

The Auditor-General  
Audit Report No.40 2008–09  
Performance Audit

# **Planning and Allocating Aged Care Places and Capital Grants**

**Department of Health and Ageing**

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of Australia 2009

ISSN 1036-7632

ISBN 0 642 81072 9

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Canberra ACT  
2 June 2009

Dear Mr President  
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in the *Department of Health and Ageing* in accordance with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit and the accompanying brochure to the Parliament. The report is titled *Planning and Allocating Aged Care Places and Capital Grants*.

Following its tabling in Parliament, the report will be placed on the Australian National Audit Office's Homepage—<http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian McPhee', is positioned above the printed name.

Ian McPhee  
Auditor-General

The Honourable the President of the Senate  
The Honourable the Speaker of the House of Representatives  
Parliament House  
Canberra ACT

## AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office. The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits and financial statement audits of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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## Abbreviations and notes

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AACD	Ageing and Aged Care Division
ABS	Australia Bureau of Statistics
ACAR	Aged Care Approvals Round
ACPAC	Aged Care Planning Advisory Committee
ACPR	Aged Care Planning Region
CACP	Community Aged Care Package
COAG	Council of Australian Governments
DHAC	Department of Health and Aged Care (later the Department of Health and Ageing)
DoHA	Department of Health and Ageing
EACH	Extended Aged Care at Home
EACH-D	Extended Aged Care at Home – Dementia
HACC	Home and Community Care
MPS	Multi-Purpose Service
ROACA	Report on the Operation of the <i>Aged Care Act 1997</i>
RPMB	Residential Program Management Branch
RDoACP	Regional Distribution of Aged Care Places
State	Note: unless otherwise indicated, state means state and territory.





## **Summary and Recommendations**



# Summary

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## Introduction

1. The Australian government has a primary role in the funding and regulation of Australia's aged care services. The provision of aged care is a high profile area of government activity, involving large amounts of government expenditure and the delivery of services to vulnerable populations.
2. Rather than directly providing aged care services, the Australian government supports the provision of aged care to those people who are assessed as requiring care, via subsidies and grants to aged care providers. The Department of Health and Ageing (DoHA) manages the planning and allocation of Australian government-funded aged care, under the *Aged Care Act 1997* (the Act).
3. The Australian government budget for aged care subsidies for residential, community and flexible care in 2008–09 is \$6.7 billion.<sup>1</sup> Up to \$44.5 million in capital grants for residential aged care will also be made available in 2008–09. The government's expenditure on aged care is expected to rise in coming years, in line with Australia's ageing population.
4. The providers of aged care services include commercial companies and the not-for-profit sector. Indicative of the composition of the industry in terms of residential care services, in 2006–07 providers accounted for the following shares: religious organisations (28.8 per cent); private providers (26.9 per cent); community-based providers (17.5 per cent); charitable organisations (15.0 per cent); state government (9.1 per cent); and local government (2.6 per cent).
5. The government controls the supply of subsidised aged care places through its role in setting the aged care planning ratio target. In accordance with this target, DoHA allocates and funds aged care places supplied by approved aged care providers, for a set number of operational aged care places for every 1000 Australians aged 70 years and over. The current planning ratio target is 113 operational aged care places per 1000 people aged 70 years and

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<sup>1</sup> While the Australian government provides the majority of the funding for aged care, care recipients may also make a means-tested contribution towards the cost of their care.

over, to be achieved by June 2011. The target mix of care type within this target total is 44 high-care residential places, 44 low-care residential places and 25 community care places.

6. Owing to the time lag that necessarily occurs between DoHA allocating places and those places becoming operational (usually due to the need to construct a residential facility), DoHA has adopted an approach that ‘over-allocates’ places in order to meet the target ratio by the target date. At 30 June 2008, DoHA had allocated a total of 247 371 aged care places (resulting in the allocated ratio being 123.6 per 1000 people aged 70 and over). At the same point in time 223 107 aged care places were operational, that is, in a position to provide care (resulting in an operational ratio of 111.5 places per 1000 people aged 70 and over).

7. DoHA, as a matter of broad principle, seeks to achieve the national aged care planning ratio (currently 113 operational places per 1000 people aged 70 years and over) uniformly in all states and territories, as a way to provide equitable access to aged care for all older Australians.

8. DoHA provides advice to the Minister for Ageing on the number of new aged care places required to reach the planning ratio target. The decision on how many places to release each year is made by the Minister, taking into account the DoHA advice. Following this decision, DoHA allocates aged care places via a competitive, tender-like process—the Aged Care Approvals Round (ACAR). In recent years over 10 000 new places have been allocated each year. The ACAR is highly contested by current and prospective aged care providers because ‘gaining a place’ is a necessary step in participating in the provision of aged care, with access to ongoing government subsidies.

9. The provision of aged care places and capital grants fits within a broader context of government and non-government activity in aged care and associated fields at the national, state and local levels.

## **Audit objective and scope**

10. The objective of the audit was to assess the effectiveness of DoHA’s management of the planning and allocation of aged care places and capital grants, in accordance with the *Aged Care Act 1997*.

11. Australian government-funded aged care relevant to this audit comprises:

- residential aged care;

- community aged care packages which provide care services in a care recipient's home;
- several flexible care programs including high care services in the care recipient's home and services for people with dementia living at home; and
- support for aged care infrastructure via capital grants.

## Overall conclusion

12. The Department of Health and Ageing (DoHA) manages the planning and allocation of aged care places under the *Aged Care Act 1997* (the Act). The Act prescribes in detail much of the planning and allocation processes to be undertaken by DoHA. The planning and allocation of aged care places is a mature process and, overall, DoHA has adopted an appropriate approach to its planning, implementation and reporting against government targets. It has effectively managed the planning and allocation of aged care places and capital grants, in accordance with the Act. DoHA has sound administrative processes that: take into account the objectives of the Act when providing advice to Minister for Health and Ageing on the planning ratio target; allow staff to follow established legislative and internal guidelines to implement each step of the the Aged Care Approvals Round (ACAR); and provide adequate information for the department to report on outcomes against government targets.

13. DoHA achieved the government's 2004 and 2007 targets for the provision of aged care places. The national targets were designed to strike a balance between costs and the community's aged care needs. As at 30 June 2008 there were 111.5 operational places per 1000 people aged 70 years and over. Given the government's target is to achieve 113 operational places per 1000 people aged 70 and over by June 2011, DoHA is well placed to achieve the current target.

14. Although DoHA has an effective approach to managing and allocating aged care places, there are two high-level processes that could be augmented to strengthen aged care planning and the transparency of DoHA's provision of places to Indigenous Australians, and more generally, improve the equity of access to aged care for older Australians:

- DoHA providing advice to the Minister for Ageing on options for incorporating the Indigenous aged 50-69 population numbers into the planning ratio target; and
- DoHA assessing alternatives to how the department applies the government's national aged care planning ratio across state and territories, so as to better take account of state demographic differences.

15. The government's ratio target determines the number of places to be released each year, based on the number of people aged 70 and over. DoHA also allocates places for the Aboriginal and Torres Strait Islander population aged 50-69, recognising that the conditions associated with ageing generally affect Indigenous people earlier than the wider Australian population. In doing so, however, DoHA uses places that were determined based on the Australian population aged 70 years and over.

16. Changing the aged care planning ratio is a matter for government. DoHA could provide advice to the Minister for Ageing on options for incorporating the Indigenous population aged 50-69 into the national planning ratio target. Taking account of the Indigenous population aged 50-69 in the ratio would enhance DoHA's ability to plan for the aged care needs of that population and plan the distribution of places accordingly, without the need for DoHA to reallocate places initially determined on the basis of the Australian population aged 70 and over.

17. In directing places to the Indigenous population aged 50-69, DoHA uses its administrative discretion to better facilitate Indigenous access to aged care services. In taking this approach, the department is recognising the demographic situation of a particular population. There is an opportunity to extend this approach to deal with other demographic differences between states and territories.

18. DoHA seeks to achieve the national aged care ratio uniformly in all states and territories. This approach is seen by DoHA as enhancing equitable access to aged care for all older Australians. However, the uniform application of the aged care planning ratio target does not recognise state and territory demographic differences. In order to better address state and territory differences, DoHA should, in consultation with its Minister and other stakeholders, assess the merits of alternative methods of planning the distribution of places across the states and territories.

19. DoHA advised the ANAO that it agrees that these matters should be considered in the context of the Government's planned review of the aged care planning ratios and allocation process.<sup>2</sup>

20. The ACAR has been conducted for over ten years and, during this time its scale and complexity has continued to grow. In order to manage in this environment, decision makers need to be supported by appropriate management information relating to ACAR costs, particularly costing information on the key components of the process including at the state level.

## Key findings by chapter

### Chapter Two – The aged care planning ratio

21. The national aged care planning ratio, set by government, has a number of positive features, such as being a transparent and measurable planning tool that can be applied by DoHA to control supply and expenditure, by matching provision levels to population growth.

22. DoHA recognises that the conditions associated with ageing generally affect Aboriginal and Torres Strait Islander people substantially earlier than other Australians, and takes account of the Indigenous population aged 50-69 in determining the *distribution* of places to regions, directing places to this population. In effect, DoHA uses places planned and determined based on the Australian aged 70 and over population, as required by government, to meet the particular needs of the Indigenous population aged 50-69.

23. Although DoHA is working appropriately within its parameters to attempt to address the needs of Indigenous people aged 50-69 years, it would be preferable if DoHA did not have to reallocate places to this population that would otherwise be allocated to the entire Australian population aged 70 and over.

24. DoHA could provide advice to the Minister for Ageing on options for incorporating the Indigenous population aged 50-69 into the national planning ratio target. Taking account of the Indigenous population aged 50-69 in the ratio would improve DoHA's ability to plan for the aged care needs of that population and plan the distribution of places accordingly.

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<sup>2</sup> DoHA advice to the ANAO, 19 March 2009.

25. In terms of the wider population, data from the Australian Bureau of Statistics and DoHA indicate that there are demographic differences across states and territories, as demonstrated in this report in Tables 1.2, 2.2 and 2.3.

26. DoHA's approach to seek equal aged care planning ratios across all states and territories could lead to inequality of access to aged care places in the particular states and territories where demographic patterns differ markedly from the others. The result of having equal aged care planning ratios is that consumers living in different states and territories may face varied levels of competition for access to aged care. This means that a state with an 'older' population (or more complex health needs) would have a higher demand for high care residential aged care, compared with a state with a 'younger' population (or less complex health needs).

27. There are opportunities for DoHA, in consultation with its Minister and other stakeholders, to assess the merits of alternative methods for planning the distribution of aged care places across states and territories in order to better address states and territory differences and thereby seek to improve the equity of access to aged care places across states and territories.

### **Chapter Three – Planning for the ACAR**

28. DoHA allocates the majority of aged care places via the ACAR. DoHA begins the ACAR processes by estimating the total number of places to be made available each year and how these are to be distributed amongst the states and territories. With advice from DoHA, the Minister for Ageing determines the numbers of places to be made available, for each care type, for each state and territory.

29. The Level One process, which determines the number of places to be released each year, appropriately takes account of the objectives of the planning process under the Act, and correctly calculates the number of places required to achieve the target ratio.

30. In the Level Two process, DoHA effectively uses its Aged Care Planning Advisory Committees to assist the Secretary in distributing places amongst regions according to government and legislative specifications. Some improvements could be made by DoHA in its provision of data, particularly with respect to special needs groups, to the committees.

31. DoHA performs the underpinning tasks that are required to plan for, and design the ACAR. ACAR is a considerable administrative undertaking involving staff in DoHA's central and state offices. As an indicator of the large



scale of the ACAR process, in the 2007 ACAR, aged care providers submitted: 444 applications seeking 21 456 residential places (with DoHA offering 6525 residential places); and 1871 applications seeking 40 210 community and flexible care places (with DoHA offering 4013 community care places). In line with the growing number of Australians requiring aged care, the number of places to be made available will increase.

32. In this environment, sound financial information on the costs associated with the ACAR process is an important tool for management and accountability purposes. It should provide alongside non-financial data, a picture of how the program is operating including the efficiency of operations and cost effectiveness. During the audit, DoHA was not able to provide specific data or estimates on the costs and funding approach related to the planning and allocation of aged care places and capital grants. Information on costs is important to inform management decisions about opportunities to improve operations within agencies, and satisfy internal and external accountability requirements. The level of cost information maintained should be sufficient for this purpose.

## **Chapter Four – Running the ACAR**

33. After the number and location of aged care places are determined, DoHA conducts a tender-like process to allocate aged care places to aged care providers. For this step of the ACAR, DoHA advertises the type and location of the aged care places available, and invites applications from approved aged care providers. DoHA assesses the applications and the Secretary of DoHA allocates aged care places.

34. The ANAO reviewed key steps in the ACAR allocation process including the promotion of the call for applications; staff training and probity controls; the assessment and decision processes; and DoHA's debriefs for unsuccessful applicants. For each step of the process the ANAO found that DoHA's controls and review mechanisms were appropriate. The process has matured over more than ten years in operation, with DoHA electing to put in place a number of layers of review prior to the allocation decision by the Secretary's delegate.

35. The conduct of an ACAR is a large, annual undertaking for DoHA, both in terms of the scale and complexity of the assessment process, and the staff resourcing and time required to complete the process. While some industry parties have suggested that DoHA could streamline the ACAR

process, the ANAO recognises that DoHA must balance any perceived efficiency advantages for it and industry against the risks attaching to not managing the process as well as it assesses is required.

36. DoHA has indicated to the ANAO that it intends to continue to improve its communication with the aged care industry about how and why decisions are made. For instance, DoHA could be more open about its internal processes for ACAR, in order to provide a greater measure of assurance to the aged care industry (and the public) regarding the integrity of the process.

## **Chapter Five – Monitoring and reporting**

37. DoHA has a number of information technology systems to assist its planning and decision making. These systems effectively assist staff in their planning and allocation roles, by providing timely and user-friendly access to comprehensive and consistent information.

38. Performance monitoring is included in corporate planning documents, from the Portfolio Budget Statements through to Branch Operational Plans. The performance targets in these plans are realistic and measurable. There are appropriate internal reporting mechanisms such as exception reports for instances where targets have not been met. DoHA has acted upon previous internal and external reviews (including performance audits by the ANAO).

39. DoHA effectively reports on its achievement of the planning ratio target, the main performance indicator related to its planning and allocation activities. DoHA also reports on a broad range of other planning and allocation-related information in releasing the results of each ACAR and its annual reports to parliament on the operation of the Act. While DoHA intends to provide more information about the extent of unmet demand for places by providers, there could be benefit in DoHA improving its monitoring and reporting on the extent of unmet demand for places by consumers. DoHA could also improve its reporting on provision of aged care to special needs groups, with increased detail about its actions to address these needs.

## **Recommendations**

40. The ANAO made two recommendations designed to improve DoHA's management of the planning and allocation of aged care places and capital grants.

## Summary of agency response

41. DoHA is supportive of the audit report as a constructive and generally extremely positive appraisal of the aged care places planning and allocations process. This program has been the subject of a number of audit and review processes in recent years and DoHA has been able to institute a program of continuous improvement to ensure the planning and allocation of new aged care places is supported by a sound, well-conducted process with an emphasis on high probity and ethics standards.

42. DoHA's formal response is at Appendix 1.

# Recommendations

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*Set out below are the ANAO's recommendations aimed at improving DoHA's management of the planning and allocation of aged care places and capital grants. Report references and abbreviated agency responses are included. More detailed responses are in the body of the report.*

## **Recommendation No.1**

### **Para 2.36**

The ANAO recommends that the Department of Health and Ageing assess the merits of alternatives for how the department applies the aged care planning ratio and sub-ratios across states and territories, so as to better take account of differences in state and territory demographics, including health status.

**DoHA response:** *Agreed.*

## **Recommendation No.2**

### **Para 3.63**

Recognising the scale and increasing complexity of the Aged Care Approvals Rounds (ACAR) process, the ANAO recommends that the Department of Health and Ageing put in place appropriate costing arrangements that track the costs of key components of the ACAR, so as to inform management decisions relating to program delivery.

**DoHA response:** *Agreed.*

## **Audit Findings and Conclusions**



# 1. Introduction

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*This chapter provides background to the audit, outlining the aged care framework and processes, current and previous reviews (including Parliamentary reviews) and the audit approach.*

## Background

**1.1** The Australian government has a primary role in the funding and regulation of Australia's aged care services. Rather than directly providing aged care services, the Australian government subsidises the provision of aged care to those people who are assessed as requiring care.<sup>3</sup>

**1.2** The Australian government budget for aged care subsidies for residential, community and flexible care in 2008–09 is \$6.7 billion. Up to \$44.5 million in capital grants for residential aged care will also be made available in 2008–09. The government's expenditure on aged care is expected to rise in coming years, in line with Australia's ageing population.

**1.3** The government controls the supply of subsidised aged care places through a planning and funding mechanism known as the aged care planning ratio target. Under this target, the government allocates and funds aged care places supplied by approved aged care providers, for a set number of operational aged care places for every 1000 Australians aged 70 years and over.<sup>4</sup> The current planning ratio target is 113 aged care places per 1000 people aged 70 years and over, to be achieved by June 2011.

**1.4** At 30 June 2008, the total number of aged care places allocated by the Australian government to providers was 247 371.

**1.5** The Australian government undertakes an annual process to allocate new aged care places. Each year, after determining the number of new aged care places needed to reach the planning ratio target, the Department of Health and Ageing (DoHA) allocates aged care places via a competitive, tender-like

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<sup>3</sup> While the Australian government provides the majority of the funding for aged care, care recipients may also make a means-tested contribution towards the cost of their care.

<sup>4</sup> Anyone wishing to provide Australian government-funded aged care must first apply to become an 'approved provider' under the *Aged Care Act 1997* (see Part 2.1 of the Act).

process – the Aged Care Approvals Round (ACAR).<sup>5</sup> In recent years over 7000 new places have been allocated each year. The ACAR is one of the largest tender-like processes for services run by an Australian government department on an annual basis. The ACAR is highly contested by current and prospective aged care providers because it is a necessary step in participating in the provision of government subsidised aged care. Indicative of the aged care subsidies the government provides, in 2007–08 the average Australian government payment (subsidy plus any applicable supplement) for a high-care residential aged care place was \$45 476, and for a low-care residential aged care place was \$18 311.<sup>6</sup> The average Australian government payment for a community aged care package (subsidy only) in 2007–08 was \$11 696.

## DoHA's administration of aged care

1.6 DoHA manages the planning and allocation of Australian government-funded aged care, under the *Aged Care Act 1997* (the Act). The Act prescribes in detail much of the planning and allocation processes to be undertaken by DoHA.

1.7 Aged care programs are administered by DoHA within the department's Outcome 4, Aged Care and Population Ageing, which is:

ensuring that older Australians receive high quality, accessible and affordable aged care; and carers get the support they need to look after the frail living at home.<sup>7</sup>

1.8 DoHA's 2008–09 budget for Outcome 4 is \$8.6 billion.<sup>8</sup>

1.9 Relevant to this audit, within Outcome 4 the government funds subsidised access to residential aged care, community care and flexible care,

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<sup>5</sup> The Aged Care Approvals Round (ACAR) differs from a strict tender exercise in that, for example, the government has already set the price (the subsidies paid to aged care providers) and has capped supply (through the ratio).

<sup>6</sup> High-care residential was previously known as nursing home care and low-care residential was previously known as hostel care. Subsidy payment figures are from Department of Health and Ageing, *Report on the Operation of the Aged Care Act 1997*, 1 July 2007 to 30 June 2008, DoHA, Canberra, 2008, p. 37.

<sup>7</sup> Department of Health and Ageing, *Portfolio Budget Statements 2008–09*, Budget Related Paper No. 1.10, Health and Ageing Portfolio, DoHA, Canberra, p. 101.

<sup>8</sup> This budget figure represents total resources, including administered expenses, revenue from government (appropriations) and revenue from other sources. 'Administered' items are those that are managed by an agency or authority on behalf of the government according to set government directions – for example subsidies, grants and personal benefit payments.



and also provides some support for aged care infrastructure via grants. As noted previously, the Australian government budgets for aged care subsidies and capital grants in 2008–09 are \$6.7 billion and up to \$44.5 million, respectively.

## **Residential aged care**

**1.10** Residential aged care provides personal or nursing care to those who cannot continue to manage living at home by themselves, or who cannot be cared for by others in their own homes. Residential care includes low and high-level care.

**1.11** Low-level residential care provides accommodation and services such as laundry, meals, cleaning and personal services such as bathing, dressing and toileting. High-level residential care provides these services as well as nursing care and associated equipment.

**1.12** Residential care may be granted Extra Service status by DoHA. Extra Service status, which may be attached to high or low residential care, requires the provision of a significantly higher standard of accommodation, meals and other services, for additional fees paid by the resident. Extra Service status cannot provide a higher level of nursing care.

## **Community aged care**

**1.13** Community care provides care services at a recipient's home. Australian government-funded Community Aged Care Packages (CACPs) are individually tailored packages of care services, which may include personal care such as bathing and laundry, social support, transport, meal preparation and gardening.

**1.14** Another type of community care for the aged and people with disabilities is the Home and Community Care (HACC) program. HACC services may include personal care and domestic assistance, professional allied health care or nursing care. HACC is jointly funded by the Australian

government (60 per cent) and state and territory governments (40 per cent) and is administered by state and territory governments.<sup>9</sup>

## **Flexible aged care**

**1.15** Flexible care covers the following programs:

- Extended Aged Care at Home (EACH), which is nursing care or personal care (or both) that is provided in the care recipient's home, equivalent to a high level of residential care;
- Extended Aged Care at Home - Dementia (EACH-D), which is an EACH package provided to care recipients who have been assessed as having behavioural dysfunction associated with dementia;
- Transition care, which provides a package of services to assist the aged to return home after a hospital stay. Transition care is usually provided for a period of up to 12 weeks;
- Multi-Purpose services (MPS), which are services combining health and aged care services via hospitals or medical centres situated in rural and remote communities. MPS involve Australian and state and territory government partnerships; and
- the Aged Care Innovative Pool, which was established to provide flexible care places, outside of the ACAR round, through the development of programs that provide care to specific client groups in new ways. An example of the use of the Aged Care Innovative Pool is a pilot program for community-based care for people with disabilities who experience an increased care need due to ageing.

## **National Aboriginal and Torres Strait Islander Flexible Aged Care Program**

**1.16** Aboriginal and Torres Strait Islander people may access aged care through the mainstream residential, community or flexible care services outlined above. In addition DoHA's National Aboriginal and Torres Strait Islander Flexible Aged Care Program provides culturally appropriate care

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<sup>9</sup> The HACC program does not fall under the *Aged Care Act 1997* and places are not allocated via the ACAR. Therefore, the program is not included in this audit. The ANAO has previously reviewed the HACC program in two audits, namely, Australian National Audit Office, ANAO Audit Report No.36 1999–2000, *Home and Community Care*; Canberra and Australian National Audit Office, ANAO Audit Report No.32 2001–02, *Home and Community Care Follow-up Audit*, Canberra.

services specifically for Aboriginal and Torres Strait Islander aged people. Around 700 places are provided by 29 services funded under this program.<sup>10</sup>

## Capital and community aged care grants

**1.17** Capital grants are available to existing or new providers of residential aged care to assist in upgrading or rebuilding existing facilities, or to construct new accommodation.

**1.18** Community and flexible care grants are available to CACP, EACH and EACH-D providers to assist them to establish a service or to continue to meet special care needs, for example to purchase a car to travel to recipients' homes.

## Expenditure on aged care

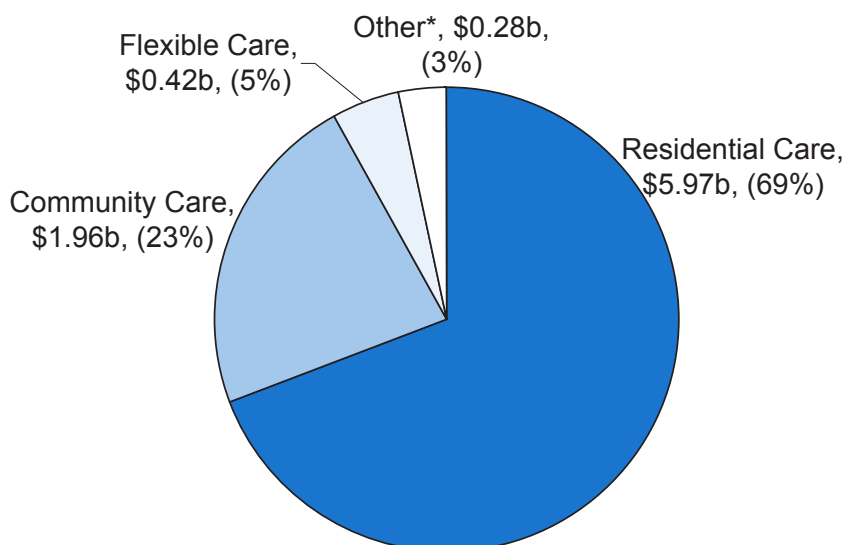
**1.19** Figure 1.1 shows DoHA's 2008–09 budget for Outcome 4, highlighting that the majority of its budgeted resourcing relates to residential care.

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<sup>10</sup> The National Aboriginal and Torres Strait Islander Flexible Aged Care Program does not fall under the *Aged Care Act 1997* and places are not allocated via the ACAR system. Therefore, the program is not included in this audit. The Office of Evaluation and Audit (Indigenous Programs) in the Department of Finance and Deregulation is undertaking a performance audit of residential aged care for Indigenous Australians and this audit will include the National Aboriginal and Torres Strait Islander Flexible Aged Care Program. See paragraph 1.59.

**Figure 1.1**

**DoHA Outcome 4 total budget of available resources 2008–09 (\$ billion and share of the total for Outcome 4)**



Note: 'Other' includes the following Outcome 4 programs: Aged Care Assessment; Aged Care Workforce; Ageing Information and Support; Culturally Appropriate Aged Care; and Dementia.

