



Improving Choice in Residential Aged Care – ACAR Discontinuation

Summary Discussion Paper, September 2021

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Introduction

This paper provides a detailed discussion of the key issues about Improving Choice in Residential Aged Care and includes a range of questions for you to answer. A detailed version is available at <https://consultations.health.gov.au/ageing-and-aged-care/improving-choice-in-residential-aged-care>, which includes the same discussion questions.

You can respond to the questions outlined in this paper by using the survey at https://healthau.au1.qualtrics.com/jfe/form/SV_ey851Bqfy0jFPme.

As announced in the 2021-22 Budget, Australian Government is investing \$17.7 billion into an aged care reform package. These measures will produce a once in a generation reform of aged care, providing respect, care and dignity to our senior Australians. In response to the recommendations of the Royal Commission into Aged Care Quality and Safety's final report, the new aged care system will put senior Australians' needs first and deliver high quality and safe care.

As part of the aged care reform package, the Australian Government announced that no further Aged Care Approval Rounds (ACAR) would be held following the conclusion of the current round. Instead, from 1 July 2024 residential aged care places will be assigned directly to senior Australians, giving them more control to choose an approved provider that they deem is best able meet their care needs. Funding will still be allocated directly to a person's single provider of choice.

Alongside the broader package of reforms, this will restructure residential aged care and generate a more consumer-driven market where the success of individual providers will be determined by their quality and responsiveness to clients.

Consultation

The Department will undertake a range of consultation activities until the end of 2022 allowing the opportunity for all interested stakeholders to help guide these important reforms as they progress.

The scope of this consultation is not on the decision itself, but on how to design and implement the change in a way that best supports senior Australians and providers.

The first phase of consultation will focus on the key aspects of reform including the consumer journey through the residential aged care system, the roles and responsibilities for market stewardship, provider viability and transitional arrangements. Workshops will also be held with senior Australians, aged care providers, assessors, peak bodies, advocacy groups and other interested parties.

The Department invites feedback and ideas in relation to the issues raised in this paper.

You are encouraged to share your views, and provide the evidence and insights that underpin them by responding to the survey via [our consultation hub](#).

Submissions will be accepted until 14 November 2021.

Further opportunities will be provided later in the consultation phase for interested parties to provide views on more detailed design aspects, and to help guide the approach to transition and risk mitigation.

Context

Aged care reforms

The Australian Government has announced a wide range of reforms to ensure that the aged care system provides high quality and safe care for senior Australians. This is in response to the recommendations of the Royal Commission into Aged Care Quality and Safety's final report. These reforms will create an aged care sector that: is simpler to navigate, with face-to-face services to find care; empowers senior Australians to make informed choices; is strongly regulated; is more transparent; makes sure providers are accountable; and values and grows the aged care workforce.

As part of these reforms the Aged Care Approval Round (ACAR) will be discontinued and a more competitive market will be introduced by allocating residential aged care places directly to senior Australians.

A summary of the key related projects is included at [Attachment A](#).

Further information can be found at [Aged Care Reforms](#).

The current approach

The ACAR is a competitive application-based process which enables existing or prospective approved providers to apply for Australian Government-subsidised places. The ACAR has been run five times in the last eight years, during which time over 53,000 new places have been allocated.

The most recent ACAR allocated 4,098 residential places on 30 July 2021. This was the last round to allocate permanent residential aged care places before a new system is implemented by 2024.

Separate arrangements will be implemented to allocate capital grants and Short-Term Restorative Care (STRC) places, which were previously allocated through the ACAR. Access arrangements for residential respite will also be changed (refer to [Attachment A](#) for further information).

The case for change

The current ACAR process does not support a consumer driven market. Several reviews have supported discontinuing the ACAR, in favour of allowing more choice and control for consumers.

Discontinuing the ACAR and allocating residential places to consumers will support consumer choice and control. It will allow the market to better adapt to consumer preferences and is expected to drive improved innovation and quality through more competition.

Providers will no longer be dependent on obtaining places through the ACAR process which will reduce red tape and allow them more control over their business decisions, including where to operate and how many people to offer care to. They will be able to compete on price, quality and innovation in models of care and accommodation to attract consumers. This will strengthen the residential aged care market by allowing new providers to enter and supporting existing high quality providers to expand their service footprint.

The residential aged care system is not a fully functioning market and the new system will require a strengthened stewardship role by Government. This will include supporting informed choice, regulating providers, supporting access to suitable care, and mitigating the risks associated with the removal of the ACAR.

