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Executive summary

In January 2014 the Assistant Minister for Social Services requested the Aged Care Financing Authority (ACFA) provide advice on options to improve the collection of appropriate financial data from aged care providers, including options to rationalise financial reporting requirements, by 30 September 2014.

ACFA had previously noted in its inaugural annual report that the scope, quality and resultant usability of the General Purpose Financial Reports (GPFRs) submitted by providers through the current reporting regime do not meet the information requirements of ACFA in order to fulfil their role as detailed in their Charter and Operating Framework.

In reviewing the current state of financial reporting for aged care providers, ACFA found that:

- Providers are required to report separately for each of the aged care programs (residential care; home care and Home and Community Care [HACC]), with these reports being submitted in different formats to meet financial reporting and compliance requirements;
- Different reports are submitted across different reporting periods;
- Reports are submitted using a variety of submission methods, including pre-filled forms, electronic submission, email and hard copy;
- All financial reports are required to be audited regardless of risk.

There is an opportunity to reduce the cost and complexity of financial reporting, and improve the quality and usability of financial data to meet the requirements of both the ACFA and the Department of Social Services (the Department). ACFA envisages a future state for financial reporting by aged care providers where:

- Financial reporting is simplified so it costs less and is easier to comply with.
- The financial data collected is meaningful and useful.
- Financial data is drawn from the natural business data held in provider’s financial systems.
- Data collected is leveraged to improve knowledge and mitigation of risk.

ACFA recognises the Department has already taken steps to reduce the cost and complexity of financial reporting, and the recommendations in this report build on the work already underway.

The centre piece of the future state for financial reporting is the adoption of a single Comprehensive Financial Report (CFR) to replace the existing GPFR, the Annual Prudential Compliance Statement (APCS) and Survey of Aged Care Homes (SACH) for residential aged care, and the existing financial report (FAR) for home care. An initial draft of a possible structure for the CFR, which could serve the basis for future discussion and refinement of the CFR with the sector, is provided at Attachment A. The CFR will collect a ‘minimum data set’ of financial information required to meet the reporting requirements of the Department and ACFA. The CFR could commence, for those providers ready to adopt it, in respect of financial and compliance reporting for the 2014-15 year (due to the Department in late 2015) though would not be mandatory until the 2015-16 reporting year.
Once the CFR is in place and the minimum data set is agreed, ACFA recommends the adoption of Standard Business Reporting\(^1\) (SBR) as the mechanism for transferring data between providers and the Department. This electronic exchange of ‘natural business data’ will reduce the effort required by providers to compile and check financial data as well as completing and submitting forms, leading to overall improvements in data quality, efficiency, timeliness and accuracy.

ACFA recommends collection of income and expenditure information at the facility or service level. ACFA notes that the majority (63%) of residential care providers are single facility providers who would be reporting at this level in any event, and 29% have only between 2-6 homes. The additional detail from larger providers would enable proper analysis of issues affecting the sector at different levels, for example, consideration of the impact of regional and other factors on providers.

Where financial data outside of the minimum data set needs to be collected, ACFA recommends this be collected using a representative sample of providers rather than the current Census collection (100 per cent of providers) approach.

ACFA supports the streamlining of grants reporting requirements for HACC based services and grants based programmes that the Department is in the process of adopting. In considering the implementation of those changes and the changes proposed in this Report, it is important that implementation takes into account that some providers offering a multiple range of services will be affected by both changes.

To achieve the future state vision, ACFA recommends the following:

**Over the short term (in place for 2014-15 FY reporting)**

1. The Department to continue the process of reducing the cost and complexity of financial reporting by streamlining financial reporting for Home Care as already announced; simplifying reporting for prudential compliance purposes and synchronising reporting events.
2. The Department to form a design consultation group with home care, residential care and ACFA representatives to:
   a. Assist in the design of the new CFR (an initial draft of a possible structure for the CFR which could serve the basis for future discussion with the sector and development of the CFR is attached (Attachment A to this report).

\(^1\) SBR has been available for use by Australian businesses for financial and payroll reporting since mid–2010. It reduces red-tape by simplifying business reporting to government through the use of harmonised reporting definitions and standardised electronic reporting. SBR is based on the idea that information can be ‘captured once, and used often’ to enhance business efficiency and productivity. SBR works as a by-product of natural business systems, allowing businesses to report through a single online channel to government directly from those systems on a ‘machine to machine’ basis (rather than through a portal), saving time and money and allowing more time for core business activities.
b. Advise on the data items and associated definitions to be collected through the minimum data set.
c. Advise on any data items that need to be collected outside of the minimum data set through representative sampling of providers.

