



StewartBrown

Integrity + Quality + Clarity

Financial implications of reforms for Home Care and Commonwealth Home Support Programs



Aged & Community
Services NSW & ACT

Where are we?

- ❖ CDC transition to have been completed by 1 July 2015
- ❖ Commonwealth Home Support Program (CHSP) in place from 1 July 2015
- ❖ Use of MyAgedCare website for assessment and referral process
- ❖ Client fees to be charged to CHSP clients
- ❖ New funding agreements from 1 November 2015 to 30 June 2017

Known Future changes



- ❖ Deregulation of Home Care packages from 1 February 2017
- ❖ CHSP to be integrated into Home Care regime from 1 July 2018

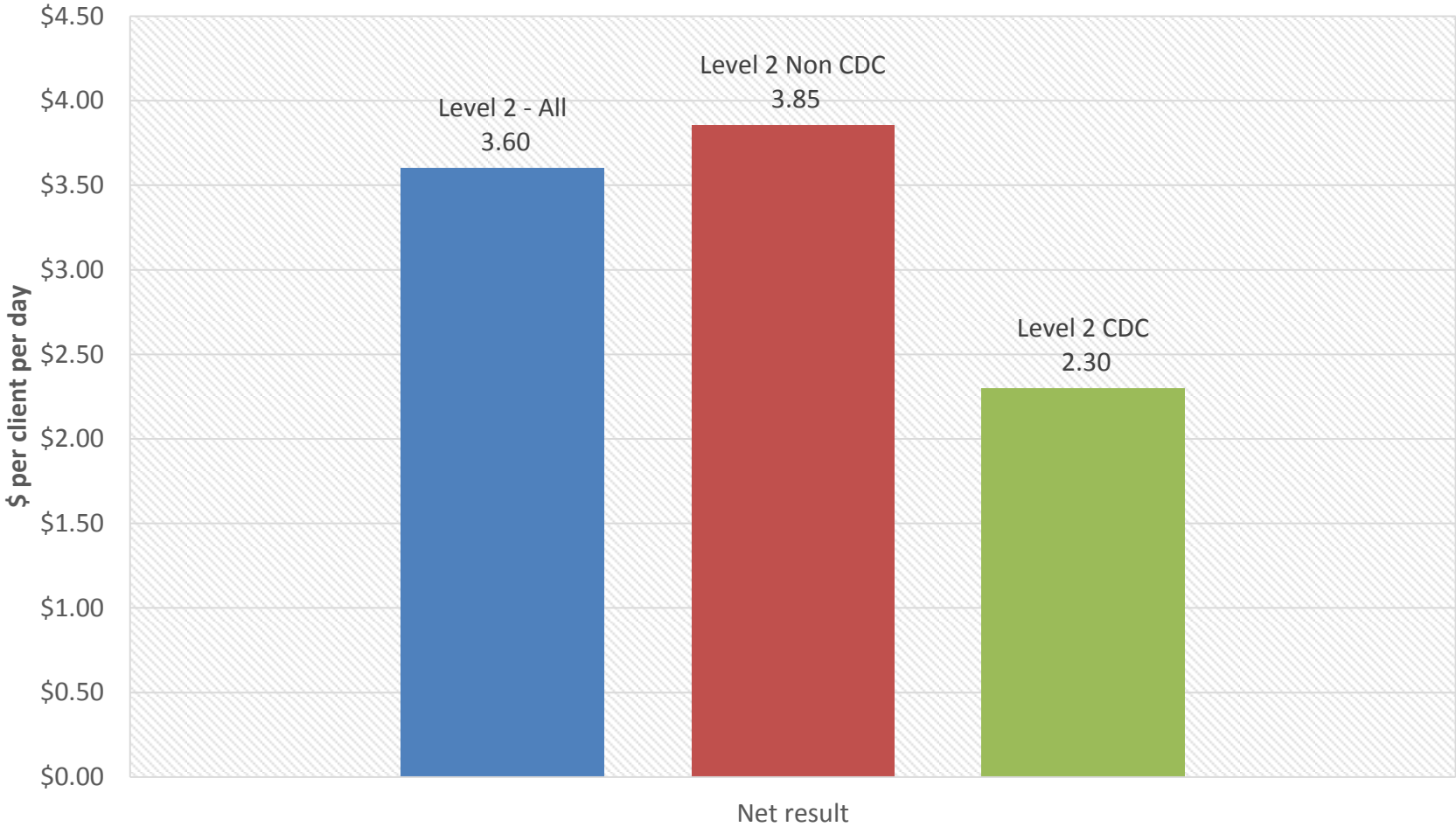
What are the numbers showing?

