAC assessments and audits and found 177 services non-compliant (47% of services assessed). Non-compliances with requirements in Standards 3, 7 and 8 remain the most prevalent. Of all complaints received by the Commission, the top complaint issue was medication administration and management. **Home Care:** In the past quarter the Commission received 54 applications to become an approved provider of home care, 28 applications were approved. This is an increase in approvals from previous quarters. Of 115 assessments and audits, 64 home care services were found to be non-compliant, an increase of more than 50% compared with the previous quarter. The most common non-compliances were Standards 2, 7 and 8. Of consumer complaints, the top complaint issue was lack of consultation or communication. Whilst SIRS reporting has always been a serious topic for the Commission, they appear to be undertaking additional visits and investigations regarding SIRS reporting and incidents. They are also assessing how these incidents and other complaints impact compliance with the newly enforced Code of Conduct. We have observed that the Commission has adopted a more stringent approach in examining cases of inadequacy in the investigation of the underlying causes of an incident. As a result, it is no longer sufficient to simply report on SIRS incidents and it is imperative that measures are taken to mitigate their occurrence.	**Ask:** How many of your services are due for re-accreditation in the next year? How do you monitor and respond to your consumer complaints? With the new star rating system, monitoring satisfaction levels have become more important. **Discuss:** What plans are in place to undertake mock audits/review prior to re-accreditation? **Ask:** Does your team know how to effectively undertake a root cause analysis? **Consider:** What systems and processes do you have in place to monitor, investigate and respond to an incident? What is the maturity of your Governance on the Ground processes to support incident prevention and severity reduction strategies.

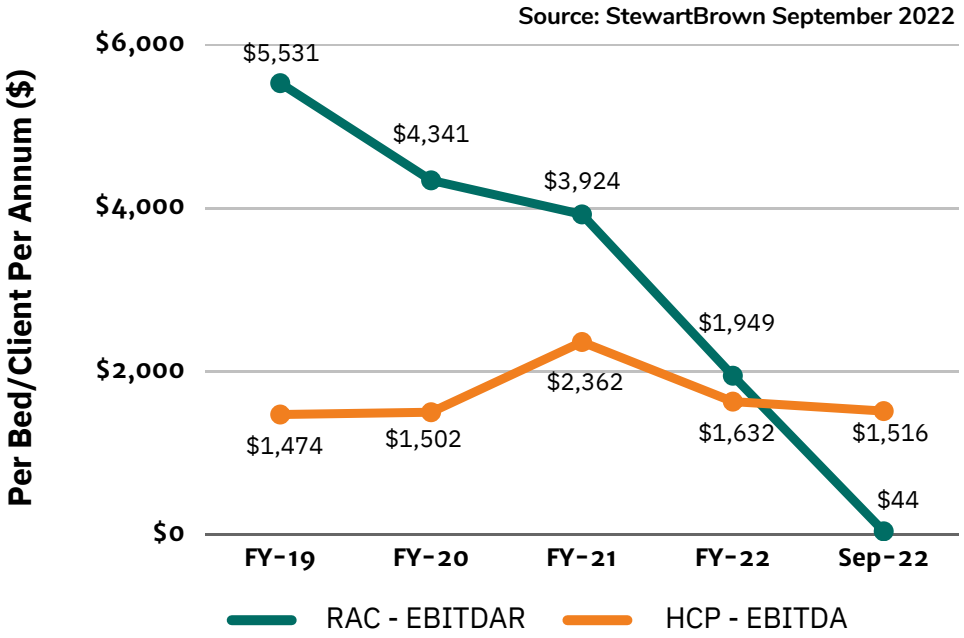
Upcoming:

- Expansion of the Mandatory Quality Indicators (1 April 2023).
- Approved providers of RAC must have at least one RN on-site and on duty 24/7 (1 July 2023).
- Mandatory 200 care time average including 40 RN minutes (October 2023).
- Mandatory 215 care time average including 44 RN minutes (October 2024).

FUNDING & FINANCING

EBITDA TRENDS

The aged care sector, including RAC and HC, continue to have significantly declining financial performance. Average EBITDA has declined to $44 PBPA for RAC ($4,257 in Sep-21) and $1,516 PCPA for HC ($1,971 in Sep-21). The key drivers include growing administrative burden, high reliance on agency staff and the increasing cost of care. This trend is driving providers to exit and limiting investment in the sector.



ACTIONS

Assess:
Is this trend an accurate picture of the financial performance of your organisation?