3. Test and roll out CFR reporting to those providers who are ready to adopt CFR reporting for the 2014-15 financial year. Those providers who are not able to move to CFR reporting will continue with GPFR and APCS reporting, including an additional module to collect necessary data previously collected though the SACH.

4. The Government to undertake the necessary changes to the legislative framework.

Over the medium term (in place for 2015-16 FY reporting)

5. Compulsory CFR reporting for residential care providers from the 2015-16 financial year.
6. Discontinue the SACH.
7. Once CFR reporting is in place for residential aged care providers, extend to home care providers.
8. Replace current auditing arrangements with an attestation of compliance.
9. Encourage industry software providers to make the necessary product changes to facilitate CFR reporting.
10. Collect additional data required outside of the minimum data set using a representative sample of providers rather than the current Census collection (100 per cent of providers) approach.

Over the long term (post 2015-16 financial year)

11. Adopt SBR to electronically exchange natural business data, allowing providers to transmit data directly to the Department, improving data quality, efficiency, timeliness and accuracy.
Report on “Improving collection of financial data from Aged Care Providers”

Acronyms

ACFA  Aged Care Financing Authority
ACFI  Aged Care Funding Instrument
ACPS  Annual Prudential Compliance Statement
CACP  Community Aged Care Packages
CDC  Consumer Directed Care
DAP  Daily Accommodation Payment
DSS  Department of Social Services
EBITDA  Earnings before Interest, Taxes, Depreciation and Amortization
FARs  Financial Accountability Reports
FY  Financial year
GDP  Gross Domestic Product
GPFR  General Purpose Financial Report
HACC  Home and Community Care
NPBT  Net Profit before Tax
RAD  Refundable Accommodation Deposit
RSM  RSM Bird Cameron
SACH  Survey of Aged Care Homes
SBR  Standard Business Reporting
SPFR  Special Purpose Financial Report
VIC  Victoria
WA  Western Australia
Background

The Aged Care Financing Authority (ACFA) was established in August 2012 to provide the Minister with independent advice on the impact of pricing, funding and financing arrangements on aged care services. ACFA is required to report annually on the impact of funding and financing arrangements on:

- the viability and sustainability of the aged care sector;
- the ability of care recipients to access quality aged care; and
- the aged care workforce

In its inaugural report, ACFA reported that the quality and resultant usability of the General Purpose Financial Reports (GPFRs) submitted by the providers through the current financial reporting regime are limited in their value for the purpose of undertaking financial analysis and reporting.

ACFA is also required to consider any other matters referred to them by the Minister. In January 2014, the Assistant Minister for Social Services requested ACFA provide advice by 30 September 2014 on options to improve the collection of appropriate financial data from aged care providers, including options to rationalise financing reporting requirements.

This report provides ACFA’s recommendations on cost effective options to improve the collection of appropriate financial data from aged care providers.
Considerations and criteria of determining recommendations

Several considerations informed ACFA’s approach to this project, which are summarised below.

Legislative and statutory compliance

- The Government requires financial information in order to fulfil a range of legislative and statutory compliance requirements, particularly concerning accounting for public funds.

Cost effectiveness and efficiency of preparation by providers

- The Government is committed to reduce the ‘red tape’ burden imposed by unnecessary regulation and compliance requirements.
- Financial data reported by providers to the government needs to fulfil a purpose; otherwise it imposes unnecessary cost and burden.
- Duplication between reports required to be submitted by providers should be removed.
- Any duplication of reporting for those providers who offer a range of aged care programs (residential care, home care and/or HACC) should be reduced where feasible.

The information below shows the distribution of providers by provider size and services offered.

Number of residential aged care providers\(^1\), by provider size, 2012-13

<table>
<thead>
<tr>
<th>Provider size</th>
<th>Number of providers</th>
<th>Number of places</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single home</td>
<td>655</td>
<td>44,615</td>
</tr>
<tr>
<td>Two to six homes</td>
<td>301</td>
<td>53,418</td>
</tr>
<tr>
<td>Seven to 19 homes</td>
<td>63</td>
<td>46,705</td>
</tr>
<tr>
<td>20 or more homes</td>
<td>15</td>
<td>40,543</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1034</strong></td>
<td><strong>185,281</strong></td>
</tr>
</tbody>
</table>

\(^1\) Providers who completed a GPFR for the 2012-13 financial year.