Source: ANAO depiction of statistics from Department of Health and Ageing, *Portfolio Budget Statements 2008–09*, Budget Related Paper No. 1.10, Health and Ageing Portfolio, DoHA, Canberra, 2008, p. 99-101.

## Legislative framework

**1.20** The *Aged Care Act 1997* (the Act) and the accompanying set of Principles provide the main framework for the Australian government's involvement in aged care, including the planning and allocation processes to be undertaken by DoHA.<sup>11</sup> These are listed below (with cross references to the relevant section of the Act):

- the planning for the allocation of aged care places (s.12);
- who may apply for aged care places and how they must apply (s. 8 and s.13);
- the allocation process (s.14); and
- how, and when, allocations take effect (s.15).

<sup>11</sup> See s. 96(1) of the Act.

## Aged care places

### Aged care planning ratio target

**1.21** As outlined above, the government allocates and funds aged care places according to a planning target of a set number of operational aged care places for every 1000 persons aged 70 years or over.

**1.22** Governments have used a target ratio since the 1986 *Nursing Homes and Hostels Review* recommended that 99 operational places per 1000 people aged 70 and over should be achieved.<sup>12</sup> The Government of the day responded to the review by setting a target ratio of 100 places per 1000 people aged 70 and over. Within these 100 places, 60 places were for low care residential, the remaining 40 were for high care residential.

**1.23** In the 1995–96 Budget, the planning ratio target mix was altered to incorporate CACPs (the total remained at 100). The new target mix involved 50 low care places, 40 high care and 10 CACPs. In 2004–05, the ratio target was raised from 100 to 108 places per 1000 people aged 70 and over, involving 40 high care, 48 low care and 20 community places, to be achieved by December 2007.

**1.24** In 2007, the then Government further increased the target ratio to achieve 113 operational places per 1000 people aged 70 years and over, by June 2011. The current target ratio of 113 consists of 44 high care residential places, 44 low care residential places and 25 community care places. These are called ‘sub-ratio’ targets.<sup>13</sup>

### Current number of aged care places

**1.25** At 30 June 2008, the total number of aged care places allocated by the Australian government was 247 371. Table 1.1 provides a breakdown of aged care places by type and their status, as at 30 June 2008. Table 1.1 shows that 223 107 places were operational at 30 June 2008, meaning that they were ready to provide care. There were 20 560 provisionally allocated places, meaning that

<sup>12</sup> Department of Community Services, *Nursing Homes and Hostels Review*, AGPS, Canberra, 1986, p. 26-27.

<sup>13</sup> Note that the care types can be classified in different ways. For example, the government expresses the aged care target as residential and community aged care places and in respect of the target, ‘community aged care places’ comprise CACP, EACH and EACH-D. However, in terms of the specific categories used under the Act, EACH and EACH-D are classified as ‘flexible care’.

these places had been allocated, but were not yet ready to provide care. This is usually due to the need for providers to construct facilities. Offline places are those that have previously been operational, but are not currently available to provide care, usually due to the need for providers to refurbish the rooms.

**Table 1.1**

**Aged care places as at 30 June 2008**

Places	Provisional Allocation	Operational	Offline	Total
Residential High	9681	83 889	1755	95 325
Residential Low	10 293	87 943	1929	100 165
Residential Total	19 974	171 832	3684	195 490
Community Aged Care Places (CACP)	64	39 552	20	39 636
Extended Aged Care at Home (EACH)	42	4244	0	4286
Extended Aged Care at Home – Dementia (EACH-D)	15	1996	0	2011
National Aboriginal and Torres Strait Islander Flexible Aged Care Program	0	640	0	640
Multi-Purpose Service	200	2817	0	3017
Innovative Care	0	63	0	63
Transition Care	265	1963	0	2228
Total	20 560	223 107	3704	247 371

Source: DoHA information management system.

**1.26** A state and territory breakdown of allocated and operational places per 1000 people aged 70 years and over, as at 30 June 2008 is provided in Table 1.2. As Table 1.2 demonstrates, the total number of allocated places as at this date (123.6) was higher than the current planning ratio target (113). This is deliberately managed by DoHA in this way in order to take account of the time required for places to become operational. To illustrate this notion, using the figures in Table 1.2, while 123.6 places per 1000 people aged 70 and over were allocated as at 30 June 2008, only 111.5 places per 1000 people aged 70 and over were operational across Australia at that point in time.

**Table 1.2****Allocated and operational ratios as at 30 June 2008**

State	Allocated Ratio	Operational Ratio
NSW	124.0	111.0
VIC	123.6	112.0
QLD	121.4	108.5
SA	125.1	119.1
WA	121.5	107.7
TAS	118.4	110.7
NT	242.4*	225.0*
ACT	136.2	106.9
Australia	123.6	111.5

Note \* The higher levels of provision in the Northern Territory are intended to address the care needs of Indigenous people aged 50 years and over. This issue is examined in Chapter Two.

Source: DoHA information management system.

## Aged care providers

**1.27** The aged care industry is evolving from what has been described by DoHA and industry representatives as a 'cottage' industry, to one with fewer numbers of providers offering more places. The industry includes the for-profit and not-for-profit sector, as well as a small number of state and local government providers.

**1.28** Using residential aged care to illustrate the composition of the industry, in 2006–07 (the latest figures available), providers accounted for the following shares: religious organisations (28.8 per cent); private providers (26.9 per cent); community-based providers (17.5 per cent); charitable organisations (15.0 per cent); state government (9.1 per cent); and local government (2.6 per cent).<sup>14</sup>

**1.29** The diversity of organisational type, each with its own motives and goals raises some issues for DoHA to manage. For example, encouraging 'for-profit' aged care providers to build new homes in rural and remote areas can be difficult, as profit margins are generally smaller in those regions.

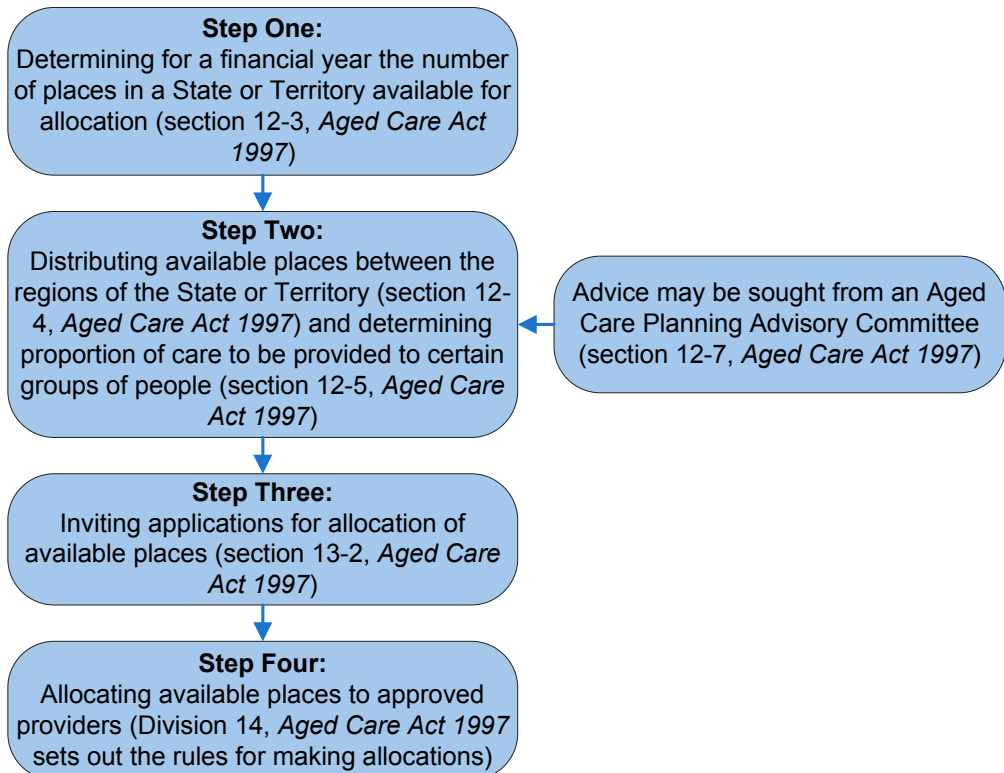
<sup>14</sup> Australian Institute of Health and Welfare, *Residential aged care in Australia 2006–07 A statistical overview*, AIHW, Canberra, 2008, p. 18.

## The aged care planning and allocation process

1.30 DoHA allocates the majority of aged care places via its ACAR. Figure 1.2 summarises the main steps of the ACAR allocation process.

**Figure 1.2**

### Aged Care Approvals Round allocation process



Source: ANAO presentation of information at s. 11-4 *Aged Care Act 1997*.

1.31 In step one, the Minister for Ageing determines the number and type of aged care places to be made available for distribution to each state and territory. To assist in this decision, DoHA provides advice to the Minister. This advice includes a comparison of the current levels of service provision (including those places allocated, but not yet operational) with the number of Australians aged 70 years and over in each state and territory (based on Australian Bureau of Statistics (ABS) census data and projections).

1.32 Since 2004–05, the government has also released estimated planning numbers for the two subsequent years. Although the estimates are non-binding, they are provided in order to assist the aged care industry in planning for the future. The estimated numbers of aged care places to be



released by the government in coming years are 11 823 in 2009–10 and 11 897 in 2010–11.<sup>15</sup>

**1.33** Step two involves the distribution of places to Aged Care Planning Regions (ACPRs) within each state and territory. The Secretary of DoHA determines the distribution of places for regions within each state and territory, with input from Aged Care Planning Advisory Committees (ACPACs). ACPACs in each state and territory provide advice on the comparative aged care needs of each of their regions and they also identify the need for places with a focus on people with ‘special needs’.<sup>16</sup>

**1.34** Step three involves the invitation of applications from new or existing aged care providers, conducted as an open, competitive process.

**1.35** At step four, DoHA assesses applications, determines the most suitable applicants and then allocates the places. Providers have two years to make places operational. This lead time between a place being allocated and when it is expected to be operational is designed to allow for building approval processes and construction. Allocations take effect when the Secretary determines that the provider is in a position to provide care. DoHA may then pay the operational subsidy to the provider for each place providing care.

## **DoHA’s administrative and organisational arrangements**

**1.36** DoHA’s Ageing and Aged Care Division, which is responsible for the planning and allocation of aged care and capital grants, contains a number of branches focussed on various functions.

**1.37** Relevant to this audit, the Policy and Evaluation Branch plays a major role in the development of the step one and step two planning stages as outlined above. The Residential Programs Management Branch is responsible for managing the ACAR, which allocates aged care places to providers (Steps Three and Four above). The Office of Aged Care Quality and Compliance also has input regarding the past conduct of aged care providers. DoHA’s state and

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<sup>15</sup> Department of Health and Ageing, *Aged Care Approvals Round 2008–09* [Internet], 2008, available from <<http://www.health.gov.au/internet/main/publishing.nsf/Content/ageing-acar2008-index.htm>> [accessed 4 March 2009]. DoHA states that the 2009–10 and 2010–11 figures are indicative only.

<sup>16</sup> Under the Act and Allocation Principles, people with ‘special needs’ are people from Aboriginal and Torres Strait Islander communities, people from non-English speaking backgrounds, people who live in rural or remote areas, people who are financially or socially disadvantaged, and veterans.

territory offices, located in each capital city, play a major role in assessing all ACAR applications and making recommendations to Central Office.

## Trends in aged care

**1.38** The provision of aged care is a high profile area of government activity, involving large amounts of government expenditure and the delivery of services to vulnerable populations.

### Australia's ageing population

**1.39** As the aged care planning ratio is based on the number of people aged 70 and over, the number of places released each year is tied to the growth of that population. The ageing of Australia's population, coupled with improving life expectancies, will mean that demand for aged care services continues to grow.<sup>17</sup> This trend is expected to result in significant spending pressures. For example, the *Intergenerational Report 2007* states that government expenditure on aged care is expected to increase from 0.8 per cent of gross domestic product in 2006–07 to 2.0 per cent of gross domestic product in 2046–2047.<sup>18</sup>

### Government involvement in aged care

**1.40** The provision of aged care places and capital grants fits within a broader context of government and non-government activity in aged care and associated fields at the national, state and local levels.

**1.41** For instance, this audit focuses on one element of DoHA's administration of aged care under the Act. Other parts of the continuum relate to aged care accreditation, building certification and accommodation bonds. These have been, or are, the subject of other ANAO audits.<sup>19</sup>

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<sup>17</sup> Thirteen per cent of all Australians were aged 65 and over in June 2007. By 2056, this percentage is projected to be between 23 and 25 per cent. In June 2007 only 1.6 per cent of the population was aged 85 or over. In 2056, this percentage is predicted to be between 5 and 7 per cent. Australian Bureau of Statistics, *Population projections, Australia, 2006 to 2101*, Catalogue No. 3222.0, ABS, Canberra, 2008.

Australian life expectancies are predicted to grow over the next 30 years. At present, male and female life expectancies are 79 and 83 years, respectively. By 2047, these figures are expected to grow to 86 and 90 years, respectively. See The Treasury, *Intergenerational Report 2007*, The Treasury, Canberra, 2007, p. 13.

<sup>18</sup> The Treasury, *Intergenerational Report 2007*, The Treasury, Canberra, 2007, Appendix A, Table A1.

<sup>19</sup> Reports include: Australian National Audit Office, ANAO Audit Report No.42 2002–03, *Managing Residential Aged Care Accreditation*, Canberra and Australian National Audit Office, ANAO Audit Report No.35 2007–08, *Building Certification of Residential Aged Care Home*, Canberra. The ANAO is currently undertaking an audit of the protection of residential aged care accommodation bonds.

**1.42** There are other matters that relate to the care of the aged, more widely. These include health, housing and transport. These matters span government activities across all levels of government and activities by the for-profit and not-for-profit sectors.

**1.43** An illustration of the cross-jurisdictional initiatives is the current work of the Council of Australian Governments (COAG). COAG is considering the creation of a national aged care and disability service system, including reform of roles and responsibilities between the Australian government and states and territories. COAG has undertaken to consider specific proposals for this reform agenda in 2009. These proposals could affect DoHA's planning and allocation of aged care places.

## Aged care reviews

**1.44** There have been several reviews over recent years relating to aspects of aged care. Reviews relevant to the audit topic are briefly outlined below.

### Recently completed aged care reviews

#### *Hogan Review*

**1.45** *The Review of Pricing Arrangements in Residential Aged Care: Final Report*, often referred to as the Hogan Review, was released in April 2004. The author of the review, Warren P Hogan, examined:

... the longer term prospects of residential aged care services with particular respect to future arrangements for private and public funding, performance improvement in the industry and longer term financing.<sup>20</sup>

**1.46** The Hogan report made 20 recommendations aimed at securing the funding base for aged care into the future. In terms of the planning and allocation of aged care places, the Hogan report called for greater flexibility for planning arrangements, suggesting this could be achieved via a more market-oriented option for the longer term: a place allocation auction system.

**1.47** The then Government responded to the Hogan report in two tranches with the *Investing in Aged Care* package (2004) worth \$2.2 billion; and the *Securing the Future of Aged Care* package (2007), worth \$1.6 billion.<sup>21</sup>

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<sup>20</sup> Aged Care Price Review Taskforce, *The Review of Pricing Arrangements in Residential Aged Care Final Report*, DoHA, Canberra, 2004, p. xi.

**1.48** DoHA advised in March 2009 that it has implemented aspects of the Hogan report's planning recommendations via:

- the continued implementation of the ratio of places per 1000 people aged 70 and over and committing to an increase in the ratio from 108 to 113 places per 1000 by June 2011;
- increasing the availability of community care places in line with the preference to remain in the community as long as possible; and
- announcing indicative releases two years in advance (in addition to the places being offered in the ACAR year) to improve the rate at which new places become operational by offering information earlier and thereby giving existing and new providers more time to plan to expand and become 'bed ready'.

#### *The 'Santoro review'*

**1.49** In early 2007, allegations were reported in the media that the then Minister for Ageing, the Hon. Santo Santoro, had attempted to influence the 2006 ACAR to favour an application associated with a Liberal party member.

**1.50** DoHA conducted an internal review and reported to its then-Minister, the Hon. Christopher Pyne, on 23 March 2007. The review found 'no evidence of any attempt to exert influence, either directly or indirectly, over any officer of the department in any way materially connected with the relevant decision'.

**1.51** Regarding the decision-making by the department, the review found that the decisions were 'sound, in that they were supported by the facts available; consistent with legislation, principles and guidelines; and otherwise reasonable'. As part of the audit, the ANAO examined DoHA's review process (see Chapter Four).

#### *Productivity Commission research*

**1.52** In 2008 the Productivity Commission released a research paper *Trends in Aged Care Services: some implications*.<sup>22</sup> The paper highlighted several areas for further public policy analysis. Those relevant to this audit included:

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<sup>21</sup> Department of Health and Ageing, *Australian Government's Response to the Review of Pricing Arrangements in Residential Aged Care*, DoHA, Canberra, 2004; and Department of Health and Ageing, *Securing the Future of Aged Care in Australia*, DoHA, Canberra, 2007.

<sup>22</sup> Productivity Commission, *Trends in Aged Care Services: some implications*, Commission Research Paper, Productivity Commission, Canberra, 2008.

- the potential for unbundling the costs involved in residential care (that is, accommodation, everyday living and personal care costs) to better reflect the underlying costs of these services and enable better targeting of subsidies;
- the methodology for planning and allocating aged care places; and
- ‘consumer-centred’ care arrangements to enhance the potential for older people to influence the nature and scope of the services they receive.

**1.53** The paper did not make any recommendations. The Productivity Commission stated that it was intended to inform governments and the broader community about likely developments over the next four decades.

### *Parliamentary reviews*

**1.54** On 14 October 2008, the Senate referred to its Finance and Public Administration Committee an inquiry into residential and community aged care in Australia. The terms of reference had mainly a funding and payments orientation, requiring the committee to look at the funding, planning, allocation, capital and equity of residential and community aged care in Australia. One term of reference required the committee to consider whether the current planning ratio between community, high and low care places is appropriate.

**1.55** Reporting in April 2009, the committee concluded that it was time for a transparent and comprehensive review of the planning ratios.<sup>23</sup> The committee recommended, among other things, that a taskforce, representative of all involved aged care stakeholders, undertake this review to assess the planning ratio in light of growing and diverse demand on aged care services.

**1.56** There have been other parliamentary inquiries on areas related to aged care in recent years, though none dealt with the process of planning and allocating aged care places.<sup>24</sup>

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<sup>23</sup> Senate Standing Committee on Finance and Public Administration, *Residential and Community Aged Care in Australia*, Senate, Canberra, 2009, p. 137. The committee made 31 recommendations addressing its terms of reference.

<sup>24</sup> These other inquiries have included House of Representatives Standing Committee on Health and Aged Care, *Future Ageing: Inquiry into long-term strategies to address the ageing of the Australian population over the next 40 years*, House of Representatives, Canberra, 2005; and Senate Community Affairs Committee, *Quality and Equity in Aged Care*, Senate, Canberra, June 2005.

## Current aged care reviews

### *Department of Health and Ageing*

**1.57** The planning and allocation phases of aged care are currently under review by DoHA. This includes:

- a report on probity and efficiency with respect to the ACAR process, instigated in August 2006. An external consultant (RSM Bird Cameron) was appointed to undertake these reviews. DoHA received a draft of the report in October 2008. DoHA advised in March 2009 that the RSM Bird Cameron review report had not been finalised, but was nearing completion; and
- a review of the provision of \$150 million in zero real interest loans and 1455 new aged care places to approved providers for construction of new aged care facilities.<sup>25</sup> The loans were announced in March 2008 in an effort to encourage applications for residential places in rural and regional areas of high demand. The review will inform the distribution of a further \$150 million in zero real interest loans and a further 1250 aged care places in 2009.

**1.58** In May 2008 the Government announced that it will review the aged care planning ratios and the aged care allocation process to take better account of demographic changes and changing patterns of use of aged care services. DoHA advised that these reviews have been delayed, and as at March 2009, the timing of these reviews is uncertain. This is because COAG is currently considering reform to governments' roles and responsibilities for aged care, and it is considered more appropriate to undertake these reviews once the directions of the COAG review are known. DoHA also indicated in March that, with an aged care funding matter also being reviewed at present, part of the reason for deferring the reviews of the aged planning ratios and the aged care allocation process, is to time reviews in a staged way so as not to burden industry by requiring it to prepare several submissions at one time.<sup>26</sup>

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<sup>25</sup> DoHA, *Zero Real Interest Loans*, [internet], DoHA, Canberra, 2008, available from <<http://www.health.gov.au/internet/main/publishing.nsf/Content/ageing-zero-interest.htm>> [accessed 14 April 2009].

<sup>26</sup> The aged care funding matter under review is the Conditional Adjustment Payment. Further details can be found at Department of Health and Ageing, Review of the Conditional Adjustment Payment, [internet], DoHA Canberra, 2009, available from <<http://www.health.gov.au/internet/main/publishing.nsf/Content/ageing-cap.htm>> [accessed 25 March 2009].

## Office of Evaluation and Audit

**1.59** The Office of Evaluation and Audit (Indigenous Programs) in the Department of Finance and Deregulation is currently conducting a performance audit of *Residential Aged Care for Indigenous Australians*. The audit focuses on the National Aboriginal and Torres Strait Islander Flexible Aged Care Program (see paragraph 1.16), with some coverage of the mainstream aged care program.

## Previous ANAO audits dealing with planning and allocation of aged care places

**1.60** The ANAO has conducted two performance audits of aged care arrangements and programs relevant to the planning and allocation of aged care places, namely the *Planning of Aged Care* and the *Administration of the Community Aged Care Packages Program*.<sup>27</sup> In the current audit, the ANAO assessed DoHA's action on relevant recommendations of these earlier audits. The ANAO's detailed assessment is set out in Appendix 2 and overall ANAO comments about implementation are set out in Chapter Five.

## Audit approach

**1.61** The audit objective was to assess the effectiveness of DoHA's management of the planning and allocation of aged care places and capital grants, in accordance with the *Aged Care Act 1997*.

## Scope

**1.62** The audit examined DoHA's administration of its planning and allocation processes and systems that relate to the provision of aged care places and capital grants. A key focus was the ACAR, particularly the 2007 round (the last complete ACAR at the time of the audit).

**1.63** The audit did not examine DoHA's management of the processes after the allocation of places, such as the processes of making planned places operational and monitoring the implementation of conditions of allocation. Nor did the audit examine the delivery of aged care services by service providers, any state and territory government aged care administration or

<sup>27</sup> Australian National Audit Office, ANAO Audit Report No.19 1998–99, *The Planning of Aged Care*, Canberra and Australian National Audit Office, ANAO Audit Report No.38 2006–07, *Administration of the Community Aged Care Packages Program*, Canberra.

funding aspects of aged care, such as the payment of subsidies or accommodation bonds.

## **Criteria**

**1.64** The focus questions for the audit were:

- how well does DoHA plan for the allocation of aged care places and capital grants? (addressed in Chapters Two and Three of this report);
- how well does DoHA implement the ACAR? (addressed in Chapter Four of this report); and
- how well does DoHA monitor, evaluate and report on the outcomes of the planning and allocation of aged care places and capital grants? (addressed in Chapter Five of this report).

## **Audit methodology**

**1.65** After preliminary planning work, the ANAO conducted fieldwork between August and October 2008. In order to form an opinion against the audit objective the ANAO:

- examined policy documents, guidelines, procedures, operational documents and reports;
- interviewed relevant DoHA staff in Central Office and four state offices: New South Wales, Victoria, Queensland and South Australia;
- reviewed case files relating to applications in the 2007 ACAR, including residential, CACP and EACH and EACH-D applications, and capital grants applications; and
- reviewed internal DoHA files, records, and IT systems and publications relating to the planning and allocation of aged care places.

**1.66** The ANAO also consulted with aged care stakeholders, namely the Aged Care Association Australia; Aged and Community Services Australia; Alzheimer's Australia; Catholic Health Australia; the Council on the Ageing; and Carers Australia. The ANAO also interviewed some members of the ACPACs and had the opportunity to visit some aged care services.

**1.67** The ANAO focussed its analysis on the completed 2007 ACAR. In light of the 2008–09 ACAR underway in the latter part of the audit, the audit report provides updated information relating to the 2008–09 ACAR where appropriate.



**1.68** The audit was conducted in accordance with ANAO Auditing Standards at a cost of \$430 000.

## **Acknowledgements**

**1.69** The ANAO would like to thank DoHA staff for their assistance in conducting the audit. The ANAO would also like to express appreciation to the aged care stakeholders and aged care providers consulted during the audit.

## **Structure of this report**

**1.70** The report is presented in five chapters, as outlined below.

- Chapter One: Introduction;
- Chapter Two: The aged care planning ratio;
- Chapter Three: Planning for the ACAR;
- Chapter Four: Running the ACAR; and
- Chapter Five: Monitoring and reporting.