- A reduction in profit levels fore packages delivered through CDC
- Increased administration costs
- Increased administration wage hours
- Increased direct care hours
- Increased case management/coordination wage hours

Home Care Level 2

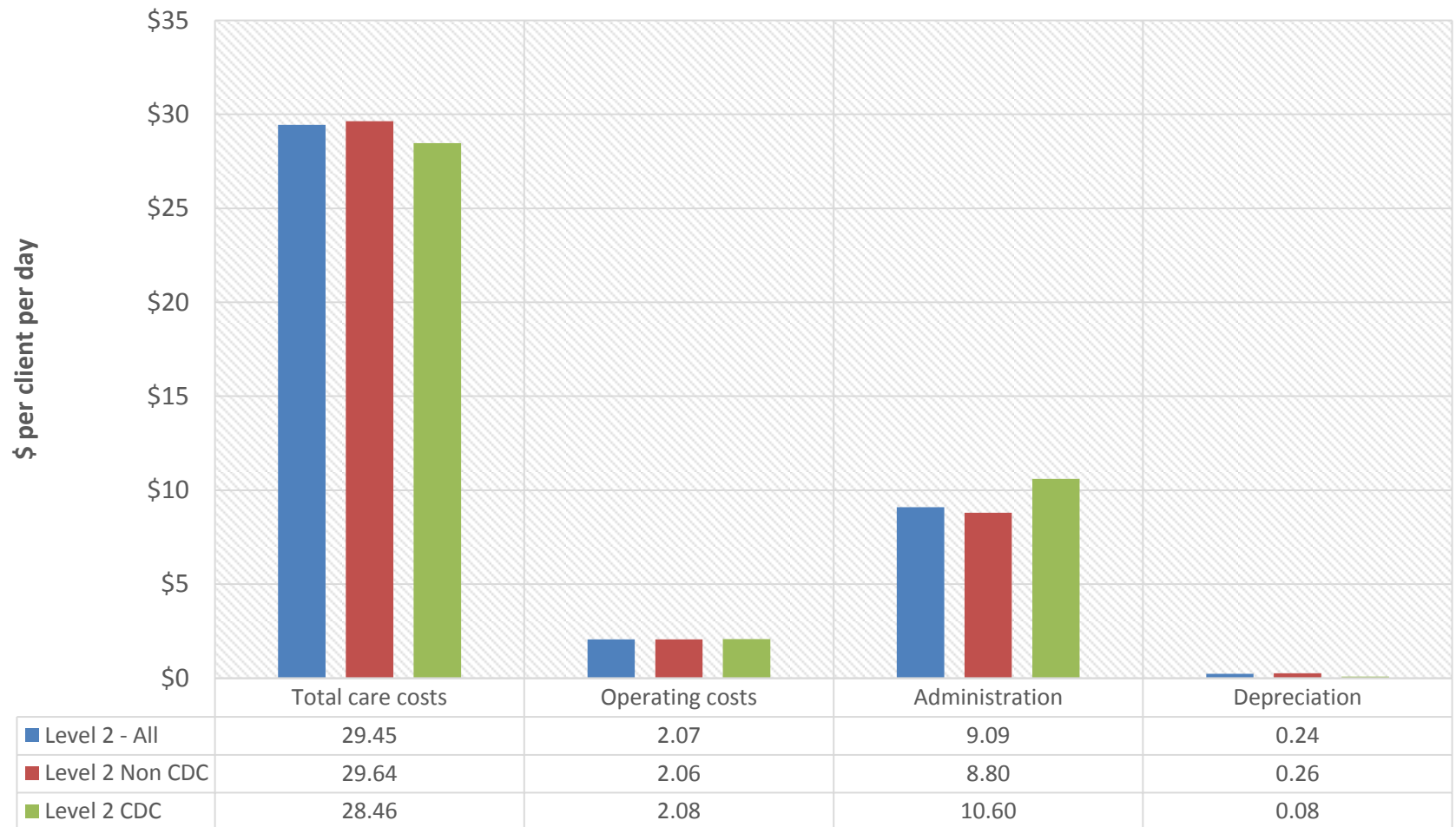