The diagrams below show that close to 1 in 4 providers are providing both residential and home care; and around 1 in 6 providers are providing both home care and HACC services. These providers are currently preparing and submitting multiple financial reports to the Department.
Report on “Improving collection of financial data from Aged Care Providers”

Structure of Residential and Home Care Providers 2012-13

<table>
<thead>
<tr>
<th>No.</th>
<th>Residential Care ONLY</th>
<th>BOTH Residential &amp; Home Care</th>
<th>Home Care ONLY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Providers</td>
<td>805</td>
<td>243</td>
<td>261</td>
</tr>
<tr>
<td>Homes</td>
<td>1,416</td>
<td>1,302</td>
<td>-</td>
</tr>
<tr>
<td>Services</td>
<td>-</td>
<td>1,444</td>
<td>687</td>
</tr>
<tr>
<td>Places</td>
<td>98,686</td>
<td>87,592</td>
<td>-</td>
</tr>
<tr>
<td>Packages</td>
<td>-</td>
<td>42,547</td>
<td>17,761</td>
</tr>
</tbody>
</table>

Structure of Home Care and HACC Providers 2012-13

Improving the value of reporting

- The process, outputs and outcomes of statutory reporting should be consistent with and enhance the broader goals of good corporate management and organisational governance.
- Financial information should inform government policy and allow for the setting of future policy directions.
- Financial information and evidence-based analysis should inform consultation and partnership arrangements between the Government and aged care sector stakeholders.

Consumer and public transparency and reassurance

- Consumers should have access to information which allows them to make informed decisions with respect to choice of providers, services, and associated fees.
As a result of these considerations, the following criteria informed the recommendations for this project:

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Activity</th>
<th>Maintain or improve</th>
<th>Maintain or reduce</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>Meet legislative and statutory compliance requirements</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Provider</td>
<td>Fulfil statutory obligations and compliance activities</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Effort and cost to meet reporting and compliance obligations</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Remove duplication of content or effort across reports</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Usefulness and utility for board and management</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>ACFA</td>
<td>Industry wide scaling, analysis and trend identification</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Consumers and public</td>
<td>Financial and commercial transparency</td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>

This framework led to the specification of five key principles to develop a vision of the future state of reporting for aged care providers:

<table>
<thead>
<tr>
<th>Key Principles for the future state of aged care financial reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. The data collected should have a use and be useful</strong></td>
</tr>
<tr>
<td>Data should only be collected if it has a real and material use in informing policy, supporting partnerships with the aged care sector, managing risk and meeting compliance requirements.</td>
</tr>
<tr>
<td><strong>2. Balance the need for insight with the provider’s effort to supply data</strong></td>
</tr>
<tr>
<td>The need for data and its level of assurance (eg regular audits) should be balanced against the cost to the provider to supply the data and requisite assurance.</td>
</tr>
<tr>
<td><strong>3. Efficient</strong></td>
</tr>
<tr>
<td>The reporting regime should be efficient in both the cost and time taken to support it, and contemplate the transfer of information electronically where feasible.</td>
</tr>
<tr>
<td><strong>4. Simple</strong></td>
</tr>
<tr>
<td>Financial reports should be as simple as possible, easy to understand and easy to complete.</td>
</tr>
<tr>
<td><strong>5. Promote better financial insight within provider organisations</strong></td>
</tr>
<tr>
<td>Financial reporting should focus on measures and formats that are insightful for providers.</td>
</tr>
</tbody>
</table>
Approach

ACFA engaged the services of RSM Bird Cameron (RSM) to assist with this project. Under the guidance of ACFA, RSM undertook a three stage approach covering residential care, home care and HACC aged care services.

The three stages were as follows:

1. Current State Assessment
2. Assessment of Business Needs and Gaps Summary
3. Preferred Options and Recommendations

Stage 1 - Current State Assessment

This stage involved a detailed situation review of the financial reporting requirements of aged care providers, giving particular consideration to the:

- Purpose and content of the reports
- The process involved in developing and submitting the reports, through to use of the information provided in the reports by ACFA and the department
- Consideration of the provider experience in compiling and submitting the reports
- Assessment of how the report fulfilled the objective and purpose of the report

Further detail on the findings of this stage of the project for residential aged care and home care respectively are provided later in the report.