How are you monitoring cashflow (13 week rolling forecasts)?

TOPIC	SUMMARY	ACTIONS
AN-ACC IMPLEMENTED	The implementation of the AN-ACC funding model on October 1, 2022 has replaced the previous ACFI model. Although the average daily subsidy provided under the AN-ACC ($225) is higher than that of the ACFI ($192), it should be noted that the AN-ACC funding encompasses various previous funding components, including the ACFI subsidy, viability supplement, homeless supplement, basic daily fee supplement ($10), and additional costs for mandated care time targets. Since its relatively recent implementation, there has been an uplift in subsidies experienced by some operators. However, this only appears to be a short term uplift (if any). Once mandatory care time is implemented, the net result could be negative. Starting from 1 July 2023, the Independent Hospital and Aged Care Pricing Authority will provide annual AN-ACC pricing recommendations to government. The pricing will be based on independent analysis that takes into consideration movements in the cost of delivering care. Questions and Answers from the AN-ACC webinar in November can be found **here**.	**Assess:** Do you have a team established who understands and monitors AN-ACC funding and changing resident needs? Have you assessed the net funding gap when mandatory care time is implemented?

FUNDING & FINANCING (CONT.)

TOPIC	SUMMARY	ACTIONS
FINANCIAL REPORT ON THE AGED CARE SECTOR	On November 2022, the Department published the **Financial Report on the Australian Aged Care Sector 2020-21**. This report appears to replace the ACFA report. The report outlined: • The proportion of facilities planning to upgrade or rebuild has significantly reduced since 2015-16. In 2015-16, 14% planned to upgrade and 5% had planned rebuilds. This dropped to 3% and 1% respectively in 2020-21. Recent trends in rising construction costs are likely to further reduce investment appetite in a market with low ROI. • Demand for residential care places are projected to increase from around 190,000 in 2022 to 350,000 in 2041. Demand for home care packages is forecast to increase from around 240,000 in 2022 to 400,000 in 2041. • At June 2021, RADs held by RAC providers totalled $33.56 billion (around 60% of assets). While the pool has grown due to a booming property market in 2021-22, the number of deposits have plateaued. RAD preferences have dropped to 31% (41% in 2015-16), whilst DAPs have increased to 46% (35% in 2015-16). At the same time, liquidity pressures are evident with only $5.3 billion in cash ($1.9 billion in financial assets) held by the sector.	**Assess:** How will your organisation position itself in response to changing demand? Have you assessed your building stock and considered long term strategies to extend useful life and respond to changing expectations and needs? What is your exposure to RADs? How are you managing changing preferences?
HCP FEES CAP IMPLEMENTED	The Implementing Care Reform Bill introduced a measure that will impact HC providers by including a cap on home charges and removes the ability to charge exit fees. From 1 January 2023, care and package management charges have been capped at 20% and 15% of the package level respectively. Exit fees and subcontracting charges have also been eliminated. From 1 January 2023, providers must set, publish and charge all-inclusive prices for all third party services, ensure third-party arrangements are discussed and documented and prices must be reasonable and justifiable.	**Monitor:** Regularly monitor your current fee structures against other provider benchmarks. Providers are able to access home care fees benchmarks from the **Department of Health and Aged Care's quarterly data**. **Assess:** Has your organisation undertaken a cost of care study for different services? As margins reduce, it is important to consider which services are viable.

Upcoming:
- IHACPA to begin advising on pricing (July 2023).