Level 2 Comparison of Profits



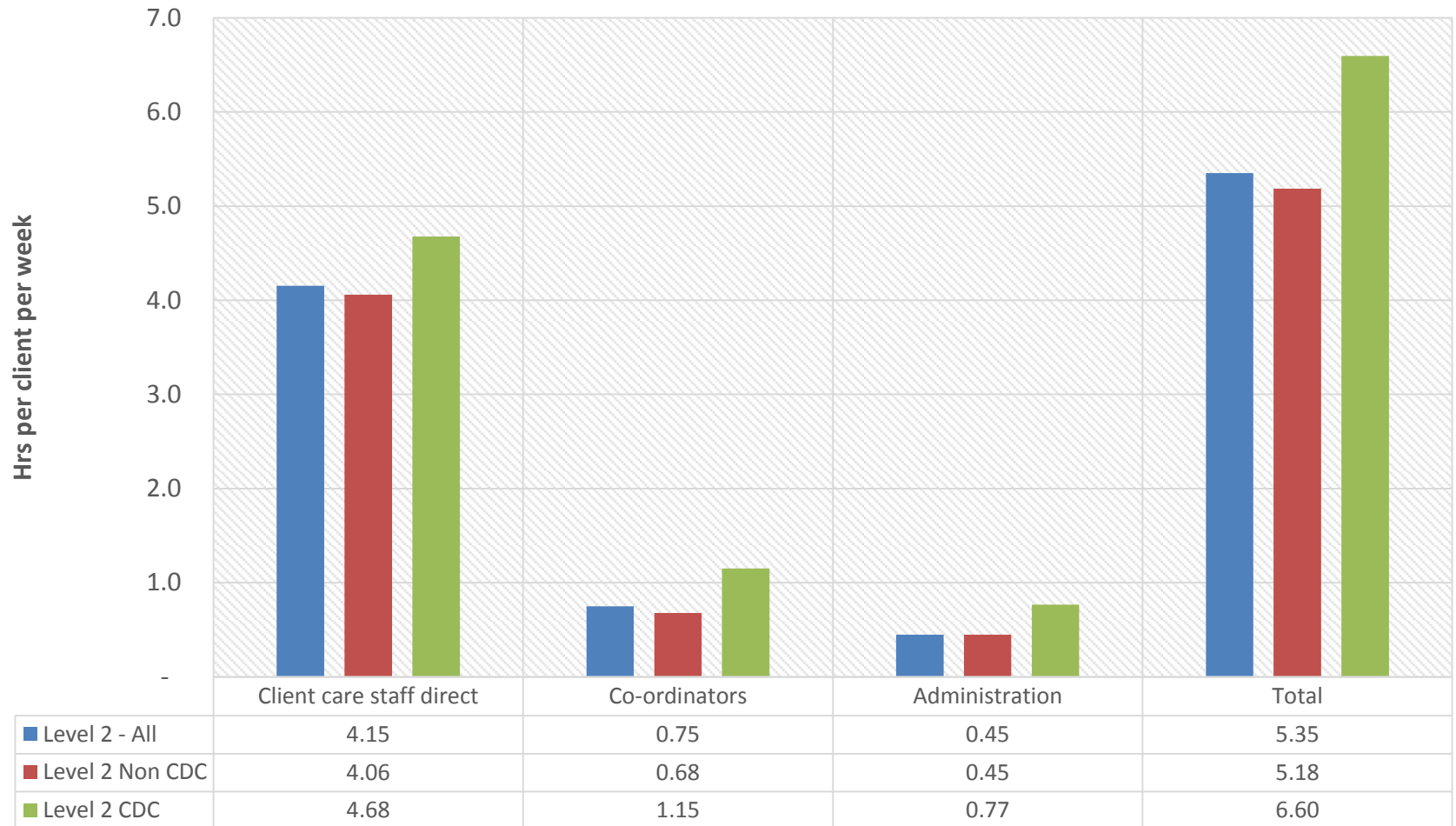


Level 2 cost comparisons



Home Care Level 2

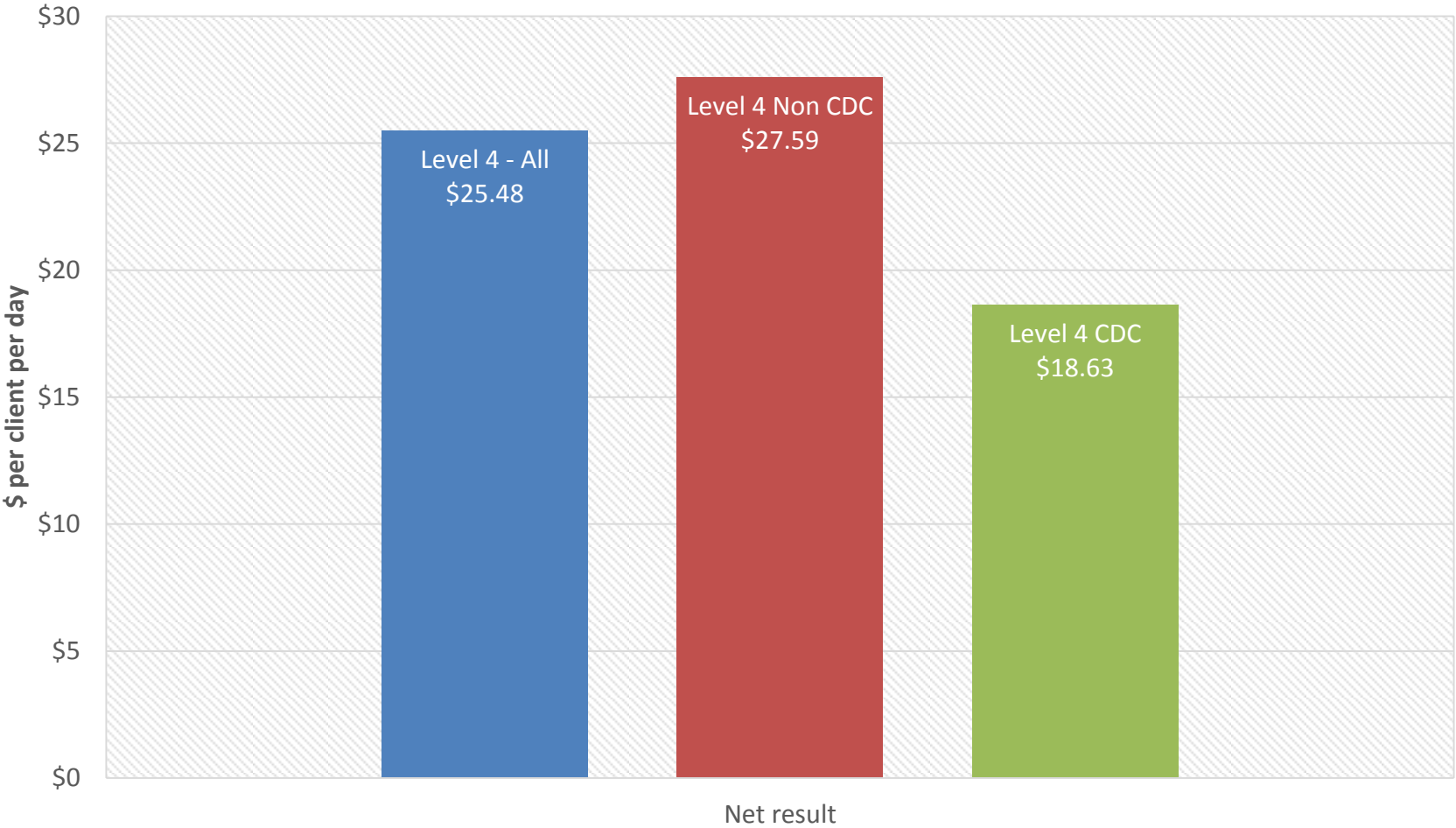