## 2. The aged care planning ratio

*This chapter sets out the objectives of the Aged Care Act 1997, including the legislative objectives of the aged care planning process. It also examines the national aged care planning ratio (which is a foundation element of the aged care planning and allocation framework), the implications of the use of the ratio with respect to the Indigenous population aged 50 to 69, and its use across states and territories more generally.*

### Introduction

**2.1** Division Two of the *Aged Care Act 1997* (the Act), which defines the objects of the Act, is reproduced below.

- (1) The objects of this Act are as follows:
- (a) to provide for funding of aged care that takes account of:
    - (i) the quality of the care; and
    - (ii) the type of care and level of care provided; and
    - (iii) the need to ensure access to care that is affordable by, and appropriate to the needs of, people who require it; and
    - (iv) appropriate outcomes for recipients of the care; and
    - (v) accountability of the providers of the care for the funding and for the outcomes for recipients;
  - (b) to promote a high quality of care and accommodation for the recipients of aged care services that meets the needs of individuals;
  - (c) to protect the health and well-being of the recipients of aged care services;
  - (d) to ensure that aged care services are targeted towards the people with the greatest needs for those services;
  - (e) to facilitate access to aged care services by those who need them, regardless of race, culture, language, gender, economic circumstance or geographic location;
  - (f) to provide respite for families, and others, who care for older people;
  - (g) to encourage diverse, flexible and responsive aged care services that:
    - (i) are appropriate to meet the needs of the recipients of those services and the carers of those recipients; and
    - (ii) facilitate the independence of, and choice available to, those recipients and carers;
  - (h) to help those recipients to enjoy the same rights as all other people in Australia;
  - (i) to plan effectively for the delivery of aged care services that:
    - (i) promote the targeting of services to areas of the greatest need and people with the greatest need; and
    - (ii) avoid duplication of those services; and
    - (iii) improve the integration of the planning and delivery of aged care services with the planning and delivery of related health and community services;
  - (j) to promote ageing in place through the linking of care and support services to the places where older people prefer to live.
- (2) In construing the objects, due regard must be had to:
- (a) the limited resources available to support services and programs under this Act; and
  - (b) the need to consider equity and merit in accessing those resources.<sup>28</sup>

<sup>28</sup> Commonwealth of Australia, *Aged Care Act 1997*, Division 2.

**2.2** Section 12-2 of the Act outlines the objectives of the planning process:

- (a) to provide an open and clear planning process; and
- (b) to identify community needs, particularly in respect of people with special needs; and
- (c) to allocate places in a way that best meets the identified needs of the community.<sup>29</sup>

## The planning ratio

**2.3** As described in Chapter One, aged care places are planned for, and allocated, based on a target ratio of a number of operational places per 1000 people aged 70 and over.<sup>30</sup> The setting of the target ratio is a policy decision, determined by the government.

**2.4** Figure 2.1 demonstrates the key changes made to the aged care planning target since 1986. It shows the introduction and subsequent growth of community care, and illustrates the relative decline of low care residential places. It also shows a small increase in high care places.

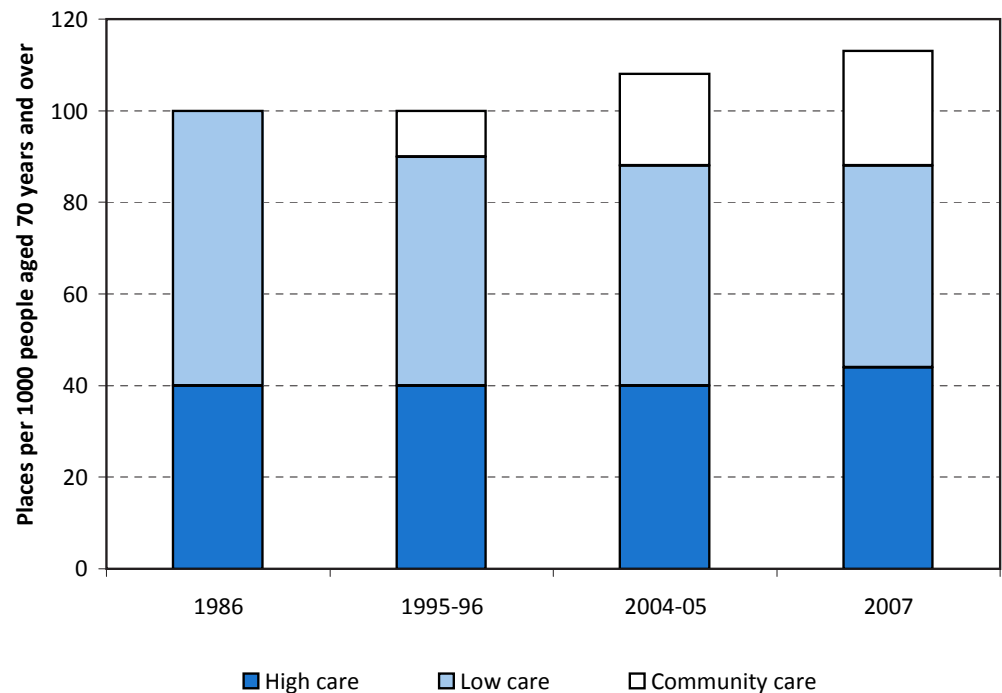
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<sup>29</sup> As noted earlier, under s. 11-3 of the Act and Part 2A of the Allocation Principles, people with special needs include people from Aboriginal and Torres Strait islander communities, people from non-English speaking backgrounds, people who live in rural or remote areas, people who are financially or socially disadvantaged, and people who are veterans.

<sup>30</sup> Operational places are those that have been determined by DoHA as being ready to provide care.

**Figure 2.1**

**Changes in the aged care planning target**



Source: ANAO analysis of DoHA information.

**2.5** The planning ratio forms the basis of DoHA’s planning and allocation of aged care places. It performs three vital roles. These are: a program objective, a rationing device, and an indicator of community aged care need. The following sections explore how the ratio performs these roles.

**Program objective**

**2.6** Achieving the target ratio is the primary objective of DoHA’s planning and allocation activities. As noted above, the ratio has been revised a number of times by government. Due to these adjustments to the ratio and other reasons, DoHA’s achievement of the ratio across states and territories has varied, as Table 2.1 shows.<sup>31</sup>

<sup>31</sup> For example, in the Northern Territory, DoHA allocates additional places to account for the needs of Indigenous Australians aged 50-69. This practice is examined in detail later in this chapter.

**Table 2.1****Achievement of the ratio as at 30 June 2008**

State	Provisional Allocation	Operational	Offline	Total
NSW	11.0	111.0	2.0	124.0
Vic	9.0	112.0	2.6	123.6
Qld	11.9	108.5	1.0	121.4
SA	5.4	119.1	0.5	125.1
WA	11.0	107.7	2.8	121.5
Tas	6.3	110.7	1.4	118.4
NT *	17.4	225.0	0.0	242.4
ACT	29.2	106.9	0.0	136.2
Australia	10.3	111.5	1.9	123.6

Note \* The higher provision levels in the Northern Territory are designed to address the care needs of Aboriginal people aged 50 years and over. This is examined later in this chapter.

Source: ANAO analysis of DoHA information.

**2.7** Owing to the time lag that necessarily occurs between DoHA allocating places and those places becoming operational (usually due to the need to construct a residential facility), DoHA has adopted an approach that ‘over-allocates’ places in order to meet the target ratio by the target date. As Table 2.1 demonstrates, in 2008 DoHA had allocated a total of 123.6 places per 1000 people aged 70 and over. With 10.3 of these places per 1000 people aged 70 and over not yet operational (provisional allocations), and a further 1.9 places per 1000 people offline, 111.5 places were operational.<sup>32</sup>

**2.8** Having achieved 111.5 operational places by 30 June 2008, DoHA is currently on track to achieve the target of 113 operational places per 1000 population aged 70 and over by December 2011.

## **Rationing device**

**2.9** The planning target performs the role of a rationing device by controlling the supply of places and tying the growth in the number of places to population growth. The planning target controls supply by setting the number of places DoHA can release.

<sup>32</sup> Provisional allocations are places that have been allocated, but are not yet ready to provide care. Offline places are those that have previously been operational, but are temporarily not available to provide care, normally due to refurbishment of the facility.

**2.10** DoHA pays subsidies to approved providers with approved operational places, on a per resident, per day basis.<sup>33</sup> These subsidies are funded by a Special Appropriation. The Appropriation is designed so that once DoHA has determined the number of places required by applying the ratio, commensurate funding for those places that are operational is provided.<sup>34</sup> As such, the ratio controls expenditure as it caps the number of places that DoHA can release.

**2.11** The level of Australian government expenditure is not only affected by the overall number of aged care places, but also by the mix of care types of those places. This is due to differing subsidy levels attached to different types of care. The average Australian government payment per place (subsidy plus any applicable supplements) in 2007–08 was \$37 914, but the level of subsidy can range from \$11 696 per annum per Community Aged Care Package (CACP) place to \$45 476 per annum per residential high care place in the same period.<sup>35</sup> Due to this range of subsidy amounts, changes to the mix of places can have significant financial implications for the Australian government.

### **Indicator of the level of need**

**2.12** As noted earlier, one of the objectives of the planning process (s 12-2 of the Act) is: ‘to allocate places in a way that best meets the identified needs of the community.’ The ratio plays a role in achieving this objective as it specifies the number and types of places that will be provided. If the ratio is to ‘best meet the needs of the community’ it must reflect the community’s needs for aged care in its configuration.

**2.13** Determining the planning ratio is a policy decision for the government. DoHA is responsible for providing timely and useful advice to the Minister for Ageing to inform that decision, with an appropriate evidentiary basis. DoHA has provided this advice in the past, contributing to government consideration of the issues and decisions on the level and mix of the ratio.

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<sup>33</sup> As noted previously, anyone wishing to provide Australian government-funded aged care must first apply to become an ‘approved provider’ under the Act (see Part 2.1 of the Act).

<sup>34</sup> The audit did examine the operation of this Special Appropriation as the payment of aged care subsidies occurs after the planning and allocation process.

<sup>35</sup> Department of Health and Ageing, *Report on the Operation of the Aged Care Act 1997 1 July 2007 to 30 June 2008*, DoHA, Canberra, 2008, p. 37.

**2.14** A number of reviews have informed changes to the planning ratio. These include the:

- *Nursing Homes and Hostels Review* in 1986, which informed the original target ratio of 100<sup>36</sup>; and
- *Review of Pricing Arrangements in Residential Aged Care* in 2004, previously mentioned in Chapter One.<sup>37</sup>

**2.15** As the ratio is the driver of the entire planning and allocation process, it is important that the mix and level of the ratio is regularly reviewed to ensure it addresses the needs of the community, within budgetary constraints. This is the responsibility of the government of the day. As noted in Chapter One, DoHA has advised that the Government intends to review the aged care planning ratio, once other announced reviews relating to aged care have been completed.

## Implications of DoHA's application of the planning ratio

**2.16** The national aged care planning ratio has a number of positive features, such as being a transparent and measurable planning tool that can be applied by DoHA to control supply and expenditure, by matching provision levels to population growth.

**2.17** The ANAO examined DoHA's use of the national aged care planning ratio. Two features of DoHA's approach were how it meets the needs of the Indigenous population aged 50-69 and DoHA's uniform application of the national planning ratio across states and territories. The ANAO examined the implications of these two features.

### Indigenous population aged 50-69 years

**2.18** As illustrated in Table 2.1, the higher aged care provision levels in the Northern Territory are intended to address the care needs of Indigenous people aged 50 years and over in that Territory. The Act specifically designates people from Aboriginal and Torres Strait Islander communities as a 'special needs group,' which the department must consider in its planning and allocation activities.

<sup>36</sup> Department of Community Services, *Nursing Homes and Hostels Review*, AGPS, Canberra, 1986.

<sup>37</sup> Aged Care Price Review Taskforce, *Review of Pricing Arrangements in Residential Aged Care*, DoHA, Canberra, 2004.

**2.19** As the aged care planning ratio is based upon the population aged 70 and over, the numbers of Indigenous Australians aged 50 to 69 are not used to plan and determine the number of places to be *created* for Indigenous Australians. DoHA does, however, as required by the special needs provisions of the Act, take account of the Indigenous population aged 50-69 in the Level Two process and directs places to this population based on this ratio as an indicator of need. In effect, DoHA uses places planned and determined based on the 70 years and over population to meet the needs of the Indigenous population aged 50-69. DoHA's approach is designed to recognise that the 'conditions associated with ageing generally affect Aboriginal and Torres Strait Islander people substantially earlier than other Australians'.<sup>38</sup>

**2.20** Current aged care provision levels (see Table 2.1) show that the Northern Territory operational ratio (225.0) is more than twice the national ratio (111.5). Since the planning of places is based on the population aged 70 years and over nationally, DoHA's approach to meet the needs of Indigenous Australians aged 50-69 has been to allocate places from other states and territories to the Northern Territory. Although responding to the needs of this special needs group, the redirection of places conflicts with DoHA's aim to achieve the national ratio uniformly across all states and territories.

**2.21** With the Indigenous population being a relatively small proportion of the total Australian population, the proportion of places that may need to be targeted towards Indigenous people aged 50-69 is small in most states and territories, as Table 2.2 demonstrates.

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<sup>38</sup> Department of Health and Ageing, *Report on the Operation of the Aged Care Act 1997, 1 July 2006 to 30 June 2007*, DoHA, Canberra, p. 25.



**Table 2.2****Demographics and places**

State	70+ population	Expected total places	Indigenous 50-69 population	Expected no. of places (Indigenous 50-69 only)
NSW	673 559	76 112	7556	854
Vic	502 145	56 742	1637	185
Qld	353 281	39 921	6252	706
SA	175 455	19 826	1225	138
WA	173 317	19 585	3584	405
Tas	51 346	5802	954	108
NT	5747	649	2826	319
ACT	22 593	2553	187	21
Australia	1 957 507	221 198	24 244	2740

Source: Australian Bureau of Statistics, *Australian Demographic Statistics December quarter 2007*, ABS Catalogue no. 3101.0, ABS, Canberra; and ANAO analysis using DoHA data.

**2.22** As Table 2.2 shows, including the Indigenous population aged 50-69 in the planning ratio target would involve the creation of 2740 additional places across Australia, and more places as the population grows. The financial implications of these new places would need to be taken into consideration by DoHA in providing advice to the Minister for Ageing on options for incorporating the Indigenous population aged 50-69 into the planning ratio target.

**2.23** Although DoHA is working appropriately within its parameters to attempt to address the needs of the Indigenous population aged 50-69, it would be preferable if DoHA did not have to reallocate places to the Indigenous population aged 50-69 that would be allocated to the entire Australian population aged 70 and over.

**2.24** DoHA could provide advice to the Minister for Ageing on options for incorporating the Indigenous population aged 50-69 into the planning ratio target. Taking account of this population in the ratio would enhance DoHA's ability to plan for the aged care needs of that population and plan the distribution of places accordingly, without the need for DoHA to reallocate places initially determined on the basis of the Australian population aged 70 and over.

## Demographic differences in states and territories

**2.25** The ANAO assessed the implications of DoHA's decision to apply the ratio uniformly across all states and territories, by examining: population data (aged 80 and over, as that population is closer to the average age of residential aged care residents); occupancy rates (as an indicator of the level of demand for places); and provision levels (which indicate the level of supply of places).

**2.26** DoHA seeks to achieve the national ratio uniformly in all states and territories. This approach is seen by DoHA as enhancing equitable access to aged care for all older Australians. However, demographics across states and territories differ. The ANAO assessed whether the application of this ratio equally across all states and territories disadvantaged some states or territories because their population was relatively older than other states.<sup>39</sup>

**2.27** This analysis indicated that the uniform application of the ratio may not fully recognise state and territory demographic differences. While using the aged 70 and over population as the basis for *planning* may be appropriate, DoHA could consider alternative methods of *distributing the places* determined on the basis of the aged 70 and over population, in order to better address state and territory differences.<sup>40</sup>

### ANAO analysis

**2.28** States and territories have different age profiles, as Table 2.3 demonstrates.

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<sup>39</sup> Based on the assumption that the demand for aged care grows as populations get older.

<sup>40</sup> The use of the aged 70 and over population as the basis for planning is appropriate because population growth for the aged 70 and over cohort is steadier than the growth for the aged 80 and over cohort, meaning that the release of places based on the aged 70 and over population is more consistent than if places were released based on the aged 80 and over population. The smoother trend assists the aged care industry to cope with the release of large numbers of place allocations.

**Table 2.3****Age profiles of States and Territories as at 30 December 2007**

Population	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	Aus
Total 70+	673 559	502 145	353 281	175 455	173 317	51 346	5747	22 593	1 957 507
Proportion of total Australian population, 70+ (%)	34.41	25.65	18.05	8.96	8.85	2.62	0.29	1.15	100.0
Total 80+	262 777	196 272	133 878	71 651	64 568	19 793	1510	8537	758 999
Proportion of total Australian population, 80+ (%)	34.62	25.86	17.64	9.44	8.51	2.61	0.20	1.12	100.0

Source: ANAO analysis of ABS population data from ABS 3101.1 (December 2007), p. 34.

**2.29** Table 2.3 depicts the numbers of Australians aged 70 and over and aged 80 and over and the resulting proportions, in each state and territory, as at December 2007. Table 2.3 demonstrates differences in the state and territory age profiles, with South Australia, Victoria and New South Wales having a greater share of Australia's population aged 80 and over than their share of the Australian population aged 70 and over. South Australia, Victoria and New South Wales, therefore, have comparatively older populations.

**2.30** Table 2.4 shows the occupancy rates of residential aged care services over the past four financial years, taking account of permanent residents only (that is not including respite residents).<sup>41</sup> The occupancy rate measures the number of bed days used as a percentage of the number of bed days available. As such, the occupancy rate provides an indication of the level of demand for places.

<sup>41</sup> Due to its 'occasional' nature, respite care will have a far lower occupancy rate.

**Table 2.4****Occupancy rates for permanent residents**

Year	NSW %	VIC %	QLD %	SA %	WA %	TAS %	NT %	ACT %	Aus %
2004–05	96.74	95.47	97.50	98.91	96.54	98.16	97.89	99.12	96.81
2005–06	97.13	94.46	97.43	98.95	96.61	97.03	98.18	98.08	96.63
2006–07	95.88	93.87	96.21	98.97	96.40	96.76	96.28	96.71	95.79
2007–08	95.56	93.73	94.90	98.32	95.91	96.01	95.46	93.61	95.25

Source: ANAO analysis using DoHA data.

**2.31** The consistently higher South Australian occupancy rate compared with other states and the territories indicates a higher demand for places in South Australia. One of the factors contributing to this is its comparatively older population. Table 2.1 shows that South Australia currently has a high operational rate (119.1). This rate already exceeds the 2011 aged care planning target. This means that South Australia currently has more places than DoHA's current methodology is aiming to achieve (113). South Australia's high occupancy rate, especially in light of its high operational rate, suggests that its comparatively older population has a higher demand for places than the current DoHA 'uniformity' methodology suggests.<sup>42</sup>

**2.32** Similarly, the lower occupancy rates in the ACT and Queensland (see Table 2.4), combined with lower operational rates (106.9 and 108.5 respectively, see Table 2.1), suggest that the ACT and Queensland's comparatively younger populations may demand fewer places than DoHA's current 'uniformity' methodology suggests.

**2.33** Victoria does not fit into this pattern, but there may be factors that explain this. Victoria's lower occupancy rate does not align with its comparatively older population. This may be due to the combined effect of Victoria having an operational rate (112.0, see Table 2.1) that is above the national average, and a relatively high rate of offline places (2.6). Offline places are included in the occupancy figures, and lower the occupancy rate.<sup>43</sup>

<sup>42</sup> DoHA advised the ANAO in March 2009 that historically, South Australia has had a high operational ratio. Given this, South Australia has received relatively small allocations in recent ACARs, and as such, has a more stable occupancy rate.

<sup>43</sup> DoHA treats offline places as available, but unoccupied, beds.

**2.34** DoHA's decision to apply the national ratio across all states and territories was taken with the goal of ensuring equity in provision between states and territories. This principle has obvious merit; however, it does not necessarily ensure consumers have equity of access to the level and type of services that they demand. This is because those consumers are competing for services against differing populations. During the course of the audit the ANAO suggested that DoHA consider alternatives in how it applies the aged care planning ratio and sub-ratios across states and territories, to explore the potential to better take account of state and territory differences, and as such improve equity of access to aged care for older Australians.<sup>44</sup> DoHA agreed with this suggestion, commenting that:

'the Government has announced that it will review aged care planning ratios and the allocation process to take better account of demographic changes and the changing patterns of use of aged care services. The Council of Australian Governments is currently considering reform to the roles and responsibilities for aged care. It is appropriate to wait until the directions are known before proceeding with the review.'<sup>45</sup>

**2.35** Consideration of changing demographics and relative needs of states and territories could assist DoHA to improve equity of access to aged care.<sup>46</sup>

## Recommendation No.1

**2.36** The ANAO recommends that the Department of Health and Ageing assess the merits of alternatives for how the department applies the aged care planning ratio and sub-ratios across states and territories, so as to better take account of differences in state and territory demographics, including health status.

**DoHA response:** *Agreed.*

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<sup>44</sup> The sub-ratios for care types are currently 44 per 1000 persons aged 70 and over for high care; 44 places per 1000 persons aged 70 and over for low care; and 25 places per 1000 persons aged 70 and over for community care.

<sup>45</sup> DoHA advice to the ANAO, March 2009.

<sup>46</sup> 'Demographics' involves features of the population and groups within it, such as life expectancies, health indicators and dementia rates.

## ***Departmental response***

**2.37** The department supports the recommendation. The Government has made a commitment to undertake a review of the planning ratios to better take account of demographic changes and changing patterns of use of aged care services and it would be appropriate to address the issues raised as part of that review.

## **Conclusion**

**2.38** The national aged care planning ratio, set by government, has a number of positive features, such as being a transparent and measurable planning tool that can be applied by DoHA to control supply and expenditure by matching provision levels to population growth.

**2.39** DoHA recognises that the conditions associated with ageing generally affect Aboriginal and Torres Strait Islander people substantially earlier than other Australians, and takes account of the Indigenous population aged 50-69 in determining the *distribution* of places to regions, directing places to this population. In effect, DoHA uses places planned and determined based on the Australian aged 70 and over population, as required by government, to meet the particular needs of the Indigenous population aged 50-69 years.

**2.40** Although DoHA is working appropriately within its parameters to attempt to address the needs of Indigenous people aged 50-69, it would be preferable if DoHA did not have to reallocate places to the Indigenous population aged 50-69 that would be allocated to the entire Australian population aged 70 and over.

**2.41** DoHA could provide advice to the Minister for Ageing on options for incorporating the Indigenous population aged 50-69 into the planning ratio target. Taking account of the Indigenous population aged 50-69 in the ratio would enhance DoHA's ability to plan for the aged care needs of that population and plan the distribution of places accordingly.

**2.42** In terms of the wider population, data from the ABS and DoHA indicate that there are demographic differences across states and territories, as demonstrated in this report in Tables 1.2, 2.2 and 2.3.

**2.43** DoHA's approach to seek equal aged care planning ratios across all states and territories could lead to inequality of access to aged care places in the particular states and territories where demographic patterns differ markedly from the others. The result is that consumers living in different states

and territories may face varied levels of competition for access to aged care. This means that a state with an 'older' population (or more complex health needs) would have a higher demand for high care residential aged care, compared with a state with a 'younger' population (or less complex health needs).

**2.44** There are opportunities for DoHA, in consultation with the Minister for Ageing and other stakeholders, to assess the merits of alternative methods for planning the distribution of aged care places across states and territories in order to better address states and territory differences and thereby seek to improve the equity of access to aged care places across states and territories.

**2.45** DoHA advised the ANAO that it agrees that these matters should be considered in the context of the Government's planned review of the aged care planning ratios and allocation process.<sup>47</sup>

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<sup>47</sup> DoHA advice to the ANAO, 19 March 2009.

## 3. Planning for the Aged Care Approvals Round

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*This chapter examines how DoHA plans for the Aged Care Approvals Round (ACAR), including how it determines the number of places to be released and the types of care to be provided to certain groups of people. It also reviews DoHA's planning for running the ACAR.*

### Introduction

**3.1** Figure 1.2 shows the four steps of the ACAR process. This chapter examines steps one and two of the process, including how DoHA determines the numbers of places to be released, the distribution of available places amongst regions and targeting places to certain groups of people. DoHA's planning processes to prepare for running the ACAR are also reviewed.

### Determining numbers of places for release (Level One)

**3.2** Section 12-3 of the Act states that:

The Minister must, in respect of each type of subsidy under Chapter 3, determine for the financial year how many places are available for allocation in each state and territory.<sup>48</sup>

**3.3** As described previously, this determination is known as the Level One process. In examining DoHA's Level One processes, the ANAO expected to see a clear and documented methodology that produced accurate and timely results that align with DoHA's planning objectives (see paragraph 2.2).

**3.4** DoHA calculates the number of aged care places (residential, community and flexible) to be made available for allocation to states and territories after comparing the current levels of service provision (including those places allocated, but not yet operational) with the expected population of Australians aged 70 years and over in each state and territory (based on ABS census data and projections). In allocating places, DoHA is seeking to achieve the planning ratio target (113 places per 1000 people aged 70 years and over, by 2011).

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<sup>48</sup> Chapter 3 of the Act deals with subsidies for residential, community and flexible care.



**3.5** Since 2004–05, the government has also publicly released indicative numbers of places to be released for the two subsequent years. While the estimates are non-binding, they are provided in order to assist the aged care industry plan for the future by providing indications of the government's intentions in the short term.

**3.6** In 2007 and 2008, DoHA's Level One processes involved seven steps, performed for each state and territory:

### Figure 3.1

#### DoHA Level One processes

##### *Establishing current and projected places*

**Step One** – DoHA collates the numbers of operational aged care places released in previous ACARs, for all aged care types.

**Step Two** – DoHA collects the numbers of provisional allocations (those places that have been allocated in previous ACARs, but are not yet operational). DoHA also incorporates indicative figures for future years, as determined for the previous ACAR.

**Step Three** – DoHA calculates the expected timing of provisional allocations becoming operational, based on previous experience. In 2007, DoHA used a national rate to predict the numbers of residential places to become available. In 2007, DoHA assumed that after six months, six per cent of residential provisional allocations become operational. After 18 months, DoHA expects a further 15 per cent to become operational. DoHA assumed 95 per cent of places would become operational within 66 months.<sup>49</sup> Community places are assumed to become operational immediately as they do not require the same level of building effort and capital.

**Step Four** – DoHA calculates the number of projected places, for each care type, for each future ACAR year (by adding the operational places to the expected places, or by adding the projected places of the previous year with the number of places becoming operational in that year).

<sup>49</sup> DoHA assumes that five per cent of places never become operational.