Policy outcomes

A new system will be implemented to meet the following policy outcomes, alongside other reforms.

- Senior Australians who need residential aged care will have the choice to enter into care with an approved provider that they judge best meets their needs.
- Senior Australians will receive simple information to make more informed decisions about who delivers their care.
- Entry to residential aged care will be straightforward - Senior Australians will be able to enter residential care when they need it.
- Providers will be responsive to the needs of senior Australians and will have an incentive to deliver high quality and more innovative models of care.
- Existing and new providers will have greater control over their business planning and investment decisions. They will have the flexibility to offer services in more locations, and to care for more people.
- There will be reduced administrative burden for providers.

The consumer journey

Aged care assessments

Access to residential aged care will be determined by an independent assessment of consumer need.

New aged care assessment arrangements will be introduced prior to 2024, which could consider how urgently someone needs residential care. This could consider:

- the persons health needs relative to other consumers
- their current care setting (including if they are in a hospital setting, or a setting that doesn't cater to their urgent health needs)
- the sustainability of their current supports (including formal and informal care and supports).

It is proposed that consideration of urgency be included in the assessment decision as guidance only. It would help providers and others (for example care finders) prioritise which people to assist first. However, it would not be used for the purposes of assigning residential aged care places. The intention is that everyone will get a place immediately following their assessment regardless of their urgency.

An indication of whether the person identifies with a special needs group or has additional cultural or other special needs might also be considered as part of the assessment. This would also be used as a guide only, but it may help to identify the particular needs of certain groups as early as possible, allowing providers and others to cater for these needs as part of their care offering.

Question 1: Should aged care assessments consider the person's urgency for care?

Question 2: Should aged care assessments consider whether a person is from a special needs group or has additional cultural or other special needs?

Assignment of places

It is proposed that everyone that is approved for residential aged care would be automatically assigned a place. They would be free to use the place in any region they want, with no time limits.

Providers would retain control of who they accept into care using their own intake and prioritisation approaches. This may create some risk of reduced access for people as those who are more desirable could be prioritised over others (for example, based on their care needs, circumstances and/or capacity to pay higher accommodation prices). However, this is expected to be limited given there will be a more competitive market, where the supply of places is not limited by the ACAR and where providers will need to meet the needs of consumers in order to maintain (or increase) occupancy. The new residential aged care funding model will also help ensure the care needs of residents are adequately funded.

There may be localised situations where providers do not have enough spare capacity to meet local demand, regardless of how many places have been made available through the assignment system. It is proposed that these issues are best addressed through structural adjustment support and better stewardship of the residential aged care market, including the range of measures discussed below.

Question 3: What should be considered when assigning residential aged care places? Should time or location restrictions be introduced?

Question 4: Could the assignment system be designed to mitigate localised supply issues?

Supporting informed decision making by consumers

It is important to support informed decision making by providing consumers and their families with appropriate information, educational material and support in a format that can be easily understood.

Information is already provided in the current system to help people make choices. A range of important improvements will also be made including:

- the introduction of star ratings for residential aged care facilities
- increased face-to-face support through Services Australia service centres and a network of Care Finders
- trusted face-to-face support and assistance for Aboriginal and Torres Strait Islander people to better navigate and access care
- increased advocacy, support, and education through an expanded National Aged Care Advocacy Program
- enhancements to My Aged Care
- more transparent accommodation information through a new residential aged care accommodation framework.

It is expected that this increased level of support will be sufficient to allow people to make an informed choice of their residential aged care provider. This will be reviewed on an ongoing basis.

Question 5: Are any additional measures or information needed to support informed choice?

Entry and exit

Once a person has selected a provider of choice they will finalise any ongoing arrangements directly with that provider, noting that many of these details will have been discussed as part of the selection process.

Government funding will still be issued directly to the provider on the consumer's behalf.

The new system will better support people that wish to move between aged care homes. People will have control of their residential aged care place and will no longer be required to accept a home with a free place allocated under the ACAR. People who do not wish to move will continue to be supported by security of tenure requirements, which will provide them security over their place and ensure they won't be unreasonably asked to leave.

Question 6: How can people be supported to move between aged care homes if they want to do so?

Market stewardship

It is acknowledged that in many ways the residential aged care system is not a true functioning market and that market forces cannot be relied upon by themselves. It is also important not to apply a one-size-fits-all approach because services in certain places, or for certain groups of people, may lack viable market forces to ensure good services are available. The new system will require a strengthened stewardship role by Government.