Stage 2 - Business Needs & Gaps Summary

This stage involved assessment of the Stage 1 findings, including discussions with ACFA members, Departmental staff and a small sample of providers to determine their business needs. The discussions covered the following topics:

- The need for information on funding and financing
- The appropriate level of data collection (including provider versus service level)
- The requirements for information to determine viability and sustainability
- Data required for governance and management
- Assessing access to quality care
- Workforce data

Stage 3 – Preferred Options and Recommendations

In this stage, RSM, after detailed consultation with ACFA and the Department, summarised the long term vision for Aged Care financial reporting and outlined an approach and recommendations for achieving it.

This Future State Design and the steps towards realising the benefits of the new vision reporting regime are further expanded throughout this report.
Residential Care

Current State Assessment

Residential aged care providers are currently required to submit two annual forms containing financial information; the General Purpose Financial Statement (GPFR) which has been externally audited; as well as an Annual Prudential Compliance Statement (APCS).

In addition, residential aged care providers are required to complete the annual Survey of Aged Care Homes (SACH).

General Purpose Financial Reporting

GPFRs collect general financial information from residential aged care providers, providing the Department with financial performance data and information for the purposes of setting industry policy and to help identify providers at financial risk. The Department utilises GPFR data to measure and flag provider risk, financial viability, ability to meet bond liabilities and potential breaches. Data are also analysed and used within the Department for policy development and industry modelling.

Providers submit their financial statements at the Provider and aged care Segment levels rather than through a Departmental template. The Department does publish a Suggested Segment Information (SSI) template; however it is not compulsory for the information to be reported using the template. The statements are required to be externally audited and due for submission to an external third-party by 30 October annually.

ACFA uses the GPFR data in analysing the viability of the residential aged care sector within its annual report. GPFR data is also fed back to the industry via an online benchmarking tool.

Consumers can request a copy of a provider’s audited financial report for the previous financial year in respect to the residential care service provided, if they are either a recipient of the service provided or approved as a recipient of residential care and considering receiving residential care through that service.

Annual Prudential Compliance Statement

Residential aged care providers who hold or have previously held accommodation bonds or entry contributions are required to annually demonstrate their compliance with the Prudential Standards in accordance with the Aged Care Act 1997 by submitting an Annual Prudential Compliance Statement (APCS) and an audit opinion to the Department.

The Department mails an APCS form to providers each year. Out of the 19 pages that comprise the form, four of these contain financial information.
The form is completed and externally audited, and then returned to a third party provider who provides the information to the Department after conducting a quality check. The Department analyses the APCS data to assess provider compliance and measure and investigate any potential or actual breaches.

**Survey of Aged Care Homes**

Residential aged care providers are required to complete the Survey of Aged Care Homes (SACH) annually for each residential aged care facility they operate. The SACH collects information on accommodation payments and building activity data from the previous financial year. This information/data is collected for the *Report on the Operations of the Aged Care Act 1997 (ROACA)* that is required to be tabled in Parliament by 30 November each year.

Surveys are distributed in July each year and can be completed online, electronically or in hard copy.

The data is collected by a contractor on behalf of the Department who collates, quality assures and follows up data with providers. The survey data is analysed within the Department and used for reporting purposes and policy development.

**Business needs and gap summary**

A review of the gaps between the data available through the current financial reporting arrangements (GPFR, APCS and SACH) found that current reporting does not provide sufficient information to adequately ascertain the following:

- Measures of sustainability for the residential aged care sector, including investment and reinvestment of facilities.
- Measures of viability for the residential aged care sector, including details regarding provider debt and debt servicing.

**Future State Design**

The *Future State Design* may be illustrated as follows:

<table>
<thead>
<tr>
<th>Current State</th>
<th>Future State Vision</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Residential Care</strong></td>
<td>• Comprehensive Financial Report (including attestation)</td>
</tr>
<tr>
<td>General Purpose Financial Statement (externally audited)</td>
<td>• Sampling of providers for any additional data required outside of the minimum data set</td>
</tr>
<tr>
<td>Annual Prudential Compliance Statement</td>
<td></td>
</tr>
<tr>
<td>Survey of Aged Care Homes (100 per cent of providers)</td>
<td></td>
</tr>
</tbody>
</table>
Transition from Current State to Future State

The transition for reporting by residential aged care providers will commence by synchronising the submission deadline for the GPFR and APCS to 31 October.