## *Calculating number of places required to achieve the target ratio*

**Step Five** – Separate to the first four steps, DoHA determines the number of target places, for all types, for each future ACAR year. It does this by multiplying the projected state population (aged 70 and over) by the ratio.

**Step Six** – DoHA calculates the balance of places it needs to release each ACAR year by subtracting the number of target places (Step Five) from the number of projected places (Step Four). These are the preliminary numbers of places, by each type, for each state and territory to be released in future ACARs.<sup>50</sup>

**Step Seven** – DoHA produces a number of models to depict the effects of the release of places on the national target ratio and the sub-ratios of the states and territories and care types. To speed up achievement of the desired uniform ratio in all states and territories, DoHA's modelling moves small proportions of places from over-allocated states and territories to under-allocated ones. DoHA also takes into account the ability of the aged care industry to absorb the number of type of places it is planning to release. At this stage in the process, DoHA also takes account of lapsed places, and reallocates accordingly.<sup>51</sup>

Source: ANAO analysis of DoHA information.

## **Inputs to the Level One process**

**3.7** The ANAO examined the 2007 and 2008 Level One processes. The ANAO examined DoHA's two key inputs: population data and DoHA's places data. The ANAO's criteria to assess the processes included accurate, reliable and timely data to be used as inputs. DoHA uses ABS Census and population projection data and its own aged care places data as inputs to the process. Each year, DoHA purchases ABS population projections, by single year age and state and territory, which build on the last available Census numbers. The population data used by DoHA is the most accurate and timely that can be attained.

**3.8** Changes in the ABS projections over time pose a risk to DoHA with respect to achievement of the ratio. As projections for each year ahead are estimated further out from the base census year, the projected numbers become less reliable. With each new Census, the ABS provides more accurate data based on the actual Census count. If the ABS' new Census base numbers for the aged 70 and over population are significantly different from

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<sup>50</sup> These numbers of places include Multi-Purpose Service, National Aboriginal and Torres Strait Islander Flexible Aged Care Program, Innovative care and Transition care places that will be allocated outside of ACAR. These types of places are described in Chapter One.

<sup>51</sup> Lapsed places are places that have been provisionally allocated, but were not brought online. Places usually lapse because of difficulties in finding a suitable site for the facility.

previously-projected numbers for that year, this will alter the denominator of DoHA's planning ratio and, therefore, affect the value of the ratio.

**3.9** This risk materialised in 2007, when projections of the national population based on the 2001 Census were found to have overestimated the aged 70 and over population by approximately 29 000 people. The adjusted 2006 Census population figures reduced the denominator of the ratio, thereby raising the value of the ratio compared to the previous calculation. Using the 2006 Census population numbers raised the national operational ratio of places allocated per 1000 people aged 70 and over by approximately 1.0. In the absence of a more accurate set of data, DoHA's approach of using ABS Census data and projections and updating its calculations accordingly, is appropriate.

**3.10** DoHA's data on places being delivered by providers is largely sourced from a twice yearly 'places stocktake'. From this data, DoHA ascertains the numbers of provisional allocations, a history of the rate that places become operational, and the numbers and timing of the release of places from previous ACARs. For 2007 and 2008, DoHA's stocktake processes involved detailed checks of places information and the resolution of discrepancies.

**3.11** In 2007, the stocktake required DoHA's state and territory offices to do their own counts of places, which were then sent to DoHA's Central Office for checking. From 2008, an updated IT system, 'Places Tracker', enables DoHA to calculate the number of places at any time, thus removing the need for a December stocktake. Basic reasonableness and consistency checks by the ANAO found Places Tracker information to be reliable and current.<sup>52</sup> The Places Tracker system is considered in further detail in Chapter Five.

## **DoHA calculations**

**3.12** Most calculations performed by DoHA as part of the Level One process involve basic arithmetic functions and the ANAO's analysis confirmed that they were correctly determined. More complicated, however, are those calculations that estimate the rate at which provisional allocations become operational, based on the rates of previous ACARs. As stated in step three of DoHA's Level One process, in 2007 DoHA used a single national figure to estimate the rate at which places were expected to be operational. In 2008,

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<sup>52</sup> The checks involved internal checking across DoHA data and external consistency checks of DoHA data against data held by aged care providers on the location, type and number of places.

DoHA changed its methodology slightly to estimate an average annual rate for each state and territory, so that the model better reflected the actual rate of places becoming operational, and took account of state and territory differences. In 2008, these rates ranged from 11.4 per cent of places becoming operational each year in one state to 19.8 per cent of places each year in another.

**3.13** In making adjustments and modelling during step seven, to predict the effects of the release of places on the national target ratio and the sub-ratios of the states and territories and care types, DoHA balances a number of potentially conflicting goals:

- achieving ratios and sub-ratios by the target date, without overshooting the target ratios;
- smoothing the release of places, to assist the industry to absorb places; and
- preferably releasing at least as many places as were previously announced as forward year indicatives for each state and territory, to provide reasonable continuity to providers who had planned their future intentions based on the Australian government's indicative figures.

**3.14** To assist in its judgments, DoHA produces a number of models that allow it to see the effects of different place release scenarios. In 2007, DoHA chose a model that focussed on achievement of the national target ratio, while releasing at least as many places as were previously announced as forward year indicatives within each state and territory. In 2008, DoHA again chose a model that focussed on the achievement of the national ratio, but did not release as many places as the model suggested in 2007 (indicative numbers for 2008). This was because the changed ABS population projections required fewer places to be released compared to the earlier projections. DoHA's adjustment in 2008 appropriately accounted for the population change, which improves the likelihood of DoHA achieving the planning ratio target without significantly overshooting the target.

**3.15** Both models used in 2007 and 2008 sought to equalise state and territory place ratios and care type sub-ratios. However, the rate at which the equalisation of these sub-ratios is planned is slow because DoHA chooses to smooth the release of places, and attempts to release as many places as previously indicated.

**3.16** DoHA improved its documentation of the Level One calculations in 2008. DoHA's calculations, and the associated judgements, appropriately take account of the objectives of the planning process (see paragraph 2.2) and the planning ratio target, in a robust and clear manner.

### **Output from the Level One process – the number of places to be made available**

**3.17** The output of the Level One process is the Minister for Ageing's decision regarding the release of the number of places, by type, to be made available in the year. The Minister determines the number and type of places to be released based on the department's calculations and advice.

### **Distributing available places amongst regions and targeting places to certain groups of people (Level Two)**

**3.18** Section 12-7 of the Act specifies that:

- (1) The Secretary may establish Aged Care Planning Advisory Committees.
- (2) The Secretary may request advice from a Committee about:
  - (a) the distribution of places amongst regions under section 12-4; and
  - (b) the making of determinations under section 12-5.

If the Secretary requests advice, the Committee must advise the Secretary accordingly.

**3.19** Aged Care Planning Advisory Committees (ACPACs) assist the Secretary in notionally distributing the places (determined in Level One) amongst Aged Care Planning Regions (ACPRs) within each state and territory.<sup>53</sup> ACPACs may also assist the Secretary in targeting places to those in greatest need, by recommending the numbers of places to be provided to certain groups of people. The parameters for ACPAC operations are set out in the Allocation Principles.<sup>54</sup>

<sup>53</sup> ACPRs are aligned with ABS Statistical Local Areas and State health regions. The alignment of regions enables the exchange of planning information.

<sup>54</sup> See paragraph 1.20.

**3.20** Subsection 4.15 (2) of the Allocation Principles states:

In advising the Secretary, the committee must take the following matters into account:

- (a) the planning objectives;
- (b) the findings of any relevant working party it establishes to investigate the needs of particular regions or groups of people;
- (c) demographic and other statistical data on the balance of care in each region;
- (d) relevant information obtained by the committee from local and regional sources.

**3.21** The Allocation Principles also set out requirements regarding the establishment and conduct of ACPACs, such as:

- the ACPAC consists of eight to 11 members, including a chair and deputy chair. At least six members must not be government officers;
- the Secretary must not appoint an ACPAC member for more than two years, but a member is eligible for reappointment;
- ACPAC members should have ‘personal knowledge of, and experience in, the delivery of aged care’ and ‘contribute to the planning of aged care and give effective advice to the Secretary’;
- ACPACs must meet at least twice a year and members must disclose any relevant direct or indirect financial interests; and
- questions arising at a meeting must be decided by a majority of votes of the members present and voting. The Chair holds a casting vote.

**3.22** For the four states it visited, the ANAO examined the appointment and operation of ACPACs and the materials provided to the Committees by DoHA’s state offices, in order to assess the ability of the ACPACs to inform the Secretary.<sup>55</sup> The ANAO expected to see that DoHA’s ACPAC processes aligned with requirements as set out in the Act and the Allocation Principles 1997.

## **ACPAC appointment**

**3.23** DoHA begins the ACPAC appointment process by advertising for potential non-government members in major metropolitan and primary

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<sup>55</sup> As part of its fieldwork, the ANAO visited the New South Wales, Victorian, Queensland and South Australian DoHA offices.

regional newspapers. Respondents to the advertisements are sent an information kit, which includes details of the selection criteria to be used, the appointment process and eligibility restrictions. If the advertisement fails to attract sufficient numbers of prospective non-government applicants, state and territory offices contact relevant organisations and individuals directly.

**3.24** Government officers are not required to submit an application. However, government officers may only be appointed if they have been nominated by their government organisation and they have experience in the administration or delivery of aged care services.

**3.25** DoHA assesses every applicant against all criteria, and applies a rating of low, medium or high to indicate the extent to which each criterion were met.

**3.26** To limit conflict of interest concerns (and related perceptions), DoHA has decided that key personnel of approved providers are not eligible to be committee members.<sup>56</sup> The ANAO observed instances where applicants were not approved for this reason.

**3.27** The information kit provided to prospective applicants clearly articulates ACPAC responsibilities, the aged care planning process and ACPAC operating guidelines. The information kit also outlines confidentiality requirements, and disclosure of relevant interests. All committee members sign and have witnessed a Deed of Confidentiality and Conflict and a Declaration of Interest form.

**3.28** The ANAO examined a sample of New South Wales, Victorian and Queensland applications (five in each state) and found that the 2007 ACPAC assessment process for the sample was adequately documented and aligned with legislative requirements.

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<sup>56</sup> Under the *Aged Care Act 1997*, s 8-3A, the following people are considered to be key personnel:

- a member of the group of people who are responsible for the executive decisions of the approved provider;
- any other person who is concerned in, or takes part in, the management of the approved provider;
- any person responsible for the overall nursing care provided; and
- any person responsible for the day to day operations of an aged care service.

## Data provision to ACPACs

**3.29** The ANAO examined the information provided to ACPACs to assess whether the materials:

- covered the areas required by the Allocation Principles (subsection 4.15 (2) of the Allocation Principles, as set out in paragraph 3.20), and in particular all five special needs groups; and
- were provided to ACPACs in a timely fashion so as to allow enough time for the committee members to assess the content.

**3.30** The ANAO examined the materials DoHA provided to the New South Wales, Victorian, Queensland and South Australian ACPACs in 2007 and 2008. The ACPAC materials provided by these state and territory offices covered the broad areas outlined by subsection 4.15 (2) of the Allocation Principles. The information provided to ACPACs generally consists of background information on aged care, population data and projections, places and ratio information, and information concerning the ACPRs within the state or territory. Varied levels of qualitative information, at least consisting of a summary of community submissions to the ACPAC, are also included.

### *Special needs groups*

**3.31** Consistent with findings of the ANAO performance audit of the *Administration of the Community Aged Care Packages Program*, the ANAO observed in this audit that not all state offices adequately addressed all special needs groups.<sup>57</sup> Only two of the four states the ANAO visited sufficiently addressed all five special needs groups in 2007. Where special needs groups had not been sufficiently addressed, the information provided was limited to the provision of population numbers or a group was not addressed at all.

**3.32** In response to Recommendation No. 3 of the previous report, DoHA disseminated 'National Best Practice Guidelines on Collection and Assessment of Supporting Information for ACPACs' to its state and territory offices in January 2008. By specifying a minimum data set to be provided to committees, DoHA's Central Office attempted to improve national consistency in the presentation of information to ACPACs.

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<sup>57</sup> Australian National Audit Office, ANAO Audit Report No.38 2006–07, *Administration of the Community Aged Care Packages Program*, Canberra, p. 74.



**3.33** The ANAO examined the materials provided to ACPACs in 2008 in the same four states as it did for 2007. Improvements were evident in the consistency and depth of information provided to ACPACs in 2008. Two of the four states the ANAO reviewed adhered to the National Best Practice Guidelines. However, two state offices had not fully adhered to the guidelines, and could improve their provision of information to their ACPACs by sufficiently addressing all five special needs groups.

#### *Timeliness*

**3.34** It is important that the ACPAC materials are provided to members in a timely fashion to allow enough time for the committee to prepare for the meetings. The volume of information provided for ACPAC meetings is such that members, who volunteer their time, require sufficient time to consider the materials. For the 2007 and 2008 ACAR, the ANAO observed instances where DoHA, in an effort to accelerate the start of the ACAR, reduced the time available to the committee members to consider the materials provided. For example, in 2007 one ACAPC was allowed five days to consider the hundreds of pages of statistics and information.

**3.35** The 2008 Level One figures were announced by the Minister for Ageing on 5 November 2008. Because of the reduced lead time, all four states the ANAO visited held their two ACPAC meetings *prior* to the Level One figures becoming available, with ACPACs using the indicative figures from the previous year.

**3.36** While there is a need to avoid unnecessary delays in the planning process, this situation does not allow for proper consideration of the aged care planning information and issues. An efficient and effective ACPAC process requires DoHA Central Office to provide its volunteer members with finalised Level One figures, and sufficient time to consider the information provided to them.

**3.37** The ANAO interviewed a number of ACPAC members from the four states it visited. Overwhelmingly, these members regarded positively the materials and the assistance provided in 2007 and 2008 by DoHA state offices, feeling that ACPACs contributed to the targeting of places towards those in need.

## **Level Two Minute**

**3.38** Under Section 12-4 of the Act, the:

Secretary may, in respect of each type of subsidy, distribute for the financial year the places available for allocation in a State or Territory among the regions within the State and Territory.

**3.39** The Allocation Principles require the Secretary to have regard to the ACPACs' advice in distributing the places. The Level Two Minute is the means by which the ACPACs deliver their advice. The ANAO examined the four Level Two Minutes from the states it visited, to assess whether the ACPAC recommendations were documented in sufficient detail to assist the Secretary.

**3.40** Each state and territory office uses the recommendations of their ACPAC to formulate the Level Two Minute, containing the ACPAC recommendations regarding identified geographic regions, special needs groups, key issues and the number of places for each region and type of aged care. The Level Two Minute may, and usually does, include any broader comments that ACPACs wish to make, often concerning the levels of care.

**3.41** The Level Two Minute includes a summary of the rationale for distribution recommendations, and any state office recommended changes to ACPAC place decisions. Overall, the Level Two Minutes contain a sufficient level of detail to inform the Secretary in making the final decision regarding the distribution of available places amongst regions and determining the number of places to be provided to certain groups of people.

**3.42** Figure 3.2 shows an extract of the Regional Distribution of Aged Care Places (RDoACP), which is the outcome of the Level Two process. The RDoACP identifies the numbers of places that are available for allocation in each region, for each type of care, and DoHA's preference regarding the targeting of those places. This forms a statement of 'requirements' to which DoHA invites potential applicants to respond.

**Figure 3.2****Example of the Regional Distribution of Aged Care Places**

<b>TASMANIA</b>				
<b>RESIDENTIAL PLACES</b>				
<b>Region</b>	<b>Identified geographic location(s) in 2008–09</b>	<b>Identified special needs group(s) in 2008–09</b>	<b>Identified key issues in 2008–09</b>	<b>Number of places for the Region in 2008–09</b>
Northern	–	Seeking applications for the region focusing on the provision of care for: <ul style="list-style-type: none"> <li>• people from Aboriginal and Torres Strait Islander communities;</li> <li>• people from non-English speaking backgrounds;</li> <li>• people who are financially or socially disadvantaged;</li> <li>• people who live in rural or remote areas; and/or</li> <li>• people who are veterans</li> </ul>	Seeking applications for the region focusing on the provision of: <ul style="list-style-type: none"> <li>• care for people with dementia including secure dementia care</li> </ul>	10

Source: Department of Health and Ageing, *2008–09 Aged Care Approvals Round Essential Guide*, DoHA, Canberra, 2008, p.195.

**3.43** DoHA may also include places available for allocation in groups of ACPRs in the RDoACP. This provides DoHA with the flexibility to determine where to locate the places and the number in each ‘packet’ of places, so as to best meet the needs of the identified special group or key issues. Another reason that DoHA groups ACPRs is to enable DoHA to allocate enough places to promote the viability of the service.<sup>58</sup>

**3.44** For example, in Queensland for the 2008 ACAR, DoHA offered 156 residential places to a group of three regions, and identified three special needs groups. This provides DoHA the flexibility to choose the service or services proposed by providers in their applications that best meet these stipulations.

## Planning for the ACAR

**3.45** Concurrent with DoHA undertaking the Level One and Two planning processes, DoHA also plans for its management of the Aged Care Approval

<sup>58</sup> In some cases, a minimum number of places is considered to be needed for a service to remain viable. For example, DoHA advises that approximately 60 places are required for a new residential service to be viable.

Round (ACAR). In examining DoHA's planning for ACAR, the ANAO assessed:

- the design of ACAR, in alignment with the requirements of the Act;
- DoHA's risk management processes, to maximise the benefits of the program, while appropriately managing risks;
- resourcing considerations, to implement the program in an efficient manner; and
- the provision of guidance to internal and external stakeholders, to have consistent and efficient administration of the program.

**3.46** These points are examined in the following sections.

## **ACAR design**

**3.47** DoHA's method of allocating aged care places has implications for the distribution of places: which provider gets the places, where the places are located and how many places they get. The design of the ACAR is, therefore, critical to DoHA achieving its planning and allocation objectives as it is the mechanism by which the majority of aged care places is distributed.

**3.48** Much of the allocation process is outlined in detail by Sections 13 and 14 of the Act. These two sections specify how people apply for places and how allocations of places are decided. By doing so, the Act dictates fundamental aspects of the ACAR design. The current allocation method, which complies with sections 13 and 14 of the Act, is akin to a tender process, where DoHA advertises the number and type of places by region that it would like to release, and then runs a competitive selection process for those places.

**3.49** The current model, whereby DoHA maintains a high degree of control over the supply of aged care places, puts DoHA in a strong position to achieve the planning and allocation-related objects of the Act and the planning ratio targets.<sup>59</sup>

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<sup>59</sup> Some other objects of the Act are responsibilities of other parts of DoHA and independent bodies. These relate to matters such as subsidies, classification of residents, building certification and accreditation standards.

## Risk management

**3.50** A structured risk management approach involves a well-documented and thorough identification of program context, identification and assessment of risks and risk treatments. In the context of an ACAR, a risk management process should aim to allow DoHA to maximise the benefits of the program, while appropriately managing the risks associated with the program. These risks should be regularly updated, with treatments and controls put in place as a result of the risk analysis.

**3.51** The *Ageing and Aged Care Division Operational Plan 2008–09* and the *Residential Program Management Branch Operational Plan 2007–08* incorporate risk management plans for the Division and the Branch respectively. They both identify risks, sources, impact and treatments, risk owners and implementation dates.

**3.52** As at December 2008, DoHA's Residential Management Branch had not prepared its Operational Plan, and associated risk management plan, for 2008–09. DoHA advised the ANAO that the plan could not be completed until a Division restructure was finalised. DoHA advised in March 2009 that a draft plan had been developed, and the final operational plan was being finalised.

## Cost effectiveness of the ACAR process

**3.53** The ACAR is a considerable administrative undertaking involving staff in DoHA's central and state offices. As an indicator of the large scale of the ACAR process, in the 2007 ACAR, aged care providers submitted: 444 applications seeking 21 456 residential places (with DoHA offering 6525 residential places); and 1871 applications seeking 40 210 community care places (with DoHA offering 4013 community care places). In line with the growing number of Australians requiring aged care, the number of places to be made available will increase.

**3.54** In this environment, sound financial information on the costs associated with the ACAR process is an important tool for management and accountability purposes. Alongside non-financial data, information on costs provides a picture of how the program is operating including the efficiency of operations and cost effectiveness. Information on costs is important to inform management decisions about opportunities to improve operations within agencies, and satisfy internal and external accountability requirements.

**3.55** Information provided to the ANAO in interviews in Central Office and state offices indicates that DoHA's budgeting is largely an incremental one

applied to an historical base, with no particular account taken of workload or variations in workload between state offices and workload changes over time. DoHA advised that its funding of activities basically remains the same each year, with adjustments made for additional, new policy matters and savings.

**3.56** Following further inquiries by the ANAO, DoHA advised that:

For the 2008–09 period, the department considered the previous year's funding with budget measure ons and offs when developing budgets across state and territory offices and CO. In addition, the Divisional activity review (March 08) and STO business plans were considered (activity by activity) and budgets were developed in consultation about current spending and resource allocation. Resourcing will again be considered during the mid-year review.<sup>60</sup>

**3.57** The ANAO examined whether, in relation to the ACAR process, DoHA had data on actual costs and resourcing for the 2007 ACAR, and estimated costs associated with future ACARs.

*Data on actual costs and resourcing for the 2007 ACAR*

**3.58** As noted above, the planning and allocation of aged care places and capital grants is administered within DoHA's Outcome 4, Aged Care and Population Ageing. In 2007–08, expenses associated with this Outcome totalled \$7611.8 million, of which \$7418.2 million was administered expenses and \$193.5 million was departmental expenses.<sup>61</sup> The comparable figure in 2006–07 was \$6987.0 million, of which \$6834.3 million was administered and \$152.7 million was departmental expenses.

**3.59** DoHA's Outcome 4 includes programs that are relevant to planning and allocating aged care places (for example, the community care, culturally appropriate aged care, dementia and residential programs), and other programs (for example, the aged care assessment program).

**3.60** During the audit, DoHA was not able to provide specific data or estimates on the costs (including staffing numbers) and funding approach related to the planning and allocation of aged care places and capital grants. Having information on actual costs and resourcing would improve DoHA's

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<sup>60</sup> DoHA correspondence to the ANAO, March 2009.

<sup>61</sup> As noted earlier, 'administered expenses' are those that are managed by an agency or authority on behalf of the government according to set government directions – for example subsidies, grants and personal benefit payments. 'Departmental expenses' are those that are controlled by an agency or authority – for example employee and supplier expenses and other administrative costs.

ability to make informed decisions about the design of its processes, the rationale for its resource allocation decisions, the sustainability of its activities and the administrative effectiveness of its activity. Having accurate data on its resources and cost of activities could assist DoHA to identify where it might need to reallocate or increase resources.

### *Estimates of costs associated with future ACARs*

**3.61** In March 2009, DoHA provided figures for the estimated 'departmental projected costs' for 2008–09 relating to the planning and allocation of aged care places and capital grants. These estimates were compiled in September 2008. The information provided by DoHA in spreadsheets and supplementary explanatory notes and clarifications indicates that the total projected costs relating to this function for 2008–09 are approximately \$6.32 million, of which Central Office accounts for approximately \$1.86 million and the states and territory offices account for \$4.46 million. DoHA estimated that approximately 56 full time equivalent staff would work on the planning and allocation of aged care places in 2008–09. DoHA's projected cost figures suggest that the costs of administering the planning and allocation processes are very modest when compared to the payments estimated to be made in 2008–09 in residential and community aged care subsidies and capital grants for residential aged care (over \$6.7 billion).

**3.62** The form and timing of DoHA's response to the ANAO's inquiries indicate that DoHA has not systematically considered the resourcing of the planning and allocation of aged care places and capital grants. The growing demand for aged care residential places in an increasingly competitive market will intensify pressure on the resources DoHA has available to administer the ACAR. In planning for future ACARs, DoHA will need to continue to focus on minimising its administrative costs while meeting the growing demand for the services the department provides. In order to manage in this environment, it is essential for DoHA to have an appropriate costing framework in place to ensure that its staff and resources, including those operating in state offices, are deployed to achieve cost and service delivery goals for future ACARs. This will require decision makers to be supported by appropriate management information relating to ACAR costs. Such management information does not need to be complex or expensive.

## Recommendation No.2

**3.63** Recognising the scale and increasing complexity of the Aged Care Approvals Rounds (ACAR) process, the ANAO recommends that the Department of Health and Ageing put in place appropriate costing arrangements that track the costs of key components of the ACAR, so as to inform management decisions relating to program delivery.

**DoHA response:** *Agreed*

### *Departmental response*

**3.64** The department agrees that it could do more to track expenditure associated with the ACAR process, and to make its business planning process more robust and transparent.

### **Guidance material**

**3.65** The provision of guidance to staff and stakeholders, both internal (such as program manuals and guidelines) and external (such as guidelines and application information) is important as the documentation becomes a reference source for information regarding the program. For internal purposes, guidelines should be designed to ensure consistent and efficient administration. Having administrative responsibilities and assessment criteria clearly defined and communicated helps to ensure that there are no overlaps, confusion or gaps in administrative processes. This is particularly important in instances where some program responsibilities are devolved to state and territory offices, as is the case with an ACAR.

**3.66** Internal guidance material should be clear, consistent, documented, and readily available. The internal guidance provided by DoHA is clear and consistent. The guidance comprehensively documents areas of higher risk, such as the application assessment processes. In its discussions with DoHA officers and its subsequent file review, the ANAO found no evidence to suggest confusion regarding 'who' and 'what' DoHA staff are responsible for. This indicates there is a sufficient level of documented guidance for internal purposes.

**3.67** For external purposes, guidelines should inform applicants about what places are being made available, how to apply for those places and requirements should applicants receive places. Ideally, information provided by the department should also assist the aged care industry in its own planning.



**3.68** DoHA provides external stakeholders with a significant amount of guidance with respect to what places are available, and how to submit an application. This guidance is highly detailed, clear and consistent where appropriate. The guidance is considered further in Chapter Four.