Ensuring quality care

Government will continue to ensure the quality and safety of providers on an ongoing basis, including through the functions of the Aged Care Quality and Safety Commission.

Under the current arrangements, the ACAR does provide some scrutiny on the quality of providers. For example, in allocating places the Department will consider the expertise and experience of the applicant, including (if relevant) its conduct as an approved provider and any sanctions or non-compliance. There is also an extra level of scrutiny applied via the requirement for providers to seek approval to make an ACAR place operational.

These steps will be removed with the cessation of the ACAR, but could be combined into the existing Aged Care Quality and Safety Commission functions if required. It could also form part of a strengthened regional stewardship role by the Department.

The discontinuation of the ACAR may require an increased focus on compliance. For example, the reduced barriers to entry may result in an increase in new entrants with limited aged care experience, or a significant expansion of services from existing providers.

Question 7: Should the existing quality and safety functions be expanded or redesigned to address any potential gaps arising from the removal of the ACAR?

Ensuring access to residential aged care

On a national level, the supply of residential aged care places is expected to be greater than demand. However, there may still be localised situations where the availability of beds is limited.

The Government currently uses conditions of allocation to target the provision of residential care to people with special needs, including people in rural and remote regions. Despite many places being approved with conditions of allocation, the current approach has significant limitations, with the 2020 Impact Analysis: Alternative Models for Allocating Residential Aged Care Places (Impact Analysis) finding no evidence to suggest that conditions of allocation are effective in supporting access for special needs groups.

It is proposed that conditions of allocation be removed as part of the discontinuation of the ACAR. Access will instead be supported through a range of more targeted interventions.

There will be a significant investment in capital funding to make the aged care system more accessible for senior Australians with special needs. This includes Aboriginal and Torres Strait Islander people, those who are homeless or at risk of homelessness, and those living in regional, rural, and remote Australia. Funding will enable aged care providers to make needed improvements to their buildings and build new services in areas where senior Australians currently do not have access.

There will be investment to improve Aboriginal and Torres Strait Islander consumer experience, uptake and access to aged care services. This will include providing face-to-face navigation support and encouraging providers that currently offer culturally appropriate care to Aboriginal and Torres Strait Islander people to expand into aged care service delivery. Professional support will also be provided to providers to improve their workforce capability and financial sustainability. In addition, existing programs such as the National Aboriginal and Torres Strait Islander Flexible Aged Care program, and the Multi-Purpose Services will be expanded.

The Government is also strengthening the governance of aged care by creating a local network of Department of Health aged care staff. This will enable a focus on improving senior Australians' local experience of aged care services and will ensure that national planning and policy development is informed by an understanding of local issues and needs.

There may also be a need to explore and introduce alternative models of care where there is a risk of market failure. This could be done as part of the local stewardship role and would include collaboration with a range of local stakeholders and partners to develop the best approach for the local region.

These investments coincide with and complement the rollout of the Australian National – Aged Care Classification (AN-ACC) funding model which will deliver more equitable funding outcomes and better distribute funding based on associated care costs for different residents.

Question 8: What measures would further ensure providers cater to people with special needs or additional cultural needs?

Market intelligence

As is the case now, providers will need to undertake their own strategic planning and market analysis to guide their business decisions, and to determine what services people want, where services are needed, and which groups of people will be looking for care both now and in the future.

Government will assist providers in this role by making information available to support sound decision making. This could include information on:

- the number of consumers in care
- demand and supply, including for groups with special needs and additional cultural needs
- consumer behaviour
- occupancy/vacancy levels
- the number of providers.

Question 9: What information do providers need to help support decision making?

Oversight of provider viability and management of sector rationalisation

Government will have a strengthened role in the new system to ensure that the risk of provider failure is identified earlier and that providers are supported through a transition, sale or closure, or are provided business improvement support where required.

Current programs will be strengthened through the phased introduction of a new financial and prudential monitoring, compliance and intervention framework from 1 July 2021 and enhanced capability to monitor and respond to the risks of provider failure, in line with recommendations by the Aged Care Royal Commission.

The new framework will increase Government oversight of providers' financial performance, build the financial resilience of the sector, and boost Government's powers to address underperforming providers.

A Structural Adjustment Program (SAP) will also be established to provide grant support to assist providers to improve, or where more appropriate, to sell or exit the market.