Next, the current GPFR and APCS reports will be replaced by the Comprehensive Financial Report (CFR). Coinciding with this, the audit requirements will be removed, and replaced with attestation by an appropriate responsible officer of the entity. The Commonwealth would retain its power under the Aged Care Act 1997 to seek further information from individual providers as necessary.

The CFR will include any necessary data items from the SACH that are not available from other data collections, so that the SACH can be discontinued. To prepare for discontinuation of the SACH from the 2015-16 financial year, the 2013-14 SACH was substantially revised consistent with the intention to collect the necessary data through the CFR.

The development of the CFR will be with the intent to eventually adopt the automated SBR framework.

<table>
<thead>
<tr>
<th>Future State</th>
<th>Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short Term (FY 2014-15)</td>
<td>Synchronise APCS and GPFR reporting into a single submission event on 31 October.</td>
</tr>
<tr>
<td>Medium Term (FY 2015-16)</td>
<td>Adopt CFR to replace GPFR, APCS and SACH. Remove the auditing requirements and replace with attestation.</td>
</tr>
<tr>
<td>Long Term (post 2015-16 FY)</td>
<td>Adoption of the Standard Business Reporting framework</td>
</tr>
</tbody>
</table>

Financial information to support Transfer of Places applications

The Department currently receives financial information to support applications for transfers of residential care places. ACFA recommends the Department reconsider the need and type of financial information collected for this purpose with a view to rationalising or removing the information requirements as appropriate.

Next Step

Short term

The recommendations to reach the future state in the short term have already commenced, and will take effect from the 2013-14 financial year.

Medium term

The next step is to form a design consultation group with the sector which will be tasked with developing the content of the CFR, including the data items, definitions and notes to replace the
GPFR, APCS and SACH reporting requirements. There will then need to be a testing period to allow the Department to make necessary changes to processing and submission requirements; and for providers to adjust their current reporting arrangements. At the same time necessary modifications to the legislative framework for the transition to CFR reporting will need to be progressed.

This work would be undertaken with a view to rolling out the new CFR reporting in March 2015, in time for the 2014-15 financial year (reporting due to the Department in late 2015) for those providers who are in a position to adopt CFR reporting within this timeframe.

The move to compulsory CFR reporting for all providers will take place from the 2015-16 financial year. This transition period will also allow sufficient time for industry software providers to make necessary changes to move to CFR reporting.

*Longer term*

Further scoping work with the sector on the implications and timing considerations for adopting the SBR framework in the longer term (beyond the 2015-16 financial year) should also commence during the transition to CFR reporting.
Home Care

Current State Assessment

Home care providers report their financial data through a Financial Accountability Report (FAR).

Home care is being transitioned to delivery on a Consumer Directed Care (CDC) basis. All home care packages from 1 July 2015 must be on a CDC basis, and existing packages are to be transitioned to a CDC basis, but this can be earlier than the 1 July 2015 starting date.

In September 2014, simplified financial reporting arrangements for Home Care were introduced for the 2013-14 financial year. These arrangements require providers to report an income statement for each of its home care services with provision for corporate office expenses where these are not allocated at a service level. There is no audit requirement; the provider is however required to declare a fair and reasonable account of their organisation’s revenue and expenditure.

These reporting arrangements replaced a significantly more complex set of arrangements that required audited statements for each service, by home care package type. These reporting arrangements also collected other unnecessarily detailed data such as travel to clients.

Business needs and gap summary

A review of the gaps between the data available through the previous financial reporting arrangements found that current reporting does not provide sufficient information to ascertain the following:

- Measures of viability and sustainability for the home care sector.
- Does not provide information on the types of care provided, or the relative cost to providers.
- The FAR has little utility for home care providers in performing their business operations.
- It is difficult to ascertain the risks mitigated by requiring the FAR to be audited.
- Visibility of the cash reserves and current liabilities of providers given the capacity for CDC clients to build up funds for later use.

Future State Design

The Future State Design may be illustrated as follows:

<table>
<thead>
<tr>
<th>Current State</th>
<th>Future State Vision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home Care</td>
<td></td>
</tr>
</tbody>
</table>
Transition from Current State to Future State

The medium term transition for Home Care reporting involves replacing the FAR with an annual submission incorporated into the CFR.