#### *Data provision to aged care industry*

**3.69** DoHA, through a range of public reports, releases a variety of information that can assist the industry in its own planning. This includes information such as places data and ACAR results data. However, this information is usually released at the state or ACPR level. A number of stakeholders the ANAO consulted found this to be too aggregated a level and, as such, not useful for their planning. These stakeholders would prefer data to be released at lower levels, such as Statistical Local Areas (SLA).<sup>62</sup>

**3.70** DoHA advised the ANAO in March 2009 that population data at the SLA level is being made available through its website.<sup>63</sup> By the end of April 2009, DoHA expects to include on the department's website detailed information about aged care services and places in a way that can be aggregated to SLA level. In the interim, the DoHA website provides aged care service lists, containing information on services and places, for download.<sup>64</sup>

## Conclusion

**3.71** DoHA allocates the majority of aged care places via the ACAR. DoHA begins the ACAR processes by estimating the total number of places to be made available each year and how these are to be distributed amongst the states and territories. With advice from DoHA, the Minister for Ageing determines the numbers of places to be made available, for each care type, for each state and territory.

**3.72** The Level One process, which determines the number of places to be released each year, appropriately takes account of the objectives of the

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<sup>62</sup> SLAs are small geographic units devised by the ABS. SLAs are grouped together to form ACPRs.

<sup>63</sup> Department of Health and Ageing, *Statistical Local Area Population Projections, 2007 to 2027, Revised*, [Internet] available from <<http://www.health.gov.au/internet/main/publishing.nsf/Content/ageing-stats-lapp.htm>> [accessed 5 March 2009].

<sup>64</sup> Department of Health and Ageing, *Aged Care Service lists for download*, [Internet], available from <<http://www.health.gov.au/internet/main/publishing.nsf/Content/ageing-rescare-servlist-download.htm>> [accessed 5 March 2009].

planning process under the Act, and correctly calculates the number of places required to achieve the target ratio.

**3.73** In the Level Two process, DoHA effectively uses its Aged Care Planning Advisory Committees to assist the Secretary in distributing places amongst regions according to government and legislative specifications. Some improvements can be made by DoHA in its provision of data, particularly with respect to special needs groups, to the committees.

**3.74** DoHA performs the underpinning tasks that are required to plan for, and design the ACAR. ACAR is a considerable administrative undertaking involving staff in DoHA's central and state offices. As an indicator of the large scale of the ACAR process, in the 2007 ACAR, aged care providers submitted: 444 applications seeking 21 456 residential places (with DoHA offering 6525 residential places); and 1871 applications seeking 40 210 community and flexible care places (with DoHA offering 4013 community care places). In line with the growing number of Australians requiring aged care, the number of places to be made available will increase.

**3.75** In this environment, sound financial information on the costs associated with the ACAR process is an important tool for management and accountability purposes. It should provide alongside non-financial data, a picture of how the program is operating including the efficiency of operations and cost effectiveness. During the audit, DoHA was not able to provide specific data or estimates on the costs and funding approach related to the planning and allocation of aged care places and capital grants. Information on costs is important to inform management decisions about opportunities to improve operations within agencies, and satisfy internal and external accountability requirements. The level of cost information maintained should be sufficient for this purpose.

## 4. Running the Aged Care Approvals Round

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*This chapter examines DoHA's management of the Aged Care Approvals Round (ACAR), including the promotion, assessment, decision and allocation phases. It also assesses DoHA's 2007 review of aspects of the allocation of aged care places in the South Coast region of Queensland.*

### Introduction

**4.1** Figure 1.2 shows the four steps of the ACAR process. This chapter examines steps three and four of the process, including the promotion, assessment, decision and allocation of aged care places and capital grants. DoHA's review of aspects of the allocation of aged care places in the South Coast region of Queensland is also examined.

**4.2** Under the *Aged Care Act 1997* (the Act), most new Australian government-funded aged care places are released by the government via the Aged Care Approvals Round (ACAR). Aged care places released via the ACAR are:

- residential care (high level and low level care);
- Community Aged Care Packages (CACPs); and
- Flexible care in the form of Extended Aged Care at Home (EACH); and Extended Aged Care at Home – Dementia (EACH-D).<sup>65</sup>

**4.3** Capital grants, to the collective value of around \$40 million per year, are allocated via the ACAR to new or existing services to undertake capital works, in cases where applicants are able to demonstrate that they are unable to meet the full cost of the works from all other sources of finance.<sup>66</sup>

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<sup>65</sup> The Act also applies to a number of other types of aged care places, such as residential care with Extra Service status, and flexible care programs such as aged care places funded as part of a Multi-Purpose Service. These places are not distributed via ACAR and, therefore, were not examined in this audit.

<sup>66</sup> Community care and flexible care grants, to the value of up to \$65 000 and \$100 000 respectively, are also distributed via ACAR. As the total of these grants is relatively small (around \$1.8 million in previous ACARs), these grants were not examined in this audit.

**4.4** Table 4.1 shows the numbers of aged care places released in the 2005, 2006 and 2007 ACAR rounds, and the numbers of places available for distribution via the current 2008–09 ACAR round.

**Table 4.1**

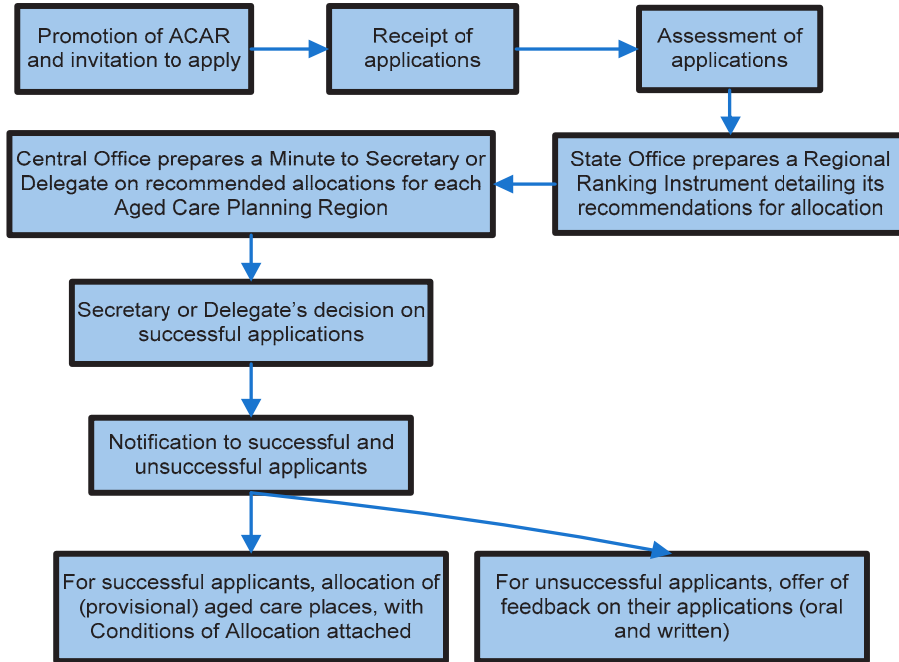
**Aged care places distributed via ACAR 2005–2008**

Aged care type	Allocated 2005	Allocated 2006	Allocated 2007	Available* 2008–09
Residential (high care and low care)	5274	4735	6525	7663
CACP	4272	1976	2377	1809
EACH	900	550	945	652
EACH-D	667	667	671	323

Note \* 'Available' because at the time of audit fieldwork, the 2008–09 ACAR was still underway and the delegate had not decided on the final allocations.

Source: Department of Health and Ageing and Ministerial press releases for ACARs 2005–07 and Department of Health and Ageing, *2008–09 Aged Care Approvals Round Essential Guide*, DoHA, Canberra, 2008.

**4.5** For the different care types covered by the Act, DoHA's processing and assessment of ACAR applications is largely the same, involving the steps outlined in Figure 4.1 below.

**Figure 4.1****DoHA's processing of ACAR applications**

Source: ANAO analysis of DoHA information.

**4.6** Most of the assessment of ACAR applications for aged care places is undertaken by DoHA's state and territory offices. For capital grants (a much smaller assessment exercise), the process is largely similar to that outlined above, but is undertaken by DoHA's Central Office.

### **Basis for the ANAO's assessment of ACAR**

**4.7** The ACAR differs from a strict tender exercise or grant program in that the government has already set the price (the subsidies paid to aged care providers) and has capped supply (through the ratio). Applicants are judged on their ability to deliver the best outcomes for aged care recipients in the particular area in which the service is to be delivered.

**4.8** Therefore, being mindful of the fact that the ACAR is a *tender-like* process, rather than a strict tender exercise, in evaluating DoHA's implementation of the ACAR, the ANAO examined whether:

- there was adequate promotion of the ACAR process in order to elicit a competitive number of quality applications across aged care planning regions;

- applications were assessed in a comprehensive and consistent manner in accordance with the guidelines set out in the Act;
- decisions were appropriately documented and the final allocation decision was made by the appropriate Secretary's delegate; and
- adequate feedback was provided to unsuccessful applicants.

**4.9** The ANAO's assessment focused on the 2007 ACAR, as this was the last complete ACAR prior to ANAO audit fieldwork. The ANAO has included reference to the 2008–09 ACAR processes where updates are relevant.

## ACAR promotion

**4.10** A key part of any tender-like process is promotion of the call for applications, to ensure that there will be maximum levels of interest and competition. The ANAO assessed whether DoHA's promotion of the ACAR involved diverse mediums, the provision of comprehensive information, and the opportunity for all tenderers to ask questions about the process. Such measures would enhance DoHA's ability to attract a competitive number of ACAR applicants, and help to ensure that applications met the aged care needs identified by DoHA.

**4.11** As required under the Act, the ACAR invitation to apply is advertised in newspapers.<sup>67</sup> The ACAR is also promoted via the DoHA internet site, information sessions for potential applicants, and the publication and dissemination of the *Essential Guide* – a handbook which includes general information on the ACAR, details on the places available for each Aged Care Planning Region, and advice on how to fill out the application forms.

**4.12** The ANAO reviewed each of these mediums and concluded that the information was clear and comprehensive, providing enough information for existing and prospective new providers about the ACAR invitation to apply.

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<sup>67</sup> For example the 2007 ACAR was advertised in national, state, regional and some ethno-specific newspapers.

## ACAR assessment of applications

### Background

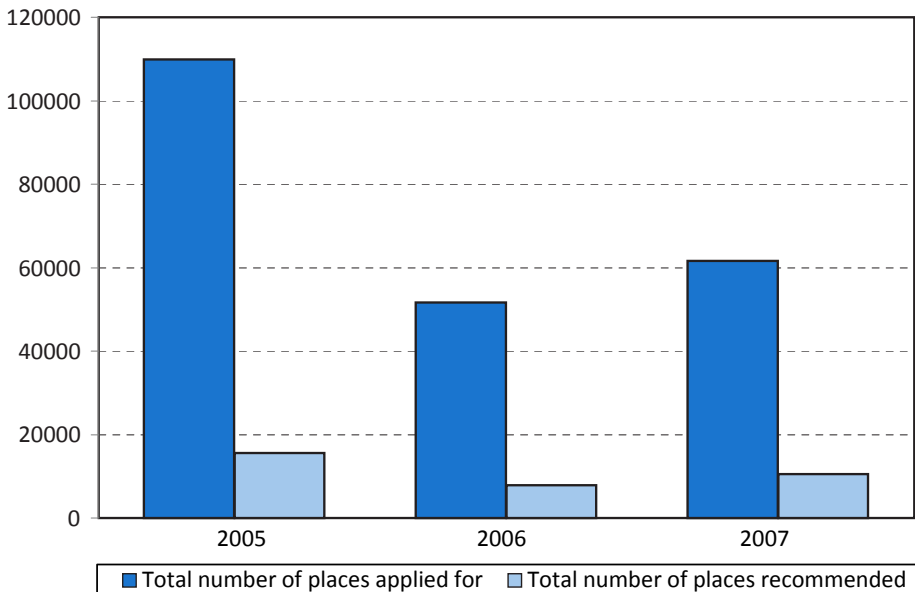
**4.13** During the ACAR, DoHA enters a period of intense administrative activity to register and assess each application and identify successful applicants to be recommended to the Secretary's delegate for a decision. The process has developed over more than 10 years and contains a number of controls and levels of review.

**4.14** Numbers of individual applications and the overall number of places being sought has grown significantly over recent years, particularly for community and flexible places (CACP, EACH and EACH-D). In 2005, there was a large spike in CACP applications and places allocated, as the then Government doubled the ratio for provision of community care from 10 places per 1000 people aged 70 and over, to 20 places per 1000 people aged 70 and over.

**4.15** Figure 4.2 illustrates the numbers of places applied for (across all types of care) and the number of places recommended for allocation, for the ACARs 2005–2007, demonstrating the high level of competition for places.

**Figure 4.2**

**Total numbers of places applied for and recommended, ACAR 2005–2007**



Source: ANAO analysis of DoHA information management system.

## Security of information

**4.16** Under the Act, all information relating to the affairs of an approved provider or someone applying for approved provider status is 'protected information'. It is an offence to copy and/or disclose protected information to persons other than those carrying out the functions of the Act. Therefore, DoHA's management of the physical security of ACAR information is important to meet both the legislative requirements of the Act, and the more general principles of information security for tender or procurement processes.

**4.17** Based on a review of the ACAR Assessor's Manual, interviews with ACAR managers in several states, and a review of case files for the 2007 ACAR, the ANAO considers that DoHA had systems and processes to provide sufficient controls over the physical security of ACAR information.<sup>68</sup>

## Training and probity controls

**4.18** The ANAO assessed whether DoHA's staff are provided with sufficient training to be able to perform their duties effectively. The ANAO examined whether the ACAR training covered the appropriate technical elements of ACAR, and took into account identified risks. The ACAR model of devolved assessment (which involves assessments conducted across Australia, using a mix of permanent and contract DoHA staff) can involve risks to consistency, accuracy and probity.

**4.19** Two sets of training are provided. One is ACAR team leader training (intended as a 'train the trainer' exercise) conducted by Central Office in Canberra; the second is assessor training in each state and territory for all staff (permanent and contract) who will be involved in ACAR assessment.<sup>69</sup>

**4.20** Central Office prepares an Assessor's Manual that provides detailed instruction to staff on how to undertake assessment of applications.

**4.21** Overall, the Assessor's Manual, files relating to the 2007 ACAR training, and feedback from ACAR team leaders and assessors indicate that

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<sup>68</sup> The ANAO is aware of an incident in the 2007 ACAR when one application was temporarily misplaced by DoHA and not assessed. After reviewing the case file and interviewing the relevant managers, the ANAO considers that DoHA dealt appropriately with the situation, has identified the risks brought to light by the situation, and has plans to treat those risks.

<sup>69</sup> 'Train the trainer' is a training method in which a core group of people receive training and then these newly-trained people in turn, go on to train others.



training elements for ACAR cover the risks associated with such a large assessment and allocation system.

**4.22** Prior to beginning ACAR assessment, all staff involved in the ACAR must complete probity training and submit a Conflict of Interest form detailing any real or perceived conflicts of interest. ACAR staff are instructed to keep a register of any contact they have with aged care providers during the ACAR, and to refer such contact to managers where appropriate.

**4.23** The ANAO considers that DoHA's training and procedures for probity control are appropriate.

## **Assessment of applications**

**4.24** The Act requires DoHA to review all applications, and it sets out a number of criteria which must be considered in respect of every application.<sup>70</sup> In addition, a number of other criteria, set out in the Allocation Principles 1997 are also considered for each application.<sup>71</sup> These criteria, including their reference in the Act or the Allocation Principles, are set out in Table 4.2 below.

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<sup>70</sup> *Aged Care Act 1997*, s. 14-2.

<sup>71</sup> Made under sub-section 96-1(1) of the Act.

**Table 4.2****Assessment criteria for ACAR applications**

Source	Criterion
<b><i>Aged Care Act 1997</i></b>	Management expertise and experience (s. 14-2(1)(a)) Planning and location of premises (s. 14-2(1)(b)) Ability to provide the appropriate level of care (s. 14-2(1)(c)) Past conduct as a provider including compliance with its responsibilities (s.14-2(1)(d)) Measures to protect the rights of care recipients (s. 14-2(1)(e)) Provision of care for people with special needs (s. 14-2(1)(f))
<b><i>Allocation Principles 1997</i></b>	Need to restructure (s. 4.36) Benefit for current and future care recipients (s. 4.37) Provision of residential respite care (s. 4.37) Diversity of choice for current and future care recipients (s. 4.38) Provision of care for people with dementia (s. 4.38) Continuity of care for current and future care recipients (s. 4.39) Making places operational in a timely manner (s. 4.40)

Source: Department of Health and Ageing, *2007–08 Aged Care Approvals Round Essential Guide*, DOHA, Canberra, 2007, p. 13-14.

***Rating scale***

**4.25** In the 2007 ACAR, assessors gave applicants a rating of one to five against each criterion. A rating of one was low, indicating that the applicant ‘has demonstrated poor identification and/or understanding of the key elements relating to the criterion, and does not address key elements relating to the criterion’. The top rating of five indicated that the applicant demonstrates a ‘detailed identification and well developed understanding of the key elements relating to the criterion, and thoroughly addresses the key elements relating to the criterion, demonstrating a superior contribution to the provision of quality ongoing care’.

**4.26** One criterion is related to past conduct as a provider of aged care. This rating is based primarily on sanction and non-compliance information provided by the Office of Aged Care Quality and Compliance in the Ageing and Aged Care Division (located in Central Office). However, state offices are given the opportunity to contribute their view on the rating, based on their

local knowledge. New providers are generally given a mid-point rating for this criterion.<sup>72</sup>

**4.27** The cumulative score of ratings against all criteria does not directly result in the list of successful applicants for each region. At Senate Estimates hearings in May 2007, DoHA explained why the numerical ratings are not added up to arrive at a final ranking of applicants:

To allocate a numerical system across all criteria would seem to suggest that it is okay to be very strong in some areas but very poor in others as long as your overall score is okay. We do not use that kind of a system...we rank every applicant against every criterion that is relevant.

There are, from memory, 13 criteria and we score each of those criteria on a five-point scale from very good to poor. But what we do not do is add up 13 lots of five numbers and produce a digit at the end and say, 'That is the answer then'. What we do is apply judgement to the balance of those scores and ask ourselves what is really important...if particular providers disqualify themselves by being very poor in relation to one or two criteria, they should not be recommended for aged-care places because they score well in other areas. So we are looking for overall solid performance rather than a balanced figure at the end of a computation process.<sup>73</sup>

**4.28** In the 2008–09 ACAR, DoHA moved away from a numerical ranking and used five descriptive rankings ranging from high to low. The department states this will eliminate the inclination to 'add up scores'.

**4.29** It has been suggested that a straightforward tallying of rankings to arrive at a final list of recommended applicants would bring the ACAR closer to a strict tender process.<sup>74</sup> However it is DoHA's view that it is also appropriate to allow for other qualitative factors, such as which application's proposal will best meet the overall care needs of a particular region, to also be included in allocation decisions.

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<sup>72</sup> The Act provides for DoHA to take into account whether a past or current approved provider has relevant key personnel in common with a current applicant, in relation to all decision making points in the Act. So for the criterion relating to past conduct as an aged care provider, DoHA can look at the conduct of another (past or current) service provider if the new applicant shares key personnel. See s. 8-3 of the Act.

<sup>73</sup> Mr Andrew Stuart, DoHA, *Transcript of Evidence, Senate Standing Committee on Community Affairs*, 31 May 2007, p. CA 59.

<sup>74</sup> RSM Bird Cameron, *Review of ACAR Efficiency and Probity*, draft report, 2008.

### *Alternative models of assessment*

**4.30** DoHA has considered the possibility of using initial ratings to shortlist applications and thereby streamline the assessment process. Possible advantages of such a model could be efficiency savings to DoHA, allowing it to focus on those applications with the best proposals for meeting the care needs of a particular region. Shortlisting could also offer the possibility for DoHA to conduct more in-depth analysis, such as face-to-face interviews of potential providers or site visits to assess the suitability of proposed restructures or refurbishments.

**4.31** However, DoHA argues that there is no one criterion (or mix of criteria) that, with good reason, would effectively 'knock out' a large number of applications. DoHA argues therefore that there is little scope for providing real workload efficiencies for state and territory Offices. Even if DoHA did manage to identify 'knock out' criteria, shortlisting would be likely to lead to industry appeals and further claims that the ACAR assessment process is not transparent.

### **Financial assessment**

**4.32** An important part of the ACAR decision-making framework for residential place and capital grant applications is an assessment of an existing or potential approved provider's financial position. DoHA contracts a private firm to undertake these financial assessments.

**4.33** The assessment examines the robustness of the applicant and service's financial situation in the light of:

- capital structure both before and after project implementation;
- sensitivity of debt servicing capacity to interest rate fluctuations;
- the use of accommodation bonds and other sources of funding;
- the provider's contribution to the funding of capital works; and
- any guarantee arrangements or other special financial arrangements.

**4.34** The financial assessment contributes to a number of the assessment criteria, including continuity of care for current and future care recipients,

measures to protect the rights of care recipients (particularly regarding bonds), and planning and location of premises (including 'bed readiness').<sup>75</sup>

**4.35** There are some issues for DoHA to address regarding financial assessments. These include a lack of confidence by some staff to interpret the assessment and a lack of Central Office guidance about what a 'poor' financial rating should mean in some circumstances, for example its impact on an otherwise favourable assessment.

**4.36** DoHA's Central Office has recognised these issues and training on how to interpret the financial assessments was provided for 2008–09 ACAR staff.

**4.37** The receipt of a 'poor' financial rating does not mean that an applicant will not necessarily be allocated residential places. The ANAO's file review found evidence of a number of applications with a 'poor' financial rating which were allocated places in ACAR 2007. In each case there was satisfactory documentation of the rationale for the decision to proceed with allocation.

## Supporting documentation

**4.38** ACAR applications require supporting documentation such as proof of Australian Business Number registration, building plans, business plans, and financing arrangements. Many applicants also choose to include letters of support from community leaders, religious and business groups.

**4.39** The ANAO's review of the assessment process indicates that letters of support from organisations or individuals who do not have an ongoing business or care relationship with the provider do not play an important role in the assessment process. They are predominantly useful to an ACAR application where they directly support claims made in the application. An example could be a letter which demonstrates links to a culturally and linguistically diverse community group if applying for places for people from non-English speaking backgrounds (which is a 'special needs group' under the Act).

**4.40** DoHA may be able to better communicate to industry its use of letters of recommendation to enhance clarity and understanding of the process.

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<sup>75</sup> Prior to the 2008–09 ACAR, not all residential or grant applications were referred for a full financial assessment as the cost is significant. However, DoHA advised in March 2009 that in light of the global financial situation, for the 2008–09 ACAR any applicant seeking an allocation of 30 or more residential aged care places will be subject to a financial assessment.

DoHA noted that in the 2008–09 ACAR, applicants were advised that any letters of support must be related to linkages with relevant community groups or organisations supporting special needs groups. DoHA agreed that the department’s advice in the *Essential Guide* could be strengthened to say that endorsements have no influence over the outcome of the assessment process.

## Review of application assessments and regional ranking

**4.41** After the initial assessment, ACAR assessments are subject to a number of further reviews and quality assurance. Quality assurance involves an officer checking across assessments to ensure consistency in the ratings given. Table 4.3 below outlines the stages of review for an ACAR application.

**Table 4.3**

### Review process for ACAR applications

Stage	Action	Personnel involved
DoHA state / territory office		
1	Initial assessment against each criterion using a rating scale of 1-5	Assessor
2	Review – possible adjustment of scores or rankings	Team leader
3	Review – to ensure consistency across assessments. May adjust scores or rankings	Quality assurance
4	Review – assessments reviewed and a list of successful/unsuccessful applications developed	Management/reference group
5	Review – development and approval of Minute to Central Office with recommended applicants for each region.	Head of state/territory office
DoHA Central Office		
6	Review – consistency at a national level, discuss with state/territory offices, preparation of formal report to Delegate	Assistant Secretary, Residential Program Management Branch (with input from other staff)
7	Decision by Secretary’s Delegate on successful applications – may involve communication with state offices eg telephone conferences	First Assistant Secretary, Ageing and Aged Care Division
8	No review – announcement of decision	Minister

Source: ANAO analysis of DoHA information.

### Regional rankings

**4.42** A key step in the assessment process is the regional ranking of potential providers (stage four in Table 4.3 ). At this stage, a management group in each state and territory office, usually comprising the Assistant State Manager, the

ACAR Manager, the Quality Assurance team member, and possibly all or some of the assessors, examines the Assessment Instruments of the highest rated applications.

**4.43** The group then makes decisions on which applications to recommend for allocation of places, and the number of places to be recommended for each application. These decisions must be made within the framework of the number of places available in each region for each care type. Therefore, in some regions although there may be a number of highly ranked applications, not all can be recommended for allocation of places.

**4.44** It is at this stage that the ACAR departs from a strict tender process, and DoHA officials make decisions based not only on the rankings but factors such as matching minimum and maximum numbers of places applied for to the number of places available in the region, and judgements about which proposal is considered to best meet the needs of aged persons in each particular region.

**4.45** After finalising their recommendations for places, each state prepares a Regional Ranking Instrument for each care type for submission to Central Office. The Regional Ranking Instrument is required to be accompanied by a Minute to Central Office outlining the reasons for the recommendations. This is known as the 'Level 3 Minute'. The Minute provides a summary of the applications for each state region, and reasons for shortlisting and recommending particular applicants. The Minute also provides details on matters of possible significance or sensitivity, such as any shortlisted applicants who are not recommended places.

**4.46** It has been argued (for example by the RSM Bird Cameron probity and efficiency review) that the extensive review process for ACAR applications does not add value to the original recommendation. Certainly time and administrative efficiencies could be achieved if the review process were truncated, other things being equal. The ANAO appreciates that DoHA's approach is to have a very 'secure' decision sequence and, therefore, a number of levels of review given the sensitive matters at stake. However, it would be useful to know more about the costs of this sequence, in order to make a better judgement about its efficiency and cost effectiveness. DoHA's costing for the ACAR is examined in Chapter Three.