Providers will be further supported with independent business advice to improve their capacity and capability to sustainably deliver quality care through the existing Business Advisory Services (BAS) and the Remote and Aboriginal Torres Strait Islander Aged Care Service Development Assistance Panel (SDAP). The BAS will also be expanded to include a new workforce planning stream to support providers to develop a plan to attract and retain staff.

Provider viability

Accounting for the removal of bed licences

It is accepted that discontinuing the ACAR will impact the value of bed licences and that this will need to be managed by providers. This may create some risk for providers on a short-term basis but is not expected to impact the overall viability or sustainability of the sector. Many approved providers have already removed bed licences as an intangible asset, and they make up a small percentage of the sectors total assets.

The Australian Securities and Investments Commission (ASIC) has released frequently asked questions (FAQs) on the accounting treatment of bed licences. This includes consideration of how the discontinuation of the licences may affect any asset for bed licences appearing on a provider's statements of financial position in the lead up to 1 July 2024. The ASIC FAQ is available at [ASIC FAQs](#) (see FAQ 9D).

This impact may be more significant for a small number of providers that have a greater reliance on the asset value of bed licences. These providers will be supported through the range of financial resilience and market adjustment measures outlined above.

Further measures to mitigate the risk of the removal of bed licences may be considered where necessary. However, at this stage there are no plans to provide direct compensation to providers for the removal of licences. This is because licences are provided by the Government at no cost, and businesses providing quality services are expected to continue to attract residents.

Question 10: What impact will the removal of bed licences have on the sector?

Occupancy and viability

The removal of the ACAR will require providers to restructure their business models to operate in a competitive market and to meet consumer preferences. Well managed, high quality providers are expected to adjust positively - especially considering other related measures being put in place to address overall sector viability.

However, there may be some providers that have an artificially high occupancy under the ACAR, who may experience reductions in occupancy as a result of increased competition.

A range of business support and transition initiatives are being introduced to manage these risks. These measures will ensure that the risk of provider failure is identified early and that providers are supported through a transition, sale or closure, or are provided business improvement support where required.

Question 11: Are there further measures that may help to mitigate risks arising from the removal of bed licences?

Investment decisions

The Impact Analysis concluded that the removal of bed licences as an intangible asset is not expected to have a material impact on lending decisions. They found that lenders generally do not consider the balance sheet value of places when making lending decisions.

Although the removal of bed licences as an intangible asset may not significantly impact lending decisions, there may be an impact from the reduced certainty of occupancy that results from a more competitive market.

The Department will undertake targeted consultation with sector lenders, investors and banks on the impact that the combined changes will have on their lending and investment behaviour.

Question 12: What impact will the removal of bed licences have on investment decisions?

Question 13: Are there any additional issues that should be considered in relation to lending and investment decisions?

Transitional arrangements

There will be a transitional period between the last ACAR in June 2021 and the introduction of the new assignment system in July 2024.

On 30 July 2021, 4,098 places were allocated through the 2020 ACAR. In recognition that the ACAR would cease following the conclusion of the 2020 round, the Department allocated an additional 2,098 places beyond what was initially announced. This will contribute to ensuring the supply of residential care places over the next three years.

The 2020 ACAR was the final ACAR, therefore places will no longer be allocated through an ACAR process. However, the Department will implement transitional arrangements that will allow providers to apply for places outside of a traditional ACAR round. Providers that bring developments online and can offer care immediately, but do not have bed licences, will be able to apply to the Department for the allocation of operational places. Further detail of these transitional arrangements will be advised in the coming months.

Places management

It is proposed that existing ACAR places management requirements will be streamlined during the transitional period, before ceasing from 1 July 2024. These requirements include the need for providers to:

- receive approval before making a place operational
- apply for extensions to provisional places
- notify of the transfer and variation of places

There will still be an ongoing oversight role of Government and regular communication will need to continue between providers and the Department of Health. This will be helped by the improved regional stewardship role outlined above.

The licence exchange market may continue to operate in the transitional period, before ceasing from July 2024. However, the licence exchange market is expected to be weak given the now diminished value of bed licences and their limited lifespan of three years.

Extra Service Status is proposed to be removed from 1 July 2024 and replaced with a strengthened additional services fee framework.

Considering the current requirements of the *Aged Care Act 1997* for the management of residential aged care places:

Question 14: What processes could occur between now and 30 June 2024 to allocate places to providers when they are ready to deliver care immediately?

Question 15: What transitional arrangements could be in place between now and 30 June 2024 for the management of provisional places and operationalising provisional places?