<table>
<thead>
<tr>
<th>Future State</th>
<th>Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short Term (2013-14 FY)</td>
<td>Simplify existing forms (already undertaken)</td>
</tr>
<tr>
<td>Short Term (2013-14 FY)</td>
<td>Discontinue current auditing arrangements (already undertaken)</td>
</tr>
<tr>
<td>Medium Term (2015-16 FY)</td>
<td>Extend the CFR to Home Care</td>
</tr>
<tr>
<td>Long Term (post 2015-16 FY)</td>
<td>Adopt SBR reporting</td>
</tr>
</tbody>
</table>

Next Step

Short term

The initial step of simplifying the existing FAR and removing external auditing requirements has already been put in place for the 2013-14 financial year. This should continue for the 2014-15 financial year reporting.

Medium term

Once residential care providers have tested and adopted CFR reporting, it should be extended to home care providers. This could feasibly occur in time for 2015-16 financial year reporting.

Longer term

The extension of the CFR to home care providers from the 2015-16 financial year onwards will mean these providers will be able to adopt SBR reporting at the same time as residential aged care providers. This will be of significant benefit to the 20 per cent of providers who operate both home care and residential aged care services².

---

² 243 Providers with 71% of Home Care Packages and 47% of Residential Places.
Home and Community Care

ACFA observations

The Home and Community Care (HACC) programme is a grants based programme, and as such, ACFA notes that HACC financial reporting forms part of the Department’s new grants arrangements.

As part of these new arrangements, the Department is in the process of adopting a revised grants acquittal policy to reduce red tape and provider reporting burden.

From 1 July 2015, the Government will establish a national Commonwealth Home Support Program. This new and streamlined approach will bring together under the one program all the services currently providing basic home support - the HACC program for older people, the National Respite for Carers Program, the Day Therapy Centres program and potentially the Assistance with Care and Housing for the Aged program. The new programme will operate under the Department’s new grant arrangements.

ACFA notes the different nature of HACC based services and grants based programmes and supports the direction the Department is heading with relation to streamlining grants reporting requirements. The Department should be cognisant in progressing these new arrangements of the reforms proposed to residential and home care packages financial reporting.

Access to quality care

ACFA observations

To assess how funding and financing arrangements impact on the ability of care recipients to access quality aged care, ACFA has an interest in information regarding current supply and demand of residential aged care places and home care packages, alongside future projected demand and supply of aged care services. Whilst ACFA currently uses statistics regarding occupancy in residential aged care when considering access to quality care issues, these are only proxy measures and do not provide a full picture of access.

ACFA will be continuing to develop its focus on the impact of financial arrangements on access to care issues going forward, in particular as part of its current role in monitoring the impact of the 1 July 2014 reforms on access to care and more broadly in future annual reports. This analysis will be supported by a range of data available from Departmental administrative systems. It is anticipated that the improvements to the collection and reporting of financial data outlined in this report will assist ACFA to assess the viability and sustainability of the aged care industry to meet current and future demand for aged care services. This in turn will provide better and more timely information to determine how funding and financing arrangements are impacting on the ability of care recipients to access quality aged care.

ACFA also notes that work is being undertaken by the Department on development of a set of quality indicators for residential care will also assist in this area. The national Quality Indicators Programme is being implemented in a phased approach. The first phase will include the publication of contextual consumer information on the My Aged Care website to assist consumers in decision making and enable them to talk to service providers regarding the quality of care they receive. The
publication of contextual consumer information on the My Aged Care website will be timed to support the start of the pilot on quality indicators planned to commence in the first quarter of 2015.

**Workforce data**

**ACFA observations**

To advise on workforce issues, ACFA utilises results from the Aged Care Workforce Census Survey. The Survey collects data concerning the aged care workforce, as well as data on volunteers who provide services in residential aged care facilities. This survey has been funded by the Australian Government since 2003, with the last survey conducted in 2012. The next survey will occur in 2015, allowing ACFA to build some trend data on aged care workforce issues.

It is not considered practical to include all information obtained through the Survey in a financial reporting framework such as the CFR. However in conjunction with the survey data available through the Aged Care Workforce Census Survey, it is anticipated that the minimum data set that will be collected through the CFR may include annual financial data which will assist in consideration of workforce issues.

ACFA also notes that the Government has asked the Department to develop an Aged Care Industry Workforce Strategy in 2014-15 including a stocktake and evaluation of all the aged care workforce development programmes it funds. This process will also inform future deliberations on workforce issues.