## Decision and allocation

**4.47** Following the ACAR assessment process outlined above, the decision to allocate places to approved providers is made. Under the Act, the DoHA Secretary or their delegate allocates places to approved aged care providers.<sup>76</sup>

**4.48** After receiving each state and territory's 'Level 3 Minute', containing proposed recommendations by Aged Care Planning Regions, DoHA's Central Office prepares a consolidated Level 3 Minute to the Secretary's delegate, listing all recommended places. As well as listing the proposed recommendations, the Level 3 Minute includes comprehensive background information about the ACAR and relevant issues.

**4.49** After reviewing the Level 3 Minute, the Secretary's delegate makes an allocation decision and gives effect to this via a document called the Allocation Instrument, listing all provisional allocations to be made in that ACAR.

**4.50** A Minute is then forwarded to the Minister for Ageing detailing the outcome of the ACAR. The Minister chooses when to announce the ACAR results.

## Debriefs for unsuccessful applicants

**4.51** Providing debriefs to unsuccessful applicants is an important step in any tender process, especially for the ACAR as it is a highly competitive process for aged care places with a high financial value. Some parts of the aged care industry have a perception that the planning and allocation process is not transparent. As noted in the ANAO Better Practice Guide on *Fairness and Transparency in Purchasing Decisions*, a successful debrief will provide the market with greater confidence in the fairness of a procurement process.<sup>77</sup>

**4.52** DoHA writes to unsuccessful applicants advising them of the outcome of the ACAR and inviting them to seek oral and written debriefs on their application. The debrief is provided by at least two DoHA officers, usually two assessors, or an assessor and a Quality Assurance officer. In sensitive cases, for example where past conduct was brought into question, a more senior program manager or the Assistant State Manager may attend.

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<sup>76</sup> In practice the DoHA Secretary delegates this authority to the First Assistant Secretary, Ageing and Aged Care Division, as allowed by s. 96(2) of the Act.

<sup>77</sup> ANAO *Better Practice Guide – Fairness and Transparency in Purchasing Decisions: Probity in Australian Government Procurement*, ANAO, Canberra 2007, p. 67.



**4.53** Following face-to-face debriefs, participants are also provided with a written summary of the debrief session.

**4.54** ANAO discussions with several aged care providers and stakeholder groups highlighted a mixed view of the debrief process. While some recognised DoHA improvements over recent years, such as providing a written record of the debrief and the department seeking feedback from providers on the debrief process, a general complaint was that the advice from DoHA is couched in generic terms. Providers would like more detailed information about how their applications could be improved, and the reasons for DoHA decisions.

**4.55** The ANAO recognises that those who have been unsuccessful in an ACAR round are perhaps more likely to be dissatisfied with the process than those who have been successful. The ANAO also appreciates that it is difficult for DoHA to provide detailed feedback while maintaining confidentiality of other applicants as required by the Act, particularly in regions where there may be a small number of applicants or current providers.

**4.56** Accurate feedback is very important because it can affect an applicant's chance to take remedial action and lodge a more competitive application in the next round. The feedback process is also important to assist DoHA to attract quality applications in future rounds, and for the accountability of the ACAR process. In light of the importance of the issue for both industry and DoHA, and of the improvements already made, the ANAO encourages DoHA to continue to seek to improve the debrief process, via staff training and by continuing to evaluate future ACAR debriefs.

## Appeals and Freedom of Information

**4.57** ACAR allocations are not reviewable decisions under the Aged Care Act.<sup>78</sup> As such, there are no appeals on the merits of ACAR decisions. ACAR decisions may be subject to appeal in the Federal Court under the *Administrative Decisions (Judicial Review) Act 1977* (the ADJR Act). This Act provides for judicial review of most administrative decisions made under Commonwealth enactments on grounds relating to the legality, rather than the

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<sup>78</sup> See section 85-1 of the Act. Many of the decisions made under the Act are classed as 'reviewable decisions', which may be reviewed by the Secretary of the Department to either confirm, vary or set aside the original decision and make a new one (s. 84-5). A reviewable decision may also be referred to the Administrative Appeals Tribunal for review of a decision that has been confirmed, varied or set aside under section 85-4 or 85-5. However, ACAR allocations are not classed as reviewable decisions.

merits, of the decision. Between 2005 and early 2009 DoHA processed the six requests it had received for a 'Statement of Reasons' for a decision, as allowed by the ADJR Act.<sup>79</sup>

**4.58** ACAR applicants may use Freedom of Information (FOI) mechanisms to seek DoHA documentation surrounding their application, including the Assessment Instrument for their own application. DoHA does not provide information on other applicants. Each year DoHA receives a small number of FOI requests related to the ACAR process. Given the increasingly competitive natures of the industry, it is possible that more providers will lodge FOI requests in future years. An increased workload of FOI requests presents both an opportunity for more open disclosure about the ACAR process, and the risk of an increased workload in processing requests.

### **Post allocation processes**

**4.59** After the allocation of aged care places other processes connected with managing allocated places commence. These include issuing an official Instrument of Allocation which includes conditions of allocation, and milestone reports from providers on making the allocated place operational.

**4.60** Successful ACAR applicants are issued with a provisional allocation of places, with the Act providing that they have two years to ensure these places become operational. This two year timeframe has become increasingly problematic over the past few years as difficulties with development approvals and building costs have increased construction times, particularly for greenfield sites.<sup>80</sup> DoHA has been seeking to manage more vigorously the timeliness of the process by which approved providers make their provisionally allocated places operational. DoHA has been doing this by more closely monitoring the activity of providers and by closer liaison with planning approval authorities, in the hope that more scrutiny and proactive engagement can prompt faster completion. However, the issue of timeliness of provisional places becoming operational continues to be an issue of concern.<sup>81</sup>

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<sup>79</sup> See sections 5 and 13 of the ADJR Act.

<sup>80</sup> Greenfield sites are those where a new aged care facility is being constructed on vacant land.

<sup>81</sup> See for example Senate Community Affairs Committee, *Additional Budget Estimates, Transcript of Evidence*, 25 February 2008, p. CA79.

**4.61** The official Instrument of Allocation includes conditions of allocation, being the conditions attached to the allocated aged care places (covered by s 14-8 of the Act).

**4.62** Information from DoHA state offices and stakeholders indicates that DoHA is not in a strong position to monitor whether providers meet the conditions of allocation as set out in their Instruments of Allocation. Significant improvements could be gained by DoHA consolidating its records of conditions of allocation and building a capacity to monitor these conditions.

**4.63** At present the conditions of allocation are recorded on paper, on the files in state and territory offices relating to the particular providers. This means that the location of files is highly dispersed. Although there is logic to having the conditions of allocation available for reference and scrutiny by the staff in state offices in which the provider operates, in practice these staff rarely have the opportunity to address this aspect of compliance. Moreover, since the records are dispersed and on paper, there is no opportunity for systematic and IT-assisted scrutiny on a centralised and coordinated basis. DoHA advised in March 2009 that it intends to address these issues by enhancing an aspect of its Places Tracker IT system. DoHA's IT systems and conditions of allocation are further examined in Chapter Five.

## **ACAR timeframe**

**4.64** Industry stakeholders, among others, have suggested that DoHA seek to standardise the timing of the ACAR cycle, to enable both the department and the aged care industry to better plan and manage their resource allocations.

**4.65** The current ACAR timeframe includes several Ministerial decisions: at the Level One (determination of the national number of aged care places and distribution to states and territories); and ACAR announcement stages. The timing of these Ministerial decisions is not within DoHA's control. Having a standardised timeframe for ACAR, running on the financial year rather than calendar year, would enable DoHA to:

- plan the recruitment and training of staff (both contract staff and DoHA staff who must be diverted from other activities in the department);
- allow staff to plan and take leave and thereby allow management and staff to better address occupational health and safety concerns that are a concern in the administration of the ACAR process; and

- manage workflows in other parts of the department, so that the necessary focus on ACAR administration comes with least detrimental impact on other functions and work in state office and Central Office.

**4.66** Overall, it would be beneficial to standardise the ACAR timetable along a financial year timeframe, for the benefit of both DoHA and the aged care industry.

## Assessment and allocation of capital grants

**4.67** Another element of the ACAR is the allocation of capital grants for residential aged care. Funding for capital grants over the past three years has been \$38.6 million in the 2006 ACAR, \$40.5 million in the 2007 ACAR, and is to be up to \$44.5 million for the 2008–09 ACAR.

**4.68** Capital grants are allocated to new or existing residential aged care services to undertake capital works, in cases where applicants are able to demonstrate that they are unable to meet the full cost of the works from all other sources of finance.

**4.69** Funding for the capital grants originates from two separate sources – and thus the grants are titled differently:

- Residential Care (Capital) Grants – funded under the *Aged Care Act 1997*, with decision made by the DoHA Secretary (or delegate); and
- Capital Grants – funded under the Rural and Regional Building Fund, with decision made by the Minister for Ageing.

**4.70** While the Residential Care (Capital) Grants have been available since 1997, the grants funded under the Rural and Regional Building Fund were initiated in the 2000–2001 Budget in recognition of the particular difficulties facing services in rural and remote areas. The Residential Care (Capital) Grants target aged care services that cater for concessional, assisted and supported residents and residents with special needs as defined in the Act. The Rural and Regional Building Fund grants have a geographical focus, and are not restrictive in terms of the characteristics of the residents the service targets.

**4.71** There is a relatively small number of capital grant applications each year: 112 in the 2005 ACAR; 97 in the 2006 ACAR and 109 in the 2007 ACAR.

**4.72** State and territory offices receive capital grant applications and forward them to DoHA's Central Office for assessment. The assessment process mirrors that for other ACAR place applications, with criteria for capital

grant allocations listed in the Act.<sup>82</sup> A minute with recommended successful applicants, together with recommended dollar amounts for each grant, goes to either the Secretary's delegate (Residential Care (Capital) Grants) or the Minister for Ageing (Rural and Regional Building Fund) for decision.

**4.73** Communication between Central Office and the relevant state or territory office is an important element in assessment for capital grants, particularly regarding those that are also seeking an allocation of residential aged care places. If a state or territory office indicates it is unlikely to recommend a particular application for residential places, by default that application's capital grants application will also be unsuccessful.

**4.74** The ANAO reviewed a random sample of 20 case files for successful and unsuccessful capital grants applications in the 2007 ACAR. The review revealed that the assessment and review process followed DoHA guidelines, was documented appropriately, and the correct approvals were obtained for spending from either the Residential Care (Capital) Grants fund or the Rural and Regional Building Fund.

## Case reviews

**4.75** In considering DoHA's management of the ACAR process, the ANAO extracted a sample of 24 applications from the 2007 ACAR (the last complete ACAR prior to our audit fieldwork) from four States: New South Wales, Queensland, Victoria and South Australia. In each State the ANAO focussed on applications from two Aged Care Planning Regions. Where regions had only a small number of applications, the ANAO examined additional cases from other regions in that State.

**4.76** The ANAO did not assess the merits of the decisions made by DoHA for these ACAR applications, but rather that the process followed was administratively sound and followed the legislative requirements of the Act, DoHA's internal guidelines, and broader governance practices. In its sample review, the ANAO followed the progress of each application through the assessment, recommendation, decision and allocation process. In the cases reviewed, DoHA staff followed the established guidelines for each step of the process, decisions were appropriately documented, and feedback was provided to applicants if sought.

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<sup>82</sup> *Aged Care Act 1997*, sections 72-2 and 72-3.

## Review of aspects of the allocation of aged care places in the South Coast Aged Care Planning Region in Queensland

**4.77** There was considerable controversy in the media in 2007 surrounding the assessment of, and decision to allocate, certain aged care places in the 2006 ACAR in the South Coast Aged Care Planning Region in Queensland. In response to a request by the then Prime Minister on 19 March 2007, DoHA conducted a review of selected matters relating to the assessment and decision processes of the 2006 ACAR in respect of the South Coast aged care planning region in Queensland. A senior executive of the department undertook the review between 20 and 23 March 2007, in accordance with the timetable specified by the then Minister for Ageing.<sup>83</sup>

**4.78** The DoHA review included consideration of alleged influence on the part of the previous Minister for Ageing over the allocation of places to the South Coast region, and the robustness of the decision-making by DoHA in relation to the allocation of places, and particularly in respect of two applicants (namely Superior Care and Lifestyle Care). The department's review found:

- no evidence of any attempt to influence any officer of the department connected with the decision;
- that the department's decisions to award places to Superior Care and to not award places to Lifestyle Care were sound; and
- possible scope for DoHA to improve the wording of the ACAR *Essential Guide* document to clarify and emphasise what is required of applicants in some areas.

**4.79** The ANAO examined the department's approach to the review. In particular, the ANAO examined whether the review was planned and conducted in a manner to achieve the review's terms of reference and whether

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<sup>83</sup> The Hon. Christopher Pyne, MP replaced the then Senator the Hon. Santo Santoro as Minister for Ageing on 21 March 2007.

the review report's recommendations were implemented.<sup>84</sup> DoHA's review was completed, as required, in three days. Given this tight time limit, the ANAO considers that the review was appropriately planned and conducted.

**4.80** The report was tabled in Parliament on 27 March 2007 and it generally dealt with matters comprehensively.<sup>85</sup> It was noteworthy that in the light of the terms of reference, the review did not seek to obtain the views of key parties external to DoHA (such as the previous Minister, the then Senator Santoro). The department advised in relation to this manner that having determined that there was no influence on the ACAR decision makers, there was no need to try to speculate or identify who and on what basis they may have attempted to influence that process.

**4.81** The review recommended some changes to the ACAR *Essential Guide* to enhance its clarity in some specific areas, and that DoHA should consider working with industry in revising the Guide in subsequent iterations. DoHA subsequently acted on the review's recommendations, with changes to its ACAR processes in 2007 and 2008.

## Conclusion

**4.82** After the number and location of aged care places are determined, DoHA conducts a tender-like process to allocate aged care places to aged care providers. For this step of the ACAR, DoHA advertises the type and location of the aged care places available, and invites applications from approved aged care providers. DoHA assesses the applications and the Secretary of DoHA allocates aged care places.

**4.83** The ANAO reviewed key steps in the ACAR allocation process including the promotion of the call for applications; staff training and probity

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<sup>84</sup> The terms of reference for the review were:

1. Whether the then Minister for Ageing, Senator the Hon. Santo Santoro, attempted to influence the outcome of the 2006 Aged Care Approvals Round (ACAR) for the Queensland South Coast Region;
2. Regardless of the answer to 1 above, whether the decisions made by the Department in respect of this region for this ACAR, with a particular focus on applications from Lifestyle Care and Superior Care, were:
  - a. soundly based in fact;
  - b. consistent with relevant legislation, principles and guidelines; and
  - c. otherwise reasonable; and
3. Whether, in considering the above matters, any changes to the ACAR process generally seem desirable.

<sup>85</sup> Commercial-in-confidence information relating to DoHA's financial assessment of Lifestyle Care's application was excluded from the report tabled in Parliament.

controls; the assessment and decision processes; and DoHA's debriefs for unsuccessful applicants. For each step of the process the ANAO found that DoHA's controls and review mechanisms were appropriate. The process has matured over more than ten years in operation, with DoHA electing to put in place a number of layers of review prior to the allocation decision by the Secretary's delegate.

**4.84** The conduct of an ACAR is a large, annual undertaking for DoHA, both in terms of the scale and complexity of the assessment process, and the staff resourcing and time required to complete the process. While some industry parties have suggested that DoHA could streamline the ACAR process, the ANAO recognises that DoHA must balance any perceived efficiency advantages for it and industry against the risks attaching to not managing the process as well as it assesses is required.

**4.85** DoHA has indicated to the ANAO that it intends to continue to improve its communication with the aged care industry about how and why decisions are made. For instance, DoHA could be more open about its internal processes for ACAR, in order to provide a greater measure of assurance to the aged care industry (and the public) regarding the integrity of the ACAR process.



## 5. Monitoring and reporting

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*This chapter examines performance monitoring and reporting arrangements for the planning and allocation of aged care places and capital grants. It also examines the key IT systems that support performance monitoring and reporting for the planning and allocation processes.*

### Introduction

**5.1** An effective performance monitoring and reporting framework can contribute to effective program management, with informed decision-making and use of resources, and appropriate accountability. A performance monitoring framework should be part of a program's strategic planning and resource management processes.<sup>86</sup>

**5.2** In evaluating DoHA's performance monitoring and reporting of its aged care planning and allocation program, the ANAO examined whether:

- DoHA's data and information technology (IT) systems provided sufficient, relevant and accurate information for planning, decision-making and reporting;
- the monitoring and review, as planned for in corporate documents, was undertaken and action taken on the findings of monitoring and review; and
- reports met legislative requirements and were provided to relevant parties (within DoHA, Ministers and the public).

### IT systems

**5.3** The ANAO examined the IT systems DoHA uses for its activities relating to the planning and allocation of aged care places and capital grants. The ANAO did not undertake a comprehensive IT audit. Rather the ANAO assessed the effectiveness of DoHA's IT systems in assisting DoHA to collect, analyse and report on activities relevant to its management of aged care planning and allocation of places and capital grants.

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<sup>86</sup> ANAO *Better Practice Guide – Administration of Grants*, ANAO, Canberra, 2002, p. 63.

**5.4** DoHA uses a number of IT systems to assist in its management of the planning and allocation of aged care places.<sup>87</sup> Overall, these IT systems effectively assist DoHA staff in performing the broad range of planning and allocation activities mentioned above, by providing timely access to comprehensive datasets.

**5.5** The Approvals Round Management Information System (ARMIS) performs ACAR application management functions, such as recording and monitoring applications. In the four states the ANAO visited as part of the audit fieldwork, ARMIS was supplemented by other systems and spreadsheets, particularly for the tracking of application assessment and regional ranking purposes. While there can be benefits in adopting such a decentralised approach, each state and territory may be duplicating its effort in building and maintaining systems and spreadsheets that perform similar functions. There may be scope for DoHA to enhance the functionality of ARMIS, or to provide common, additional systems or spreadsheets that fulfil the needs of the state offices undertaking ACAR assessments. This could also involve the sharing of systems and spreadsheets from the states and territories that DoHA determines to have 'best practice' examples. DoHA advised the ANAO in March 2009 that it is considering an enhancement or redevelopment strategy, though this is subject to resourcing.

**5.6** The ANAO undertook basic reasonableness and consistency checking of the data held in three main IT systems in order to assess the reliability of the data.<sup>88</sup> This involved examining the number, type and status of places held by a sample of aged care services from Victoria, South Australia and the Australian Capital Territory. The checking involved the ANAO assessing the:

- completeness of data fields;

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<sup>87</sup> These include: the Approvals Round Management Information System (ARMIS) - used to record and monitor ACAR applications; the National Approved Provider/Places Tracker system (NAPs) - the recording and reporting system for providers and places; the Aged and Community Care Management Information System (ACCMIS) and Client and Service Provider eAnalysis Reporting (CASPER) - two systems that are data warehouses for the Ageing and Aged Care Division; and the System for Payments of Aged Care Residential Care (SPARC) - the payments system administered by Medicare. The Management of Expenditure and Resident Linked Information (MERLIN) system is used for the recording and monitoring of CACPs, and the payment of CACP services.

<sup>88</sup> ARMIS, the National Approved Provider/Places Tracker system (NAPs) and the Aged and Community Care Management Information System (ACCMIS). The ANAO tested these three systems because they are the ones most important to DoHA's planning and allocation activities. The System for Payments of Aged Care Residential Care (SPARC) and MERLIN systems were not checked as they are administered by Medicare.

- internal consistency of the data between the three systems; and
- external consistency of the data from the three systems (checking the systems' data against external sources such as annual and other reports and the aged care facility websites).

**5.7** The portions of the IT systems related to planning and allocation of aged care places were found to have complete datasets. The data on all three IT systems was internally consistent. Data held in all three systems was largely consistent with independent external sources.

## Performance monitoring

**5.8** Performance monitoring is a critical tool in the overall management of public sector programs, and should be a key element of planning and reporting at the organisational, program and sub-program level.

**5.9** A way to structure this monitoring and assessment is via a framework of objectives and strategies, providing a focus or set of reference points for monitoring. The ANAO evaluated whether objectives in relevant DoHA planning documents were concise and realistic statements of what the planning and allocation of aged care places and capital grants is intended to achieve.

**5.10** The ANAO examined DoHA's Portfolio Budget Statements (PBS), Business Plan for the Ageing and Aged Care Division and the Residential Program Management Branch Operational Plan. The ANAO also reviewed several operational planning documents at section level, for both DoHA Central Office and some state offices.

## Portfolio Budget Statements

**5.11** The purpose of the PBS is to inform the Parliament of the proposed allocation of resources to government outcomes and outputs. The PBS also contribute to internal business planning for government agencies by providing a 'strategic roadmap' for agencies to develop and align their internal business planning and strategic performance reporting.

**5.12** DoHA's Outcome 4, Aged Care and Population Ageing, states that the intended outcome of activity is that: 'Older Australians enjoy independence, good health and wellbeing. High quality, cost-effective care is accessible to frail older people, and their carers are supported.' The programs relevant to the

planning and allocation of aged care and capital grants, and their performance targets as per the 2008–09 PBS for Outcome 4, are detailed in Table 5.1.

**Table 5.1**

**Performance information for Outcome 4 on planning and allocation of aged care places**

Indicator	2008–09 Reference Point or Target
<b>Program 4.4 – Community Care:</b> Provision of operational community care places	Progress towards meeting the target of 25 community care places per 1000 persons aged 70 years and over by June 2011.
<b>Program 4.5 – Culturally Appropriate Aged Care:</b> Support for culturally appropriate aged care for people from culturally and linguistically diverse and/or Aboriginal and Torres Strait Islander backgrounds	Over 70 projects and services funded nationally with many cultural and language groups provided for.
<b>Program 4.8 – Residential Care:</b> Provision of operational residential aged care places.  Increased proportion of residential care places that become operational within 2 years of being allocated	Achieving the national provision ratio of 88 residential aged care places per 1000 persons aged 70 years and over.  21% of residential care places allocated in the 2005 Aged Care Approvals Round became operational within 2 years of being allocated

Note: Flexible Aged Care programs such as Multi-Purpose Services are not included in this table as they are not allocated via the ACAR.

Source: Department of Health and Ageing, *Portfolio Budget Statements 2008–09*, Budget Related Paper No. 1.10 Health and Ageing Portfolio, DOHA, Canberra, 2008, p. 104.

**5.13** The performance indicators and targets in the 2008–09 PBS are more detailed than those contained in the 2007–08 PBS. For example, for Program 4.8 (Residential care), one indicator is ‘provision of operational aged care places’. In 2007–08, that year’s only target was for progress towards the total ratio of 113 aged care places per 1000 population aged 70 and over. In 2008–09, that target has been broken down into the community and residential aged care ratio targets.

**5.14** These additional performance indicators and targets in the 2008–09 PBS add to DoHA’s transparency for its planning and allocation of aged care places.

## **Ageing and Aged Care Division Business Plan**

**5.15** DoHA’s Ageing and Aged Care Division (AACD) has responsibility for delivering Outcome 4. AACD shares this responsibility with DoHA’s Office of Aged Care Quality and Compliance, the Aged Care Standards and Accreditation Agency Ltd and Medicare Australia. The *Ageing and Aged Care*

*Division Business Plan 2008–09* outlines the Division's operating environment, work program and resourcing, performance measurement targets, risk management plan and procurement plan.

**5.16** The AACD Business Plan includes performance measures and targets for each quarter of 2008–09.

**5.17** The outcomes and performance measures in the PBS and AACD Business Plan corresponded for most programs, but there were minor discrepancies in some areas. For example, the Business Plan does not contain a target in Program 4.8 (Community Care) relating to progress towards meeting the target of 25 community care places per 1000 persons aged 70 years and over by June 2011, as specified in Program 4.4 in the DoHA PBS.

**5.18** It is good practice for the performance measures in the Divisional Business Plan to align with those contained in the departmental PBS. DoHA has undertaken to address these discrepancies in the next AACD Business Plan.

**5.19** The relevant performance measurement targets within the AACD Business Plan are clear and measurable. These included the ACAR targets (outlined above), the completion and review of the Zero Real Interest Loan program, and finalisation of the stocktake of places, to determine the aged care planning ratio as of 30 June 2008.

## **Operational planning**

**5.20** The ANAO reviewed the Residential Program Management Branch Operational Plan 2007–08. The performance measurement targets within this plan are reasonable and sufficiently detailed. DoHA informed the ANAO that as a result of Divisional restructures in late 2008, the RPMB Operational Plan for 2008–09 had not yet been completed. DoHA advised in March 2009 that a draft plan had been developed, and the final operational plan was being finalised.

**5.21** State office planning documents included elements such as a timeline for the ACAR process and staffing plans for ACAR 2008–09.

## **Monitoring of the planning and allocation of aged care processes**

**5.22** DoHA monitors ACAR operations and other processes related to planning and allocation of aged care places and capital grants at the state and central office levels. Monitoring methods included exception reports listing

any variations from the quarterly performance targets as set out in the AACD Business Plan and workforce planning for 2008–09.

**5.23** DoHA is also required to monitor the rate at which places become operational and providers' compliance with conditions of allocation for aged care places. The ANAO did not examine these monitoring processes in detail although Chapter Four includes an overview on DoHA's monitoring of conditions of allocation.

## **Stakeholders**

**5.24** As with many government programs, the AACD has a wide range of stakeholders with an interest in its operations. Stakeholders can contribute to the planning, operation and monitoring phases of government programs by providing insights and feedback on matters that can help shape their design and implementation.

**5.25** For aged care planning and allocation, the main avenues of stakeholder engagement are via the ACPACs and the Ageing Consultative Committee (ACC). As noted in Chapter Three, ACPACs comprise government and community representatives with an interest in aged care issues. ACPACs cannot include key personnel of approved providers.