REGULATION & REFORM

TOPIC	SUMMARY	ACTIONS
NEW GOVERNANCE MEASURES	**All providers (from 1 December 2022):** • Assess key personnel suitability every year against the 'suitability matters' specified in the Aged Care Quality and Safety Commission Act 2018. • Provide information annually on operations to the Department, showing success and compliance. • Notify the Commission about changes relating to key personnel. **New providers (from 1 December 2022) and existing providers (from 1 December 2023, to allow for transition):** • Establish a quality care advisory body to support and inform the governing body. • At least once a year, providers must offer to establish a consumer advisory body. • Align governing body to membership requirements. Ensure the majority of governing members are independent and non-executive. Include one member with experience in the provision of clinical care in your governing body. Exemptions arise if there are fewer than 5 board members and care is provided to less than 40 recipients. • Ensure that the governing body is skilled and provide opportunities to build their capabilities. • Constitution should prioritise consumers, not the holding company (only applicable if your service is a wholly owned subsidiary). A **board kit** is available consisting of a suite of discussion papers.	**Assess:** These changes are material for a number of organisations and will take time to respond to. It is important to: • Review the composition of the Board. • Review the Board skills mix. • Commence process for establishing quality care and consumer advisory bodies. • Undertake a Board and Governance health check.
REFORM TO IN-HOME AGED CARE	The Albanese Government has postponed the implementation of the Support at Home Program until July 2024. This additional time will be used to consult with older Australians, their families and carers and the sector. The Support at Home Program brings HCP, CHSP and STRC under one funding model. The initial proposal indicated providers will be paid on a fee-for-service basis and the majority of consumers would be self managed. This raised major concern regarding the feasibility of some services (e.g. transport and day centres) and regarding the provision of quality care. In a recent webinar (7 December 2022), the Department has noted some of these concerns. The revised Support at Home Program aims to encompass the following: • Supplementary grants for transport, respite, meals and social support groups and providers in thin/niche markets. • Client contributions based on their ability to pay. • Enhancement of consumer flexibility through access to additional services as required on a temporary basis. • Care partners to provide clinical monitoring and support. We note that care partners providing clinical monitoring and support may not be independent from services providers, this raises concerns about accountability when clients utilise multiple providers.	**Monitor:** Seek opportunities to participate in consultation and cost of care study.

REGULATION & REFORM (CONT.)

TOPIC	SUMMARY	ACTIONS
FEDERAL BUDGET 22-23	The Albanese Government announced a Budget in October 2022 that would take steps to deliver on the election promises with a $3.9 billion dollar package. These initiatives include: • $2.5 billion to support the mandated number of care minutes residents receive. • $312.6 million to fund a modernised aged care ICT system (intended to modernise the My Aged Care portal and streamline reporting). • $68.5 million to expand the Regional Stewardship measure expanding the Department's local presence. • $38.7 million for a new Inspector-General of Aged Care. • $26.1 million for homes to receive funding to provide better support for older First Nations people and those from diverse communities. Overall, this was a budget to help deliver on Labors election promises, but there was no major reform/s announced and over 10% of this funding is allocated towards internal government departments. This budget does not address wage increases for aged care workers, however, Labor has pledged to fund any increase in wages resulting from the Fair Work Value case.	**Monitor:** No action required at this stage
MANDATORY SIRS EXPANDED TO HC	From 1 December 2022, the SIRS now applies to home and flexible care providers and CHSP. Guidelines for the SIRS for home services can be found **here**. The SIRS will function in the same manner as for RAC providers. Home care providers are now required to notify the Aged Care Quality and Safety Commission if a reportable incident has occurred after 1 December 2022. **Resources** have been developed to support home care providers and their employees to understand their rights and responsibilities under SIRS. Organisations should be cognisant that this measure pertains not only to the reporting and recording of incidents, but also to the effectiveness of their incident management and governance processes in improving care outcomes for their clients.	**Review and discuss:** Ensure that your organisation has adequate processes in place to enable timely SIRS reporting and to identify and manage risks. Develop policies and procedures and provide staff training for accurate and timely reporting. Refer to "Sector Performance Reports" for other suggested actions.

REGULATION & REFORM (CONT.)

TOPIC	SUMMARY	ACTIONS
CODE OF CONDUCT FOR AGED CARE COMMENCES	From 1 December 2022, aged care providers have been required to comply with the Code of Conduct for Aged Care (the Code). The Code applies to approved providers of aged care, governing persons and aged care workers (including volunteers and contractors). The Code does not apply to Commonwealth Home Support Program (CHSP) and National Aboriginal and Torres Strait Islander Flexible Aged Care Program (NATSIFAC) providers. The Aged Care Quality and Safety Commission has developed **guidance** for the Code for aged care workers and governing persons. The Commission has begun to establish a connection between SIRS reporting and the Code. The Commission is now able to hold individual staff members accountable based on the principles of the Code, regardless of an organisation's HR processes.	**Review and discuss:** Ensure that your organisation is familiar with and conduct themselves in line with the Code. Does your organisation have systems in place to detect and respond to inappropriate practices against the Code? Does your organisation provide regular training for ongoing education and as part of new employee inductions?