**Consumer information**

**ACFA observations**

The new arrangements for consumer information concerning accommodation pricing alongside the transition to Consumer Directed Care (CDC) in home care means that consumer access to financial information was considered within the scope of this project.

Currently a recipient or their representative can ask for a copy of the GPFR in respect of a residential care service. ACFA recommends that this requirement also apply to the new CFR once in place. This will require amendment to the legislative framework. Providers may also choose to incorporate the CFR in their existing annual report.
Next Steps

To achieve the future state vision outlined by ACFA, the following steps are recommended:

*Over the short term (in place for 2014-15 financial year reporting)*

1. The Department to continue the process of reducing the cost and complexity of financial reporting by streamlining financial reporting for Home Care as already announced; simplifying reporting for prudential compliance purposes and synchronising reporting events to a single 30 October reporting date.
2. The Department to form a design consultation group with home care, residential care and ACFA representatives to:
   a. Assist in the design of the new CFR (an initial draft of a potential pro-forma has been developed to serve the basis for future discussion and development of the CFR with the sector (*Attachment A* to this report).
   b. Advise on the data items and associated definitions to be collected through the minimum data set.
   c. Advise on any data items that need to be collected outside of the minimum data set through representative sampling of providers.
3. Test and roll out CFR reporting to those providers who are ready to adopt CFR reporting for 2014-15 financial year. Those providers who are not able to move to CFR reporting will continue with GPFR and APCS reporting, including an additional module to collect necessary data previously collected though the SACH.
4. The Government to undertake the necessary changes to the legislative framework.

*Over the medium term (in place for 2015-16 financial year reporting)*

5. Compulsory CFR reporting for all residential care providers from the 2015-16 financial year.
6. Discontinuation of the SACH.
7. Once CFR reporting is in place for residential care providers, extend to home care providers also for the 2015-16 year.
8. Replace current auditing arrangements with an attestation of compliance.
9. Encourage industry software providers to make the necessary product changes to facilitate CFR reporting.
10. Where and when needed, collect any additional data required outside of the minimum data set using a representative sample of providers rather than the current Census style collection (100 per cent of providers) approach.

*Over the long term (post 2015-16 financial year reporting)*

11. Adopt SBR to electronically exchange natural business data, allowing providers to transmit data directly to the Department, improving data quality, efficiency, timeliness and accuracy.
Developing the CFR structure

Attachment A provides an initial draft of a possible structure for the CFR. Further consultation should occur with industry on the structure, data items and notes that will form the CFR.
Attachment A: Outline of the comprehensive financial report (CFR) structure

<table>
<thead>
<tr>
<th>Cover page</th>
<th>Instructions</th>
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<table>
<thead>
<tr>
<th>Part A – Aged Care Operations Financial and Compliance Statements</th>
</tr>
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<tbody>
<tr>
<td>Part A.1 – Aged care segment financials</td>
</tr>
<tr>
<td>• Revenue &amp; Expenses</td>
</tr>
<tr>
<td>• Financial Position</td>
</tr>
<tr>
<td>• Cash flows</td>
</tr>
<tr>
<td>• Plus any notes</td>
</tr>
<tr>
<td>• Completed at the residential and home care segment level, with an income and expense statement at the facility level. In addition to facility level, the form will allow for corporate/head office items.</td>
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<tr>
<td>• The definitions will align between residential care and home care.</td>
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<tr>
<td>Part A.2 –Permitted use</td>
</tr>
<tr>
<td>• Completed only if a residential care provider hold lump sum payments (Bonds/RADs)</td>
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<tr>
<td>Part A.3 –Additional information</td>
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<tr>
<td>• Building activity (SACH replacement)</td>
</tr>
<tr>
<td>• Prudential compliance questions (APSC replacement)</td>
</tr>
<tr>
<td>• Home care information</td>
</tr>
<tr>
<td>• Additional information required to be collected (simplified in contrast to current requirements). This will be a mix of attested and non-attested information.</td>
</tr>
<tr>
<td>Part A.4 –Declaration/Attestation</td>
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<tr>
<td>• Clear links back to individual items in previous sections (eg to the prudential related items in particular)</td>
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</table>
**Part B – Approved Provider entity level business information**

| Part B.1 – Entity level reporting providing a summary of key financial metrics plus any notes | Summary of core financial position<br>• Completed only where the approved provider is also involved in operations outside of aged care. |