**5.26** The ACC was established in June 2008 by merging the former Aged Care Advisory Committee and the Community Care Advisory Committee. The ACC reports to the Minister for Ageing and is chaired by the First Assistant Secretary of DoHA's Ageing and Aged Care Division.

**5.27** The Minister has tasked the ACC to focus on issues including efficiency in the bed allocation process, the review of aged care planning ratios, proposed changes to the regulatory framework, and the better integration of community and residential care.

**5.28** The ANAO interviewed some members of the ACC, and other industry stakeholders, during the audit. These stakeholders were broadly supportive of the communication arrangements with DoHA's Central Office and state offices, though one noted scope to improve in some areas. One suggestion for improvement in the consultative arrangements was to allocate time in Committee meetings for members to contribute to policy discussion rather than simply be informed of developments.

**5.29** In addition to the ACC consultation, DoHA also consults with stakeholders on an ad-hoc basis, for example as part of internal reviews or in

development of new policy or funding initiatives. It is appropriate that there are both formal and informal mechanisms for stakeholder engagement given the breadth of aged care policy and programs covered by DoHA.

## Reviews

**5.30** As outlined in Chapter One, DoHA's activities for planning and allocating aged care places and capital grants have been subject to a number of external and internal reviews in recent years. External reviews include ANAO audits and inquiries by parliamentary committees. Internal reviews include the RSM Bird Cameron efficiency and probity reviews. These reviews began as separate reviews in mid-2006 but were combined into a single review report. DoHA advised in March 2009, that the RSM Bird Cameron review report had not been finalised, but was nearing completion, a final draft having been provided to DoHA in the latter part of 2008.

**5.31** The ANAO examined whether the recommendations of these reviews have been implemented by DoHA, recognising that the specifics of some recommendations may have been overtaken by policy or program changes.

**5.32** The examination highlighted that most of the relevant recommendations from the two previous ANAO reports dealing with aged care planning and allocation had been implemented or were being addressed.<sup>89</sup> A summary of DoHA action on the two audit reports most closely related to the current audit topic is at Appendix Two.

**5.33** Parliamentary committee reports and their recommendations did not have a major focus on DoHA's administrative practice, but tended to be more focused on policy matters relating to aged care.

**5.34** As noted above, DoHA received a final draft of the RSM Bird Cameron *Probity and Efficiency Review* of the ACAR process in the latter part of 2008. Some of the issues highlighted in this review, for example training for staff involved in the debriefing of unsuccessful applicants, were already being addressed by DoHA. The department has advised that it is taking the report into consideration and implementing the recommendations as appropriate.

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<sup>89</sup> These reports are Australian National Audit Office, ANAO Audit Report No.19 1998–99, *The Planning of Aged Care*, Canberra and Australian National Audit Office, ANAO Audit Report No.38 2006–07, *Administration of the Community Aged Care Packages Program*, Canberra.

## Reporting

5.35 The ANAO assessed DoHA's planning and allocation-related reporting, in particular, achievement of the objectives of the Act and the planning target ratio. The ANAO examined the following DoHA reporting mechanisms related to the planning and allocation of aged care places and capital grants:

- the announcements of the results of an ACAR;
- Annual Reports and PBS; and
- the *Report on the Operation of the Aged Care Act 1997* (ROACA).<sup>90</sup>

### Results of ACAR

5.36 Following the Minister's announcement of the national results of each ACAR, DoHA publicly releases the names of successful applicants, along with the location, number and type of places or value of the capital grants that they were awarded.

5.37 In 2007, DoHA also released the number of applications received in each region, for each care type or capital grant. This provides applicants with information about the level of competition for places and capital grants in each region. DoHA also placed a summary of this information, by region, in the *Essential Guide 2008*.<sup>91</sup> This provides useful information to potential applicants regarding the potential level of interest for places and grants in each region. This information may also encourage applicants to develop proposals in areas of relatively lower demand.

### Annual Report and Portfolio Budget Statements

5.38 In its Annual Report and PBS, DoHA reports, as part of its Outcome 4, Aged Care and Population Ageing, on indicators related to the national level of aged care provision. These include the total number of places and the

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<sup>90</sup> Other reports which contain statistical information on aged care provision include those produced by the Australian Institute of Health and Welfare (part of the Health portfolio); and the annual *Report on Government Services* produced by the Steering Committee for the Review of Government Service Provision (secretariat provided by the Productivity Commission).

<sup>91</sup> The *Essential Guide* provides guidance to potential applicants on how to apply for places, and what places are available to apply for, including the care type, location and conditions of allocation. The *Essential Guide* is discussed in detail in Chapters Three and Four.



allocated and operational ratios for Australia, each state and territory and all Aged Care Planning Regions.

## Report on the Operation of the Aged Care Act

**5.39** Section 63-2 of the Act requires the Minister for Ageing to present to Parliament a report on the operation of the Act for each financial year. Section 63-2 states that the report must include information about the following matters:

- (a) the extent of unmet demand for places; and
- (b) the adequacy of the Commonwealth subsidies provided to meet the care needs of residents; and
- (c) the extent to which providers are complying with their responsibilities under the Act; and
- (d) the amounts of accommodation bonds and accommodation charges charged; and
- (e) the duration of waiting periods for entry to residential care; and
- (f) the extent of building, upgrading and refurbishment of aged care facilities; and
- (g) the imposition of any sanctions for non-compliance under Part 4.4, including details of the nature of the non-compliance and the sanctions imposed;

but is not limited to information about those matters.

**5.40** This information is presented in the annual *Report on the Operation of the Aged Care Act* (ROACA). Relevant to the planning and allocation of aged care places and capital grants, the *Access to care* section of the ROACA addresses points (a), (e) and (f) of section 63-2.<sup>92</sup> The *Access to care* section reports on a broad range of planning and allocation-related matters, including:

- an overview of the aged care planning framework, statistics on current provision levels and gaps in service provision;
- information and statistics about providers of aged care;
- information about aged care types and the numbers of places by type (residential, community and flexible); and

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<sup>92</sup> Other major sections of the ROACA are *Funding for care*, *Quality of care and accommodation* and *Complaints Investigation Scheme*.

- information and statistics about the support provided to people with special needs.

### *Extent of unmet demand*

**5.41** One topic included in the *Access to Care* section is gaps in service provision, reporting on section 63-2 (a) of the Act, ‘the extent of unmet demand for places’. In this section, DoHA refers to the role of ACPACs in providing advice on the distribution of age care places, and the identification of locations and special needs groups in the Regional Distribution of Aged Care Places, as a focus of the ACAR. In doing this DoHA is reporting on or addressing the extent to which there are gaps in the provision of aged care services in particular areas compared to the national benchmark of the government’s target aged care place ratio.

**5.42** Given the objects of the Act (for example, under section 2.1(1)(d) to ensure that aged care services are targeted towards the people with the greatest needs for those services), DoHA should consider reporting on the extent of unmet demand for aged care places *by consumers*. This would report the extent to which consumers aged care demands are not met by the current planning and allocation of aged care places. This concept is a crucial one and one appropriate to address within the current framework of ROACA, when dealing with gaps in service provision, in the current access to care section of ROACA.

**5.43** DoHA advised that it interprets section 63-2 (a) of the Act to require it to report on the extent of unmet demand for places *by providers*, that is the extent to which providers’ demand for places has not been met in the ACAR. DoHA considers that that section of the Act requires it to report on the extent to which the collective bids for places by potential providers in an ACAR exceeds the number of places that the Australian government ultimately awards. DoHA advised that since 2007 it has reported the extent of unmet demand for places from providers via its website as part of the announcement of the outcomes of the ACARs. Since 2007 it has reported not only the number of successful applications for places by region, but also the number of unsuccessful applications for places by region (the demand for places from providers that was not met). DoHA indicated that in future, in light of the ANAO’s comments during the audit about the requirement that ROACA report the extent of unmet demand for places, it will include this provider unmet demand for places information in ROACA as well.

**5.44** The ANAO acknowledges DoHA's interpretation of the Act's requirement to report the unmet demand for places (from providers). The ANAO suggests that DoHA also consider undertaking work to allow it to monitor and report on the extent of unmet demand for places from consumers. Although assessing the extent of unmet demand comprehensively is a complex matter, a possible indicator could include the number of people who wish to receive aged care but are waiting for an assessment, or the number of people who have been assessed but who are waiting for a place in a suitable location or a place providing an appropriate care type.<sup>93</sup> Such indicators could be used to form an estimate of the extent of unmet demand for places from consumers and could assist the analytical work DoHA would undertake to assess whether there should be any change by government in the national aged care planning ratio target.

### *Special needs groups*

**5.45** While not required under section 63-2 of the Act, the ROACA also reports on the provision of care to the five special needs groups (set out under section 11-3 of the Act and the *Allocation Principles 1997*). This reporting on the provision of care is, however, limited for some groups. For example, for veterans, DoHA reports that:

Veterans, including spouses, widows and widowers of veterans, are designated as 'people with special needs' under the Act. The care needs of 'people with special needs' are taken into account in the planning and allocation of aged care places.<sup>94</sup>

**5.46** For the other four special needs groups, DoHA reports details of specific programs that aim to address the needs of that special needs group. However, DoHA does not report on the numbers of people within the special needs groups receiving aged care, or the numbers of places that DoHA allocates with conditions of allocation relating to providing care to these special needs groups.

<sup>93</sup> Aged Care Assessment Teams (ACATs) assess a person's care needs and approve eligibility for entry into aged care. See DoHA internet site: *5 Steps for Entry into Residential Aged Care*, available from <[http://www.health.gov.au/internet/main/publishing.nsf/Content/ageing-rescare-resentry\\_a.htm-copy3](http://www.health.gov.au/internet/main/publishing.nsf/Content/ageing-rescare-resentry_a.htm-copy3)>, [accessed 15 April 2009].

<sup>94</sup> Department of Health and Ageing, *Report on the Operation of the Aged Care Act 1997 1 July 2007 to 30 June 2008*, DoHA, Canberra, p. 27.

**5.47** For example, for people from Aboriginal and Torres Strait Islander communities, DoHA provides details of the National Aboriginal and Torres Strait Islander Flexible Aged Care Program. While this provides the numbers of aged care services, care recipients and funding amounts for the program, DoHA does not include statistics on the people from Aboriginal and Torres Strait Islander communities (and this would be the majority of this population), who receive care under the mainstream aged care programs. DoHA also does not report on the numbers of places with conditions of allocation that require preferential entry to people from Aboriginal and Torres Strait Islander communities.<sup>95</sup>

**5.48** For people from culturally and linguistically diverse backgrounds, and people who live in rural and remote areas, DoHA similarly reports on specific programs that focus on the special needs group, but does not report on the numbers of mainstream care recipients or relevant conditions of allocation.

**5.49** The special needs groups are an important part of the Australian government's aged care framework. Given the importance of addressing the needs of the five special needs groups, it would be appropriate for DoHA to improve its monitoring and reporting of the provision of care to special needs groups. It could do this by including the numbers of care recipients and information on place allocation conditions for each special needs group in its reporting.<sup>96</sup> Other reporting measures, specific to each special needs group, could also be reported by DoHA. For example, calculating and releasing the aged care operational ratio by remoteness classifications would improve DoHA's monitoring and reporting of how it meets the needs of people who live in rural and remote communities.

**5.50** As noted in Chapter Four, at present, DoHA is not in a position to release condition of allocation information, as historically, conditions of allocation information was recorded on paper files in state offices. ACAR 2007 was the first year that DoHA entered conditions of allocation into its National

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<sup>95</sup> The 'preferential entry' related to a special needs group under the conditions of allocation recognises the business situation of the approved provider. The condition of allocation allows the approved provider to fill a vacancy with a resident not belonging to the special needs group, if there is no potential care recipient from the special needs group seeking a bed at the time of vacancy.

<sup>96</sup> DoHA advised the ANAO that the *Report of Government Services 2009* provides information about aged care services, and in particular, information on the Indigenous and non-English speaking special needs groups' receipt of aged care services. See Productivity Commission, *Report on Government Services 2009*, Productivity Commission, Canberra 2009, available from <<http://www.pc.gov.au/gsp/reports/rogs/2009>> [accessed 5 March 2009].

Approved Provider/ Places Tracker system (NAPs) database. The department is currently working on a project that will enter the historical conditions of allocation into NAPs. Once complete, DoHA plans to release the conditions information relevant to consumers on its website. The ANAO considers this project is a good initiative as it will enhance DoHA's and aged care providers' staff access to conditions of allocation, and increase public accountability.

**5.51** DoHA provided the ANAO with the numbers of places released in the 2006 and 2007 ACARs that had conditions of allocation that focused on the special needs groups. DoHA collected these manually from file records in state offices. These numbers are shown in Table 5.2.

**Table 5.2**

**New place allocations with conditions with a focus on special needs groups**

Special Needs Group	2006	2007
People from Aboriginal and Torres Strait Islander communities	93	112
People from non-English speaking backgrounds	1308	941
People who are financially or socially disadvantaged	255	301
People who live in regional <sup>97</sup> , rural and remote areas	268	290
People who are Veterans	274	359
Total number of places allocated with special needs focus	2198	2003
Total places allocated during the year	7928	10 518
Proportion of places allocated with special needs focus	27.7%	19.0%

Source: ANAO presentation of data provided by DoHA.

**5.52** Table 5.2 demonstrates that the inclusion of conditions of allocation is an important element of the allocation process, with approximately 20 per cent of the new places released in both 2006 and 2007 specifying conditions relating to special needs groups.

**5.53** Conditions of allocation are an important part of DoHA's ability to meet the key requirements of the Act, particularly for special needs groups.

<sup>97</sup> Section 11-3 (c) of the Act designates this special needs group as people who live in rural or remote areas. DoHA advised the ANAO that the Australian Standard Geographical Classification Remoteness Area categories used in this table (including *regional* as well as rural and remote) align with the rural or remote special needs group, as defined under the Act.

Therefore, it is important that DoHA improve its ability to effectively monitor conditions of allocation.

## Conclusion

**5.54** DoHA has a number of information technology (IT) systems to assist its planning and decision making. These systems effectively assist staff in their planning and allocation roles, by providing timely and user-friendly access to comprehensive and consistent information.

**5.55** Performance monitoring is included in corporate planning documents, from the Portfolio Budget Statements through to Branch Operational Plans. The performance targets in these plans are realistic and measurable. There are appropriate internal reporting mechanisms such as exception reports for instances where targets have not been met. DoHA has acted upon previous internal and external reviews, including performance audits by the ANAO.

**5.56** DoHA effectively reports on its achievement of the planning ratio target, the main performance indicator related to its planning and allocation activities. DoHA also reports on a broad range of other planning and allocation-related information in releasing the results of each ACAR and its annual reports to parliament on the operation of the *Aged Care Act 1997*. While DoHA intends to provide more information about the extent of unmet demand for places by providers, there could be benefit in DoHA improving its monitoring and reporting on the extent of unmet demand for places by consumers. DoHA could also improve its reporting on provision of aged care to special needs groups, with increased detail about its actions to address these needs.

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Ian McPhee  
Auditor-General

Canberra ACT  
2 June 2009

# Appendices





## Appendix 1: Agency response



**Australian Government**  
**Department of Health and Ageing**



**DEPUTY SECRETARY**

Mr Matt Cahill  
Group Executive Director  
Performance Audit Services Group  
Australian National Audit Office  
GPO Box 707  
CANBERRA ACT 2601



Dear Mr Cahill

**PERFORMANCE AUDIT – PLANNING AND ALLOCATING AGED CARE PLACES AND CAPITAL GRANTS**

Thank you for your proposed report under section 19 of the *Auditor-General Act 1997* pertaining to the above audit.

The Department is supportive of the audit report as a constructive and generally extremely positive appraisal of the aged care places planning and allocations process. As you are aware this program has been the subject of a number of audit and review processes in recent years and we have been able to institute a program of continuous improvement to ensure the planning and allocation of new aged care places is supported by a sound, well-conducted process with an emphasis on high probity and ethics standards.

The Department's formal response to the proposed report is at **Attachment A**.

Should there be any questions about the Department's response, please contact Mr Colin Cronin, Assistant Secretary, Audit and Fraud Control Branch on 6289 7877 in the first instance.

Yours sincerely

Mary Murnane  
Deputy Secretary

13 May 2009

**DEPARTMENT OF HEALTH AND AGEING  
FORMAL RESPONSE TO ANAO DRAFT REPORT ON PLANNING AND  
ALLOCATING AGED CARE PLACES AND CAPITAL GRANTS**

**RECOMMENDATION No. 1**

*The ANAO recommends that the Department of Health and Ageing assess the merits of alternatives for how the department applies the aged care planning ratio and sub-ratios across states and territories, so as to better take account of differences in state and territory demographics, including health status.*

**Department of Health and Ageing response to Recommendation No 1:**

The Department supports the recommendation. The Government has made a commitment to undertake a review of the planning ratio to better take account of demographic changes and changing patterns of use of aged care services and it would be appropriate to address the issues raised as part of that review.

**RECOMMENDATION No. 2**

*Recognising the scale and increasing complexity of the Aged Care Approvals Round (ACAR) process, the ANAO recommends that the Department of Health and Ageing put in place appropriate costing arrangements that track the costs of key components of the ACAR, so as to inform management decisions relating to program delivery.*

**Department of Health and Ageing response to Recommendation No 2:**

The Department agrees that it could do more to track expenditure associated with the Aged Care Approvals Round process, and to make its business planning process more robust and transparent.

## Appendix 2: Implementation of previous ANAO recommendations relevant to this audit

### DoHA Implementation of the Recommendations from Audit Report No. 19 1998–99: *The Planning of Aged Care*

Rec no.	Recommendation	DoHA response in the report	AACD observations as at June 2002	ANAO comments based on this audit
1	The ANAO recommends that DHAC include in its performance measures an indicator and a target for growth in the total number of aged care places, and report achievement against such a target, in order to demonstrate the extent to which growth in the total number of aged care places keeps pace with the increases in the aged population.	Agreed. The department currently reports on the provision of residential care places in each state and territory, and on the provision of all places in each region.	The proposed performance measure has been included in the Annual Report: - the provision of places in states and territories; and - the provision of places in regions	Implemented.  The planning ratio is measured and performance is reported in the department's annual report and the annual Report on the Operation of the Aged Care Act.

Rec no.	Recommendation	DoHA response in the report	AACD observations as at June 2002	ANAO comments based on this audit
2	<p>The ANAO recommends that the Department of Health and Aged Care (DHAC) conduct a review of its planning process to put in place appropriate action to achieve reduction in the time between estimation of the need for new places and the actual provision of these places.</p>	<p>Agreed with qualification. The ANAO acknowledges that steps have been taken to reduce the lag between the time places are allocated and the time they become operational, in accordance with the strengthened requirements of Section 15-7 of the <i>Aged Care Act 1997</i>. Planning is already based on estimates of aged people in the future.</p>	<p>This recommendation was agreed with qualification. Paragraph 3.23 of the Report notes the action that has already been taken to manage and curtail the time between estimation and allocation.</p> <p>The <i>Aged Care Act 1997</i> requires provisional allocations to become operational within two years. Applicants for new places are advised of this at application and on approval. Extensions are only granted in cases where exceptional circumstances outside the provider's control cause delays in the building of a new service.</p>	<p>Appropriate action undertaken.</p> <p>The length of time required for provisional allocations to become operational remains an issue. However, the issue is not one over which DoHA has a great deal of control. As well as any specific commercial issues affecting potential providers, matters such as land availability and local and state government planning regulations are key determinants of timely progress.</p> <p>That said, DoHA continues to try to manage the issue of time lags. DoHA gives priority to applications for places which demonstrate 'bed readiness' and monitors providers' commitments and progress.</p> <p>The <i>Aged Care Act 1997</i> continues to require provisional allocations to become operational within two years. Where DoHA deems appropriate, DoHA generally grants extensions of time rather than withdraw places, as this would mean that the process of taking a (newly determined) provisional allocation through to the operational stage, would start all over again.</p>

Rec no.	Recommendation	DoHA response in the report	AACD observations as at June 2002	ANAO comments based on this audit
3	<p>The ANAO recommends that, in view of the continuing inequities in the distribution of aged care places, DHAC reassess its strategies for eliminating regional inequities, in particular, between metropolitan and rural areas.</p>	<p>Agreed. The department notes that the increase in care package provision in rural areas and the current expansion of the Multi-Purpose Service program provides an opportunity for strengthening strategies for eliminating inequities between metropolitan and rural regions.</p>	<p>In response as part of the Rural Review, the department undertook a detailed comparative survey of aged care provision in metropolitan, regional, rural and remote areas. The results of the survey informed the Government's targeting of regional, rural and remote areas in its release of new places for 2000 and 2001. Forty four per cent of the places in the 2000 release were made available for regional, rural and remote communities and has subsequently increased to nearly fifty per cent in 2001. The needs of small rural communities which were experiencing difficulty in accessing aged care were identified as a priority.</p>	<p>Appropriate action undertaken.</p> <p>DoHA seeks to meet the particular needs for aged care places in rural and metropolitan areas in several ways. These include the goal of achieving uniform aged care ratios of places to population across all states, special attention to rural and remote and special needs groups in the allocation of aged care places to regions and specific measures to address particular needs. (The ANAO examines the merits of a uniform target ratio in Chapter Two.)</p> <p>The measures to address particular needs include capital grants to rural and remote areas and the funding of Multi-Purpose Service places to assist the provision of services that would not be commercially viable for standard aged care services.</p>
4	<p>The ANAO recommends that DHAC revise its Planning Procedures Manual to reflect the provisions of the <i>Aged Care Act 1997</i> and the move to the purchaser/provider model in its program administration in respect to the planning and allocation of residential and community care places.</p>	<p>Agreed. The department will ensure that current practices designed to improve the probity, fairness and transparency of the planning process are reflected in the revision of the planning procedures manual for the current legislation.</p>	<p>In response to user feedback, the concept of a planning manual has been replaced with a series of easy to use 'how to' guides relating to planning and allocations procedures. Some of these have already been completed and others drafted for consultation with state and territory offices. It is planned to support these guidelines with an electronic tracking system.</p>	<p>Appropriate action undertaken. The planning procedures manual and the 'how to' guides series appear to have been replaced by the Assessor's Manual. DoHA's Assessor's Manual guides the administrative practice associated with planning, assessment and allocation of aged care places as per the Aged Care Act. The <i>Essential Guide</i>, the core document outlining public information and instructions regarding the planning and allocation process for aged care places reflects the provisions of the Aged Care Act.</p>

Rec no.	Recommendation	DoHA response in the report	AACD observations as at June 2002	ANAO comments based on this audit
5	The ANAO recommends that DHAC set medium term regional equity objectives and clearly define related program outputs so that there is clarity about what can be achieved between 1998 and 2011, and advise these medium term objectives to industry.	Agreed.	Medium term regional planning priorities were developed for departmental use in the context of the 1999 approvals round. The industry is informed of planning priorities through the data the department publishes in the Annual Report on the level of service provision in each planning region compared to the planning benchmark of 100 places per 1000 people aged 70 and over. Projections of future medium term regional priorities will not be published or released in the industry. They are based on small area projections of population and service supply that are not considered robust enough for publication.	Not done and the ANAO accepts DoHA's reasoning as to why medium term regional targets should not be published.  In addition to the numbers of places being sought in a current ACAR, DoHA publishes indicative figures for the numbers of places that may be required in regions in the year following. The ANAO accepts DoHA's concerns about the statistical robustness of medium term regional targets based on projections for very small areas.
6	The ANAO recommends that, in order to develop better coordination of aged care planning, DHAC systematically take into account state government planning processes including for HACC.	Agreed.	The HACC Program has introduced new regional planning mechanisms which will make it easier for synchronous planning between HACC and Care packages, and improve coordination with state government planning processes.	Appropriate action undertaken.  The ANAO saw evidence in four state offices of planning processes for the allocation of aged care places taking account of state government planning processes, in relation to the HACC program. The ANAO is also aware of activities under the auspices of the Council of Australian Governments designed to achieve better coordination of aged care across levels of government.

Rec no.	Recommendation	DoHA response in the report	AACD observations as at June 2002	ANAO comments based on this audit
7	<p>The ANAO recommends that, in order to improve the targeting of advertising of new places to the neediest areas and groups, DHAC introduce an effective means to maintain project officers' local knowledge of aged care needs, including through contact with state health agencies.</p>	<p>Agreed with qualification. The department does not accept that there is a need to introduce new measures but acknowledges the need to improve the current liaison and joint planning arrangements with state and territory governments.</p>	<p>This recommendation was agreed with qualification. The department's response noted there is no need for new measures. The department also aims to maintain project officers' local knowledge of aged care needs by improving current liaison and joint planning arrangements with state health agencies. Arrangements for coordinating planning have been improved.</p>	<p>Appropriate action undertaken and improving advertising to better target new places to the most needy areas and groups is no longer an issue.</p> <p>DoHA publishes in the <i>Essential Guide</i> the locations of all potential places in an ACAR. The operations of the Aged Care Planning Advisory Committees help inform DoHA's planning and allocation processes of local conditions, including aged care needs.</p>
8	<p>The ANAO recommends that DHAC ensure that the planning details of the targeting of advertised new places are made clear to potential providers by specifying unambiguously the required location of new facilities or places.</p>	<p>Agreed.</p>	<p>The ANAO's comments here relate mostly to the information given to applicants in some states in the 1996–97 approvals round. A consistent national approach was adopted for the 1997–98 round that provided a large amount of detail on locations targeted for new services. Applicants in the 1999 round were given detailed information on the regions where places were available and on the priority localities within the regions where new services were needed.</p>	<p>Implemented.</p> <p>DoHA publishes in the <i>Essential Guide</i> the locations of all potential places in an ACAR. This is available in hard copy and in electronic form.</p>
9	<p>The ANAO recommends that DHAC provide clear directions to state offices to ensure that they are correctly interpreting the definition of persons who are to be considered in the 'special needs' categories.</p>	<p>Agreed.</p>	<p>The information on targeting priorities for applicants for the 1999 round contained clear guidance on the definition of persons in the 'special needs' categories. Special needs groups, as defined in the Act, are included in the training for state office staff and the Planning Manual will also contain this information.</p>	<p>Appropriate action undertaken.</p> <p>The ANAO found no evidence in 2008 to suggest any state office confusion with respect to the definition of 'special needs groups'.</p>

Rec no.	Recommendation	DoHA response in the report	AACD observations as at June 2002	ANAO comments based on this audit
10	The ANAO recommends that, where there is insufficient competition between providers, such as in rural areas and among special needs groups, DHAC continue to explore alternative ways to promote development of aged care provision more effectively to achieve satisfactory outcomes.	Agreed.	State offices of the department already undertake project development work with potential providers from special needs groups on an ad hoc basis. The issue has been addressed in procedures proposed for the 2000 approvals round, which will take a new approach to supporting applicants from special needs groups. The department currently works closely with local communities and state governments when developing Multi-Purpose Service proposals.	Implemented.  The ANAO is aware that DoHA administers additional programs such as the provision of capital grants and zero real interest loans, which provide additional assistance to providers of aged care services, including in rural areas and among special needs groups.
11	In order to promote understanding of DHAC's decision making processes, the ANAO recommends that DHAC provide comprehensive information to aged care providers about the role of Aged Care Planning and Advisory Committees, and advertise for nominations for membership in all states and territories.	Agreed.	Briefing is provided to the industry on the role of ACPACs. The department considers that the resource costs of a strategy of recruiting members by public advertising outweigh the potential benefits, and will not advertise for nominations.	Implemented.  DoHA currently does advertise for non-governmental members of Aged Care Planning and Advisory Committees. See Chapter Three.



