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Consultation Paper – Improving home care payment arrangements

Dear Madam/Sir

Thank you for the opportunity to comment on the ACFA consultation paper *Improving Home Care Payment Arrangements*.

In principle, members of CHA support the payment of home care subsidies in arrears based on services provided, noting that many home care recipients are underspending their individual budgets. CHA would not support a policy of forfeiture of care recipients' unspent individual budgets as it could incentivise perverse behaviours and outcomes.

CHA members are concerned, however, that implementing payments in arrears based on services provided within the suggested timeframe, and using the current Department of Human Services (DHS) payment system, will pose serious administrative and financial risks for providers unless a more timely, graduated and detailed implementation plan is developed, and there is confidence in the robustness of the DHS payments system. There is no information given in the consultation paper about the extent and nature of changes required by the DHS system, nor a program of works that may be required. Also, DHS is conspicuous by its absence at the consultations conducted to date.

CHA is advised, for example, that the current payment system is slow to respond to requests for payment adjustments and that the resolution process can involve significant administrative effort on the part of providers. Often such payments take up to six weeks to reach providers' bank accounts. There is a concern that this situation will be exacerbated by the new arrangements, especially when moving to Phases 2 and 3 of the proposal in the suggested timeframe given the significant changes required to both DHS payment systems and provider financial software, and the detailed reconciliation processes that appear to be necessary. Under current arrangements, the impact of payment adjustment difficulties is somewhat cushioned by the subsidy payments being made in advance. Under the proposed new arrangements, this will no longer be the case.

CHA members are also concerned that the new arrangements, if not appropriately designed and implemented, have the potential to increase regulation-driven administrative costs at a time when the sector and the government are under pressure about the proportion of individual budgets that is consumed by administrative overheads.

CHA notes that the business model developed by home care providers, mainly not-for-profit providers, is based on advance payments by the Commonwealth. That is, the Commonwealth

recognised that many potential home care providers would need working capital support in order to deliver Government-funded home care services. The sector was developed on this basis.

Given this history, there is concern about the cash flow and working capital implications of the switch to payments in arrears, which will vary depending on each provider's financial and business circumstances. In order to ameliorate the impact of the transition away from an advance payment business model, CHA considers that the DHS payment system will need to be able to make payments within 48 hours of the receipt of claims for payment. In addition, the payments system should allow providers the flexibility to choose a preferred claiming cycle, such as fortnightly or monthly, that suits their business model and financial circumstances.

CHA notes the proposal to allow the drawdown of unspent subsidy funds held by each provider through instalments over a period of time. While the objective of this arrangement is understood, this arrangement also introduces considerable administrative complexity. Accordingly, CHA considers that providers should have the option, if their financial circumstances permit, to repay unspent subsidy funds that they hold in a single payment.

CHA also notes that it is proposed that providers will be required to advise in their claims "the amount of available funds held for each care recipient", even though it appears that DHS will only hold individual balances related to unspent subsidy funds.

It is unclear, therefore, why providers will be required to provide individual recipient monthly statements covering the full package to DHS, including the basic daily fee and income tested fee. This arrangement would involve duplication of, and reconciliation with, the monthly statements provided by providers to individual recipients. We are also advised that many providers do not separate out the components of unspent funds in their monthly statements and to do so require additional software development for current provider financial systems and administrative effort.

Is this information required with the intention of holding information on individual care recipient budget balances that can be accessed by interested parties, including care recipients, thereby reducing regulatory-driven administrative costs incurred by providers that are eroding package funds; or is the information being sought to give the Department 'a line of sight' into what services are being provided under the home care program? If it is the former, as well as additional administrative complexity, it would be a source of complexity and potential confusion for consumers and family members by needing to have an ongoing relationship with both DHS and their provider. If it is the latter, it should be openly acknowledged and the merits of this approach assessed against other reporting options, including existing reporting arrangements. Similarly, if this information is being sought to support an auditing process, it also needs to be openly assessed against other auditing options.

A related question that arises from the above which is not addressed in the proposal, and has significant administrative implications, is the granularity of information expected to be included in each claim for payment for services provided. For example, it is unclear what is meant by "amount of services provided". Clarification is needed on this aspect, including whether it includes accrued purchases such as capital items, as it has implications for system design and business arrangements.

CHA also notes the proposal that in February 2021 all providers will be required to advise DHS the amount of unspent subsidy funds held by each care recipient. Such reconciliations of the components of unspent funds are normally undertaken when a care recipient ceases using their package in order to determine what refunds/transfers are due and to whom. Undertaking this reconciliation for all care recipients at once will involve significant upfront administrative costs for

providers given the need to engage additional temporary staff to separate the basic daily fee and income tested fee component of unspent funds.

To establish an accurate database that is reconciled between the DHS payment system and provider's payment system will be complex and time consuming. Significant changes require over a year of preparation for systems to adjust and be correctly audited. Balances are only ever accurate at a point in time during service and then at discharge. Whilst providers know the total of unspent balances at any time, they will need to sort through thousands of care recipients to separate the basic daily fee and income tested fee components.

In addition, CHA suggests that the timeframes to allow for Departmental and business software vendor changes may be too short, including as a result of the uncertainties referred to above. A conservative approach to making allowances for the timelines for these changes is necessary, and only after careful consultations with software vendors.

CHA recommends that a way forward is to conduct a small representative and Commonwealth funded pilot to trial the new arrangements, especially for phases 2 and 3. A pilot would allow an opportunity to trial the new DHS and vendor-adapted systems that will be required, allow for refinements prior to going live, and avoid potentially costly implementation risks.

Noting the history of advance payments in the sector, the working capital implications and significant administrative and software costs that providers will incur in transitioning to a payment in arrears business model, CHA considers that there is a strong case for financial assistance to support the transition by providers. CHA's preferred option for meeting this assistance would be for an equivalent percentage of unspent subsidy funds, say 10%, be provided to serve as a transition assistance payment.

Finally, home care providers are already under pressure from the government and consumers about the cost of administering the individualised approach to home care services. It will be vitally important that the arrangements for payments in arrears do not add to administrative costs and consume even more of individuals' package amounts.

Yours faithfully



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14 November 2019