Question 16: Do you think that Extra Service Status arrangements should be discontinued from 1 July 2024?

Next steps

Submissions to this paper

The Department invites feedback and ideas in relation to the issues raised in this paper.

You are encouraged to share your views, and provide the evidence and insights that underpin them by responding to the survey via [our consultation hub](#).

While the review will focus on the themes outlined above, we acknowledge that there may be other issues that these do not cover. We invite submissions on those areas that are within the scope of the review, based on the content and questions outlined in this discussion paper.

Submissions will be accepted until 14 November 2021.

Future consultations

Targeted workshops will be held in the second half of 2021 to further discuss the introduction of consumer choice and control within residential aged care. This will supplement the views provided through this consultation paper.

For more information about when and where consultation sessions will be held, and how to register please visit [our consultation hub](#).

Further opportunities will be provided later in the consultation phase for interested parties to provide views on more detailed design aspects, and to help guide the approach to transition and risk mitigation.

Ongoing information will also be provided at [health topics](#).

Attachment A – Related measures

Residential aged care funding and sustainability

A new Australian National Aged Care Classification (AN-ACC) funding model for residential aged care will be implemented from 1 October 2022. This will provide fairer and more equitable funding, and will support the sector to deliver high quality care. Providers will benefit from a more stable and efficient funding model that provides expenditure certainty. Residential aged care services which operate in rural and remote regions, and those which service Indigenous and homeless populations will benefit from a more equitable distribution of funds.

There will also be an investment of additional funding to support basic living costs (through a \$10 per resident per day Basic Daily Fee supplement) and a continuation of the 30 per cent increase to the homeless and viability supplements.

In addition, funding will be provided to increase the amount of front-line care delivered in line with care time standards.

Home Care and a new Support at Home Program

An additional 80,000 home care packages will be released in 2021-22 and 2022-23. This reflects the increasing preference of senior Australians to stay at home for longer, and is likely to have an impact on the demand for residential care. The issue of supply and demand for residential aged care is discussed below.

A new support at home program will then commence in July 2023. This will replace the Commonwealth Home Support Program, the Home Care Packages Program, Short-term Restorative Care and residential respite. This program will be developed in consultation with senior Australians and community stakeholders.

Residential respite

Changes are being made to residential respite in two ways. Firstly, from July 2023 access to the program will occur as part of the new support at home program. The design of these arrangements are subject to consultation, but it will mean that access to residential respite is no longer dependent on places being allocated through the ACAR. Secondly, there will be increased funding to align residential respite funding arrangements with the new residential aged care funding model. This will give providers increased incentives to offer residential respite services.

A new Aged Care Act

A new Aged Care Act will be introduced to support greater choice and control for senior Australians over the care and services they receive. It will establish provisions for eligibility for care, funding arrangements and regulatory powers. The new Act will be in place prior to places being assigned directly to consumers in 2024.

Access to aged care for First Nations people and special needs groups

A range of measures are being introduced to ensure the aged care system is more accessible for those with special needs and additional cultural needs, including First Nations people, those who are homeless or at risk of homelessness and those living in regional, rural and remote Australia. Measures include capital investment and more support and resources where delivery costs are higher and service viability is being compromised.

Connecting senior Australians to aged care services

New face-to-face services will be provided for senior Australians. This will include additional support within Services Australia service centres, and a network of local Care Finders. This support will be essential in assisting people make informed decisions on their choice of provider.

Single assessment workforce

A single assessment workforce will be introduced to improve the assessment experience for senior Australians. This will include funding assessments for residential aged care (from October 2022) and eligibility assessments for residential aged care and the support at home program (from July 2023).

Star ratings

The Government has announced that star ratings will be published on My Aged Care by the end of 2022, providing performance information for people seeking residential care. Star ratings will allow older people and their families to make meaningful comparisons of the quality and safety performance of services and providers, based on clinical and quality indicators, staffing levels, consumer experience, and service compliance ratings.

Reforming accommodation settings

The Department are consulting with senior Australians and the aged care sector to develop a new residential aged care accommodation framework, for commencement in July 2024. New design standards would be developed to ensure safe and user-friendly environments for residents. The standards will address accessibility and dementia-friendly design in residential aged care, as well as the role of smaller group home models, reablement and respite settings.

Transition care

Transition care provides short-term specialised care and support to help people regain functional independence and confidence following a hospital stay. Transition care will continue to be offered in residential aged care facilities where appropriate.