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FEEDBACK SUBMISSION – AGED CARE RULES 2024 – STAGE 2A

Date: 5 December 2024

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PURPOSE

The purpose of this document is to provide feedback as part of the consultation process in relation to the consultation draft of the Aged Care Rules 2024 – Release 2a.

FEEDBACK

We at [redacted], a large, dedicated home care provider for over 30 years, welcome the opportunity to provide feedback on the proposed Aged Care Rules 2024. We have concerns in relation to clause 273B (Requirements for prices charged) of the draft Aged Care Rules 2024. While we understand and support the intent to ensure fairness and affordability for clients, we are concerned about the unintended consequences of this policy that may negatively impact both clients and providers.

Rule 273B of the consultation draft the new Aged Care Rules states that registered providers can only charge a maximum 10% mark-up on prices from associated providers (e.g. sub-contractors) if the individual "directly sourced the delivery of the service at a particular price from an associated provider".

The relevant section of the Aged Care Rules 2024 reads as follows:

> 273B Requirements for prices charged
>
> For the purposes of subsection 273(4) of the Act, the requirements for the price charged by a registered provider to an individual for the delivery of a funded aged care service are that:
>
> a) if the subsidy basis for the service is efficient price or unit price—the price charged by the registered provider must not exceed the final efficient price for the service; and
>
> b) if the individual directly sourced the delivery of the service at a particular price from an associated provider of the registered provider—the price charged by the registered provider must not exceed 110% of that particular price

Registered providers will not be able to claim the efficient price for sub-contracting arrangements where Rule 273B(b) applies and will therefore not be able to fully recover administration and overhead costs.

Key Concerns and Unintended Consequences

1. **Service Quality and Accessibility**
    - The 110% cap will not adequately account for the actual operational costs incurred by providers
    - A strict limit on cost recovery could force providers to reduce the service offerings and risk leaving vulnerable clients without the care they need.
    - It is unrealistic to expect providers to be able to offer the full range of services in every location across the country. Every provider will need to support brokerage arrangements to meet the strengthened standards. This cap will hinder providers ability to operate within the new Aged Care Standards.
2. **Increased Administrative Burden**
    - Calculating costs based strictly on brokerage fees adds complexity to billing systems and required detailed record keeping, increasing administrative overheads. The indirect costs will be unrecoverable under the proposed cap.
3. **Inflexibility for individual needs**
    - Clients often require tailored and specialised services beyond typical service offerings. This cap will hinder the providers ability to offer these essential services and may result in clients entering Residential Care prematurely. For example, complex health conditions, behaviour management or neurological conditions.
4. **Reduced Competition and Innovation**
    - Providers will struggle to operate within the 110% limit, reducing competition and innovation in the sector. In particular those providers that offer different innovative operating models that offer clients true choice.

Given that registered providers will not be able to charge Package Management fees under Support at Home, they will need to recover administration and overhead costs via the gross margin from service delivery. Our understanding is that IHACPA will take the administration and overhead costs of registered providers into account when recommending efficient prices for Support at Home. However, if registered providers are not able to claim the efficient price and will be limited to a 10% mark-up on sub-contractor costs in cases where 273B(b) applies, those sub-contracting arrangements will become financially unviable.

As a general principle of fairness, providers should be able to charge the same maximum price for an identical service at an identical quality, irrespective of what employment / service delivery model they choose (direct labour vs. sub-contractor model). This is similar to the “same job, same pay” principle.

The below table is an illustrative example to demonstrate that registered providers would be unfairly disadvantaged under a sub-contractor model if they could only charge a 10% mark-up. The illustrative example is based on the following underlying assumptions:

- The total cost-to-serve is the same for both a Direct Labour and a Sub-Contractor model.

- Under a Sub-Contractor model, the registered provider will incur fewer (or no) costs in relation to rostering, training, supervision, recruitment, etc. as this is outsourced to the sub-contractor.

- However, as these costs are incurred by the sub-contractor, the service delivery cost invoiced by the sub-contractor is therefore higher than the pure service delivery direct labour costs under the Direct Labour model.

Example

Service Delivery Model	**Direct Labour Model**	**Sub-contractor Model**	
Price Cap	**Efficient Price**	**Efficient Price**	**110% of sub-contractor invoiced price**
Revenue	**$95**	**$95**	**$77**
Total Cost-to-Serve	**$90**	**$90**	**$90**
Service Delivery incl travel etc. *	$55	$70	$70
Rostering, Training, Supervision, Recruitment, etc.	$15	$0	$0
Other Admin Cost and Overheads	$20	$20	$20
Profit Margin	**$5**	**$5**	**$-13**

*Note: The Service Delivery cost under the sub-contractor model includes the cost of rostering, training, supervision, recruitment, etc.

Proposed Recommendation

To address these concerns while maintaining the legislation's intent, we recommend an amendment to the wording to reflect self-management. A mark-up pricing model would be viable under a true self-management arrangement, where the individual not only chooses an associated provider to receive services from but also independently arranges service delivery by directly communicating with the associated provider to schedule, re-schedule, and cancel services, as well as confirm service delivery, review associated provider invoices, etc.

Therefore, we are proposing that 273B(b) be amended to read:

Rule 273B(b) – with proposed amendments in bold text

if the individual ***– under a self-management arrangement -*** *directly sourced the delivery of the service at a particular price from an associated provider of the registered provider—the price charged by the registered provider must not exceed 110% of that particular price.*

For the purposes of this clause 273B(b), a self-management arrangement is defined as an arrangement where the individual, in agreement with the registered provider, is responsible for all aspects of sourcing the delivery of the service from an associated provider, including direct communication with the associated provider to schedule the service delivery, confirm delivery of service, and review associated provider invoices.

In summary, we support measures that promote fairness and transparency in home care but we urge a reconsideration of the proposed 110% cap to avoid any unintended consequences. We believe it is important to amend Rule 273B as proposed to ensure registered providers can plan and operate with certainty in relation to their revenue model and to allow for a variety of financially viable operating models under Support at Home, including the use of sub-contractors.

By implementing flexible, balanced policies, we can ensure the sustainability of home care services while maintaining high quality care that clients deserve.

Thank you for considering our feedback. We remain committed to collaborating on solutions that best serve the needs of all stakeholders in the home care sector.