Upcoming:

- Launch of the 2023 Resident's Experience Surveys (February 2023).
- Formation of a Clinical Advisory Group for the Support at Home Program by the Department (February 2023).
- Prototype Assessment Tool Training and Trial for Support at Home Program (March - June 2023).
- Ongoing consultation through the **Aged Care Engagement Hub.**

WORKFORCE

TOPIC	SUMMARY	ACTIONS
WORK VALUE CASE - AGED CARE INDUSTRY	On 4 November 2022, the FWC released an update on the Work Value Case. An interim decision to increase wages by 15% was made. This only applied to frontline workers (nurses, AINs, personal care workers and home care workers) in the Aged Care and SCHADS Awards and under the Nurses Award. Kitchen, laundry, lifestyle and administrative staff were not included in the initial decision to award a 15% pay increase. The Commonwealth Government lodged a submission to the FWC addressing how this increase would be timed and implemented. The submission outlined that a 15% pay rise for frontline aged care workers should be phased, with a 10% increase in July 2023, and a further 5% in July 2024. The exclusion of other aged care support workers and administration staff from the interim decision undermines the importance of these roles in providing holistic and quality care. The interim increase is below the unions request of 25%. There is major concern that without adequate renumeration, chronic workforce shortages will continue. The FWC requested submissions from parties regarding Stage 2 of this process. The parties are required to report back by 21 February 2023.	**Monitor:** Ongoing monitoring of outcome.
CHRONIC STAFF SHORTAGES	The Federal Government has opened the Pacific Australia Labour Mobility (PALM) scheme to bring additional workers into Australia. The PALM scheme is not solely for aged care, it recruits for low skilled to semi skilled positions where there is a labour shortage such as aged care, disability services, manufacturing and agriculture. The PALM scheme recruits for low-skilled and semi-skilled roles in aged care, including: • Personal care workers. • Assistant in nursing. • Service roles including: cooks, laundry workers, maintenance and kitchen hands. The PALM scheme does not contain provisions for the recruitment of RNs. The shortage of workers in the sector will likely not be alleviated through migration, as there is a high demand for workers in other industries, along with a substantial backlog in processing applications, leading to decreased migration. Hence, a greater emphasis should be placed on enhancing career prospects, wages, training programs, and working conditions as a means of attracting and retaining aged care workers.	**Assess:** Assess your eligibility to access workforce through this scheme. What other strategies is your organisation implementing to attract and retain staff? What initiatives could be implemented to improve satisfaction that does not relate to pay?

WORKFORCE (CONT.)

TOPIC	SUMMARY	ACTIONS
PRODUCTIVITY COMMISSION INQUIRY ON AGED CARE INDIRECT EMPLOYMENT	The Productivity Commission Inquiry on Aged Care Indirect Employment Study Report was released in October 2022. The report stated that agency workers and independent contractors account for a minor proportion of the care workforce. The use of agency, particularly in RAC was viewed as a "last resort" mechanism, and therefore, essential. In home care, digital platforms allow independent contractors and clients to directly connect. This is a very small proportion and was found to be beneficial for carers and clients seeking greater autonomy and flexibility. Overall, the report did not recommend a preferred employment model in aged care and suggested that efforts should be focused on reforms surrounding quality and safety.	**Consider:** How does your employment model meet the needs of your clients/residents and staff? Are there any alternatives that could improve satisfaction for both stakeholders whilst being sustainable?

Upcoming:

- Decision by FWC on the 25% increase in the minimum award rate.

OTHER

TOPIC	SUMMARY	ACTIONS
M&A	There have been several major mergers and acquisitions in the past quarter: • Anglicare Sydney acquired 50% of LDK Seniors' Living. • Royal Freemasons Victoria is selling its aged care and retirement living assets, with all its homes but one on the market. • Estia Health acquired Premier Health Care Group's four operational aged care homes. • Anglicare Sydney will acquire most of Presbyterian Aged Care NSW 7 ACT's operations and assets pending due diligence. • Helping Hand acquired Kindred Living's aged care services at Whyalla. We continue to see opportunities arise, however sector uncertainty driven by reform, resource constraints and the pandemic have softened appetite. Due to the economic climate, some banks are hesitant to fund capital/growth activity.	**Discuss:** What is your organisation's growth strategy? Have you assessed your organisation's current position and future strategy recently? Are you "acquisition" ready?
PEAK BODIES	The newly formed Aged & Community Care Providers Association (ACCPA) has appointed a new CEO, Tom Symondson. ACCPA held its inaugural national conference in Adelaide over three days in October. The conference featured presentations from leaders and experts across the sector and was widely attended.	No action required.

BOARD PRESENTATION

Ansell Strategic is available to present the above updates with your Board and further discuss what this means for your organisation. Please don't hesitate to contact any of our directors.

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