Rec no.	Recommendation	DoHA response in the report	AACD observations as at June 2002	ANAO comments based on this audit
12	The ANAO recommends that DHAC revise its staff training to: <ul style="list-style-type: none"> <li>- schedule timely training on its annual guidelines;</li> <li>- provide effective training to a larger proportion of project officers; and</li> <li>- provide staff with an understanding of how to assess value for money in applications while maintaining the probity of the assessment process.</li> </ul>	Agreed.	Comprehensive staff training in assessment was developed for the 1999 Aged Care Approvals Round. This was enhanced for the 2000 Approvals Round and will continue to be provided for future rounds.	Implemented.
13	The ANAO recommends that DHAC: <ul style="list-style-type: none"> <li>- review the adequacy of financial information it requires for assessment of applications to provide aged care services; and</li> <li>- where necessary and where there is a clear cost-benefit, employ or contract staff with relevant financial skills to assess this financial information.</li> </ul>	Agreed. The department notes that the financial aspects of the application and assessment are being reviewed for the 1998-99 round. The department will consider the use of specialist staff where appropriate.	This was done for the 1999 round. The financial information requirements were reviewed and arrangements were made for specialist assessment of the information.	Implemented.
14	The ANAO recommends that DHAC adopt a performance indicator or indicators, and targets, for assessment of the quality of community care packages to demonstrate how well the department is assessing value for money in its purchases of community care packages.	Agreed. The department is developing processes for assessing the quality of community care packages.	Assessment of applications for care packages is conducted according to all the requirements of the <i>Aged Care Act 1997</i> and the <i>Allocation Principles</i> . The criteria set out in legislation are all addressed in assessment. The legislation does not specify value for money as a relevant criterion for assessment.	Not in the scope of this audit.

Rec no.	Recommendation	DoHA response in the report	AACD observations as at June 2002	ANAO comments based on this audit
15	The ANAO recommends that DHAC advise applicants for aged care places of its criteria for assessment of the quality of residential care and for community care packages.	Agreed. The department notes that the requirements of the <i>Aged Care Act 1997</i> and the Allocation Principles are described in information supplied to applicants and form the basis of the application form.	The Allocation Principles, the application form and the guidelines for applicants have been amended to more clearly explain to applicants all the criteria for the assessment of applications, including those relating to quality.	Implemented.
16	The ANAO recommends that, in order to improve its selection of providers of new places, DHAC provide clear direction and clarify current differing interpretations across state offices of its program guidelines.	Agreed.	This was completed for the staff training provided for the 1999 round and will be included in the Planning Procedures Manual which it is planned to complete by December 2000.	Implemented. DoHA's <i>Assessors Manual</i> sets out the assessment processes and requirements.
17	The ANAO recommends that DHAC review, and clearly specify how the financial and performance data, which it receives from existing providers on a regular basis, can best be used by its staff to assess new applications from existing providers.	Agreed.	The assessment procedures and processes for the 1999 round gave guidance to staff on the use of evidence from existing data collections to assess applications from current providers.	Appropriate action undertaken. In assessing applications for new aged care places, DoHA draws on its data relating to the accreditation and operational performance of existing providers. It does not draw on financial information additional to that provided by the applicants in their application form.

Rec no.	Recommendation	DoHA response in the report	AACD observations as at June 2002	ANAO comments based on this audit
18	To promote greater national consistency of selection procedures and better practice through learning from state office experience, the ANAO recommends that DHAC's central office review samples of each state office's assessments of annual applications from aged care providers, and take effective action on the results of the reviews.	Agreed. The department will ensure that this quality control step is included in processes for the 1998-99 round.	Preparations for the 1999 round included consideration of state office assessments in the 1998 round. As a result, assessment documentation for the 1999 round was extensively revised.	Appropriate action undertaken.  CO does not review samples of each state office's assessment of providers. DoHA has quality assurance and review processes over applications at the SO level and CO reviews the overall summary results.
19	The ANAO recommends that DHAC commence the selection of new providers as early as possible in the planning year in order to minimise delay in the provision of new places.	Agreed. However, the department notes that the Minister makes places available for allocation in the planning process each year, and on occasion the timing of this approval can be subject to factors such as Federal Elections and Budgets.	The 1999 and 2000 ACARs were advertised shortly before the start of the financial year in which the places were to be allocated.	Appropriate action undertaken.  See also Chapter Four of this report.
20	The ANAO recommends that DHAC evaluate the implementation of its guidelines and procedures in different state offices to explain the interstate variation in the relative success of the not for profit and for profit sectors in gaining aged care places.	Agreed.	An examination of the relative success of the not for profit and for profit sectors was conducted after the 1999 round and is currently being undertaken following the allocation of places in the 2000 Aged Care Approvals Round.	Appropriate action taken.  DoHA notes patterns of recommended places and draws these patterns to the attention of the DoHA decision maker (Secretary or delegate). There is no evidence of DoHA evaluating guidelines and procedures to determine the reasons for patterns, including patterns across organisation types. The ANAO considers that with procedures for DoHA to assure itself that assessments in states and territories are appropriate, patterns are not necessarily a matter of particular significance.

Rec no.	Recommendation	DoHA response in the report	AACD observations as at June 2002	ANAO comments based on this audit
21	<p>The ANAO recommends that in order to improve the efficacy of the assessment process, DHAC:</p> <ul style="list-style-type: none"> <li>- link the Allocation Principles to the application form and to the assessment process in a simple and clearly understandable way;</li> <li>- make comparative assessments of those acceptable applications competing for the same advertised group of places, showing the extent to which each meets the selection criteria.</li> </ul>	<p>Agreed. The department appreciated the ANAO's involvement in consulting with state office assessment staff on these issues, which included participating in the National Debriefing Meeting for the 1997-98 planning round. The department will continue to improve the assessment process in the light of the discussions and the ANAO's recommendations.</p>	<p>The Allocation Principles have been amended to clarify and simplify the expression of the assessment criteria.</p> <p>The application form for the 1999 round was designed to clearly link to the criteria in the Act and the revised Principles.</p> <p>The assessment process for the round was designed around the form and the criteria so allocation decisions had a clear foundation in legislative criteria.</p> <p>Comparative assessment was included in the process as ANAO recommended.</p>	<p>Implemented.</p>
22	<p>The ANAO recommends that DHAC provide guidance to state offices on the need to ensure all providers and potential providers have equal access to information and advice on the allocation process.</p>	<p>Agreed.</p>	<p>Comprehensive training was provided to assessing staff in state offices in early June 1999. It will be provided again in July/August 2000. This will be addressed in new Planning Procedures Manual which is planned to be complete by December 2000.</p>	<p>Implemented.</p> <p>DoHA's <i>Assessors' Manual</i> sets out the assessment processes and requirements. The <i>Essential Guide</i>, which is publicly available, informs potential providers on the assessment and allocation process. DoHA supplements that core document with public presentations, provided across Australia.</p>

Rec no.	Recommendation	DoHA response in the report	AACD observations as at June 2002	ANAO comments based on this audit
23	<p>The ANAO recommends that DHAC implement procedures to communicate and document the assessment process more effectively. These procedures should include:</p> <ul style="list-style-type: none"> <li>- briefing of potential bidders after the annual advertisement of new places;</li> <li>- DHAC communication to applicants of key dates in the selection process in advance, including when DHAC will announce the identity of successful applicants;</li> <li>- rigorous documentation of the assessment, so that decisions can be explained confidently at a later date if they are appealed;</li> <li>- standardising the form and content of DHAC's responses to unsuccessful applicants in order to provide them with the most helpful information consistent with purchasing guidelines; and</li> <li>- a special emphasis on informing interested parties in rural and remote areas of the aged care options available and the process for applying for places.</li> </ul>	<p>Agreed. The department will seek further improvement and greater national consistency in its briefing of potential bidders, communication, documentation, forms and development work in rural and remote areas. The department is establishing a provider reference group to assist in this process improvement.</p>	<ul style="list-style-type: none"> <li>- Comprehensive briefing is provided to potential applicants via an information kit, information seminars, a remote video broadcast and use of the Aged Care Telephone Information Line and the department's internet site.</li> <li>- Applicants are informed in advance of when it is planned to announce the identity of successful applicants.</li> <li>- Comprehensive assessment documentation is provided for state offices to use to ensure rigorous and nationally consistent recording of all aspects of assessment.</li> <li>- All unsuccessful applicants are sent a standard explanatory letter and are offered a debriefing interview in which the results of their application are discussed in detail.</li> <li>- Information is provided to people in rural and remote areas by using a remote video broadcast supplemented by a video about the round. The department's information seminars conducted in rural areas are especially tailored to the needs of this group of applicants.</li> </ul>	<p>Implemented and appropriate action undertaken.</p> <p>The cited measures have been implemented. However, effective communication with applicants remains an ongoing challenge for DoHA and one which it continues to seek to address. There is no evidence of DoHA placing a special emphasis on informing interested parties in rural and remote areas, but DoHA seeks to engage with potential providers, recognising the circumstances that bear on them.</p>

# DoHA Implementation of the Recommendations from ANAO Audit Report No.38 2006–07: Administration of the Community Aged Care Packages Program

Rec no.	Recommendation	DoHA response in the report	AACD observations as at June 2008	ANAO comments based on this audit
Recommendations of direct relevance to this audit				
3	<p>The ANAO recommends that DoHA improve administrative effectiveness in the arrangements it makes for the allocation of new CACP places in the Aged Care Approvals Rounds (ACAR) at the state and territory level by:</p> <p>a) Issuing guidelines on 'better practice' procedures for state and territory Offices to use in their collection and assessment of information to assist the Aged Care Planning Advisory Committees in their preparation of advice, so as to promote consistent quality levels of advice across all states and territories to the departmental officer delegated to make the allocation decisions;</p>	Agreed.	<p>a) An external contractor was engaged to review the existing advice provided to Aged Care Planning Advisory Committees (ACPACs) and to prepare national best practice guidelines on the collection and assessment of supporting information for ACPACs. This has been completed and new guidelines have been issued to state and territory offices (STOs) in preparation for the 2008 Aged Care Approvals Round (ACAR) planning process.</p>	<p>Implemented.</p> <p>The ANAO found evidence that some state offices did not fully follow these new guidelines in the 2008 ACAR.</p>
	<p>b) requiring its state and territory offices to include in their annual submissions on proposed allocation of places in Level 3 of the ACAR, information on gaps in service provision, including for special needs groups, that would remain following approval of the proposed allocations; and</p>			
	<p>c) requiring its state and territory offices to include in their annual submissions to DoHA's Central Office on the proposed allocation of places to providers, information on avenues or opportunities to address the gaps identified in (b) above.</p>		<p>b) and c) The Level 3 reporting template has been updated so that state and territory offices must provide information about gaps in service provision to Central Office. Information gathered from state and territory offices was provided to the delegate with the recommendation for the allocation of community and flexible places in the 2007 ACAR. Similar reporting will occur with the recommendations for the residential places in the 2007 ACAR.</p>	<p>Implemented.</p>

Rec no.	Recommendation	DoHA response in the report	AACD observations as at June 2008	ANAO comments based on this audit
4	<p>The ANAO recommends that DoHA increase the transparency of its decisions on the allocation of places to providers by requiring state and territory Offices to:</p> <p>a) Assemble in written form material that could be provided as debriefing to providers on the basis for allocation decisions made by DoHA on provider applications for places; and</p>	Agreed with qualification.	<p>a) The department engaged an external contractor to independently review the guidelines and deliver training to STO staff on giving effective feedback. New national debrief guidelines have been issued and training was concluded in time for the commencement of debriefs in relation to the 2007 ACAR process. The revised guidelines state:</p> <p>“7.1.4 Written record of the debrief from and including the 2007 ACAR, all applicants provided with a debrief - irrespective of whether the debrief is provided by telephone or face-to-face - must be provided with a written record of the debrief session.”</p> <p>It is expected that all STOs provide a written record of the debrief session, along with an evaluation form for the applicant to complete and return to the department (see (b) below).</p>	<p>Implemented.</p> <p>The ANAO saw that DoHA had taken appropriate action regarding debrief processes and obtaining feedback on the ACAR process from ACAR participants and, specifically, recipients of debriefs.</p>
	<p>b) Seek comment from providers on the quality of the supporting information provided in the running of the ACAR and on the quality of feedback on the allocation of places.</p>		<p>b) The external contractor engaged by the department to review the national debrief guidelines, designed an evaluation form for applicants who received a debrief to provide feedback on the quality of the supporting information and products provided in the running of the ACAR and on the quality of the debrief process. De-identified evaluation forms are progressively being returned to the Director, Planning and Allocations Section. The contractor also designed an evaluation tool to assist the department in analysing the feedback. The feedback is currently being input into the tool.</p>	<p>Implemented.</p> <p>The ANAO saw that DoHA had taken appropriate action regarding debrief processes and obtaining feedback on the ACAR process from ACAR participants and, specifically, recipients of debriefs.</p>

Rec no.	Recommendation	DoHA response in the report	AACD observations as at June 2008	ANAO comments based on this audit
Recommendations of lesser relevance to this audit				
1	The ANAO recommends that DoHA, in consultation with the aged care provider industry, promulgate 'better practice' guidelines in the delivery of case management services to care recipients, for issue to providers.	Agreed.	<p>Initial scoping for the development of best practice models is complete. A tender process is near completion for a project to identify best practice models in relation to key areas including case management/care planning.</p> <p>A 2008 census of community care programs has now been completed. This included the collection of information on the delivery of case management services to care recipients. The community care census has been designed to be a key data source on the way community care is delivered across Australia. Over time this resource will provide a more complete picture of the way client's needs are met and give a deeper understanding of the roles of service providers.</p> <p>The data received through the census will inform the development of a Minimum Data Set (MDS) for community care. The MDS, when developed, will allow the department to capture information on the status of care recipients, including case management services they receive, on a quarterly basis.</p>	Not in scope.
2	To clarify the relationship between CACPs and Veterans' Home Care services, and in consultation with the Department of Veterans' Affairs, DoHA should promulgate guidelines in its CACP Program Guidelines publication on the relationship so as to ensure a consistent approach to veterans as a special needs group in their access to CACPs.	Agreed.	<p>The department, in consultation with the Department of Veterans' Affairs has completed amendments to the draft Community Packaged Care Guidelines regarding the relationship between CACPs and Veterans Home Care (VHC) services.</p> <p>These amendments have been agreed to by the Department of Veterans Affairs and will be included in the updated version of the Community Packaged Care Guidelines, due for release early in the 2008 - 09 financial years.</p>	Not in scope.



Rec no.	Recommendation	DoHA response in the report	AACD observations as at June 2008	ANAO comments based on this audit
5	<p>The ANAO recommends that DoHA implement administrative procedures to enable Community Care Grants to be deployed with greater consistency to improve the management and delivery of the CACPs program to all areas of need for CACP places. In particular, DoHA should:</p> <p>a) Determine the basis of allocation of Community Care Grants provision to states and territories, depending on their needs;</p>	Agreed.	<p>a) A notional split of Community Care Grant funding across states and territories will occur once the ACPAC has determined the regional distribution of community care places. The notional split of funding will include consideration of areas where it has proven difficult to address gaps in provision, and will begin from the 2008 ACAR.</p>	Not in scope.
	<p>b) Issue guidelines for its state and territory offices to promote the use of Community Care Grants by providers to assist the provider industry to meet unmet or poorly served needs;</p>		<p>b) Revised guidelines for communicating the policy on Community Care Grants and Flexible Care Grants have been developed for inclusion in the 2008 ACAR information, and information disseminated to industry as part of the ACAR process.</p> <p>The department has also instituted a process of revisiting Community Care Grants with state and territory office ACAR Assessors through annual ACAR Training.</p>	Not in scope.
	<p>c) Collect information through state and territory offices, as part of their submission of recommendations for allocation of CACP places to providers in ACAR Level 3, on the need for, and use of, Community Care Grants to meet gaps in service provision; and</p>		<p>c) The Approvals Round Management Information System (ARMIS) is being modified to collect more detailed information about Community Care Grants and will be in place in time for the 2008 ACAR.</p> <p>The department's Residential Program Management Branch and Community Care Branch are collaborating to determine the appropriate data items this system will use to collect this information.</p>	Not in scope.

Rec no.	Recommendation	DoHA response in the report	AACD observations as at June 2008	ANAO comments based on this audit
	d) Use information on the performance of providers in their utilisation of any Community Care Grants successfully won by providers to enhance departmental reporting on gaps in service provision for CACPs.		d) Information collected on the use of Community Care Grants will be collated to be used in the consideration of future Community Care Grant applications, beginning from applications received as part of the 2008 ACAR.  Activities in c) above will ensure this information collection is possible in future years.	Not in scope.
6	The ANAO recommends that DoHA consult with the states and territories to:  a) Improve aged care assessment procedures for CACPs so that the approval of people as CACP care recipients effectively targets people with complex care needs requiring active case management by service providers; and	Agreed.	a) The National ACAT Review 2007 Report and the ACAP Officials response to the Recommendations were released by the Minister for Ageing on 17 March 2008. Recommendation 3 of the Report stated:  That ACAP Officials develop and promote the use of a standardised template for intake and triage to improve the consistency of screening of referrals; prioritisation; and management of inappropriate referrals.  ACAP Officials agreed with this recommendation and work has commenced.	Not in scope

Rec no.	Recommendation	DoHA response in the report	AACD observations as at June 2008	ANAO comments based on this audit
	b) Increase consistency across Australia's regions in the procedures by which people are referred to CACP care, from the point of their aged care assessment to the point of their accessing the CACP services of a provider.		b) An Introduction to Aged Care Assessment Program (ACAP) Learning Package has been developed and endorsed by ACAP Officials. It is now available on the DoHA ACAT specific webpage. ACAT Education Officers, an element of the National ACAT Training Strategy, have been requested to implement and evaluate the Learning Package. The Learning Package will be reviewed and updated in June, September and December 2008. The eligibility criteria for CACP services have been clearly identified in the Learning Package. The National ACAP Conference will be held in May 2008. A DoHA Information stand will provide an opportunity for further information about CACPs to be provided to ACAT members.	Not in scope.
7	<p>To enable it to ensure more effectively that the CACPs program is operating equitably and that any gaps in service delivery are identified and minimised, the ANAO recommends that DoHA take steps to obtain systematic information about provider decisions on acceptance of people into CACP places, by utilising referral networks which it funds. Such information would enable DoHA through its state and territory offices to:</p> <p>a) Assess whether people with special needs or who are difficult to place are being adequately served by the program;</p>	Agreed.	<p>a) Following the implementation of the National Approved Provider System (NAPS) Places Tracker in December 2007, the department is now able to access a comprehensive working tool to assist in monitoring conditions of allocation, including people with special needs.</p> <p>The department is undertaking a process with state and territory offices to update this Tracker with conditions of allocation which existed prior to its introduction.</p>	<p>Appropriate action being taken.</p> <p>Processes after the allocation decision such as conditions of allocation are not a major part of the current audit. However, the ANAO observes in Chapters Four and Five that DoHA is not yet in a strong position to monitor systematically the conditions of allocation attaching to places.</p>

Rec no.	Recommendation	DoHA response in the report	AACD observations as at June 2008	ANAO comments based on this audit
	b) Assure itself that people assessed as CACP recipients do not fall through market gaps in service provision and stay unplaced indefinitely or for excessive periods;		b) ACATs develop a care plan to the point of effective referral. The Introduction to ACAP Learning Package has a section outlining the ACAT role in assisting a person to find appropriate aged care services. All care coordination activity by ACAT assessors is intended to be relatively short-term to bridge the time between when the assessment is finished and when the client is taken on by another agency.	Not in scope.
	c) Better report on the patterns of supply and demand for CACP services; and		c) The department is undertaking a review to determine what improvements could be made to Australian government community aged care programs. This work includes consideration of the level of need for services, which will allow the department to better assess the demand for CACP services into the future.	Not in scope.
	d) In conjunction with the measures proposed in other recommendations in this audit, through better matching of the numbers of places allocated to providers to actual demand for the places, alleviate access difficulties for people to CACP places and distribute limitations on access on an equitable basis.		d) A considerable amount of work has progressed on a conceptual model which will take into consideration a wide range of factors when determining the supply of community care places and the allocation of CACP places to identify areas of actual demand.	Not in scope.

Rec no.	Recommendation	DoHA response in the report	AACD observations as at June 2008	ANAO comments based on this audit
8	<p>ANAO recommends that DoHA utilise the legislated objectives of the CACPs program, and specifically the minimum content requirements for annual reporting on the operation of the <i>Aged Care Act 1997</i> set out in the Act, to improve the performance information it provides to the Parliament about community care. To do this, DoHA should improve the effectiveness of its program management and reporting by:</p> <p>a) Introducing administrative arrangements enabling it to generate, assemble and collate information about areas of unmet need for CACPs in a systematic way, which would also permit it to implement mitigating strategies;</p>	Agreed.	<p>Note: Text about gaps in aged care place allocations and measures to address those identified gaps was included in the 2006-07 Report on the Operation of the Aged Care Act, which is tabled in Parliament, and will be included in future reports.</p> <p>a) The 2008 community care census is now complete. The census has provided the department with more complete data on the way the needs of care recipients of CACPs are being met. The data obtained through the census will be provided to ACPACs to add to the information collected and considered in identifying unmet need. In future years, data collation will be maintained through the MDS for collection of information through the MDS for community care.</p>	Not in scope.

Rec no.	Recommendation	DoHA response in the report	AACD observations as at June 2008	ANAO comments based on this audit
	<p>b) Enhancing its ability to monitor the performance of providers in regard to:</p> <ul style="list-style-type: none"> <li>- Providers' fulfilment of all the conditions of allocation of their CACP places, especially in regard to special needs groups; and</li> <li>- Providers' performance of their case management responsibilities;</li> </ul>		<p>b) A range of activity is underway that will allow the department to capture information about approved providers' performance of their legislated responsibilities. The implementation of the NAPS Places Tracker system in early 2008 has allowed the department to better track conditions of allocation for special needs groups attached to places allocated to approved providers, and service provision to this group.</p> <p>The department is also undertaking a process with state and territory Offices to update the NAPS Places Tracker with conditions of allocation which existed prior to its introduction.</p> <p>Through the community care census, the department has collected information on case management services delivered by providers. This information will be verified through the Quality Reporting process.</p> <p>In addition, the department is further building on this through the development of enhanced quality arrangements, which will provide further information on the delivery of coordinated care.</p>	<p>Appropriate action being taken.</p> <p>Processes after the allocation decision such as conditions of allocation are not a major part of the current audit. However, the ANAO observes in Chapters Four and Five that DoHA is not yet in a strong position to monitor systematically the conditions of allocation attaching to places.</p>

Rec no.	Recommendation	DoHA response in the report	AACD observations as at June 2008	ANAO comments based on this audit
	c) Introducing arrangements for the periodic review of the appropriateness of conditions of allocation of places, to ensure that the conditions continue to be relevant to demographic needs; and		c) Policies are under development, which use both operational guidelines (also under development) and the NAPS Places Tracker, to implement systematic reviews of the conditions of allocation.	Appropriate action being taken. Processes after the allocation decision such as conditions of allocation are not a major part of the current audit. However, the ANAO observes in Chapters Four and Five that DoHA is not yet in a strong position to monitor systematically the conditions of allocation attaching to places.
	d) So as to facilitate DoHA's assessment and reporting to the Parliament of program performance improvement over time, implementing procedures in the Quality Reporting system to capture, at a national level, aggregated quantitative information about providers' performance of their legislated responsibilities.		d) A range of activity has been undertaken that will ensure that the department captures information about approved providers' performance of their legislated responsibilities. Quantitative information on providers' performance of their legislated responsibilities has been collected through the 2008 community care census. The census has provided the department with data on the types and amounts of services delivered by providers. This information will be verified through the Quality Reporting process. In the 2007 Budget, the Government approved \$26.8 million of funding to strengthen the quality assurance framework for community care packages. This includes increased quality checks for community care. Common standards and arrangements for quality reporting in community care have been developed and agreed by Australian government and state officials. The first pilots trialling these common arrangements are scheduled to commence in August 2008, with a view to finalising this by the end of the 2008-09 financial year.	Not in scope.

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