Level 2 Wage Hours comparisons



Home Care Level 4



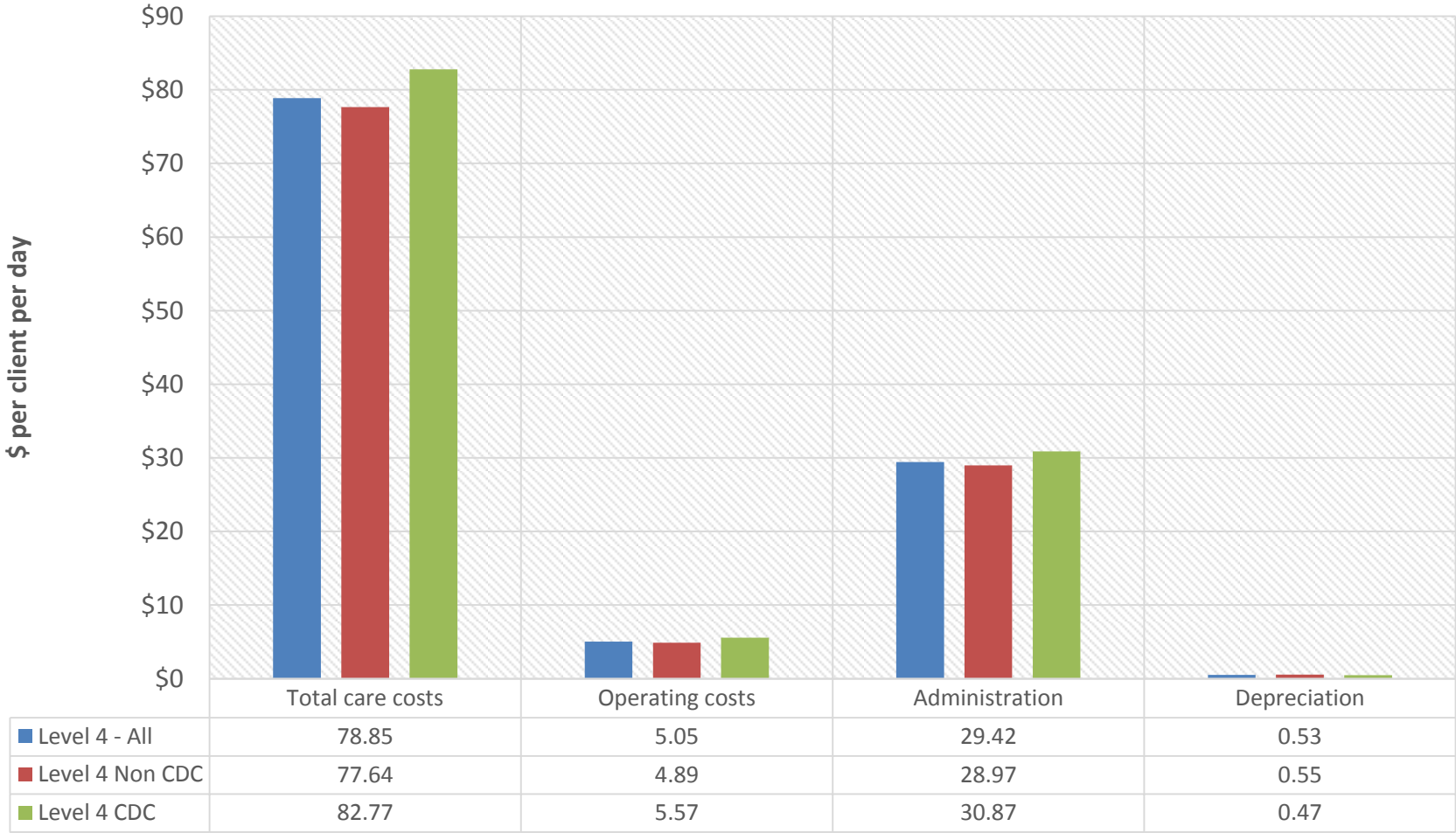
Level 4 Comparison of Profits



Home Care Level 4

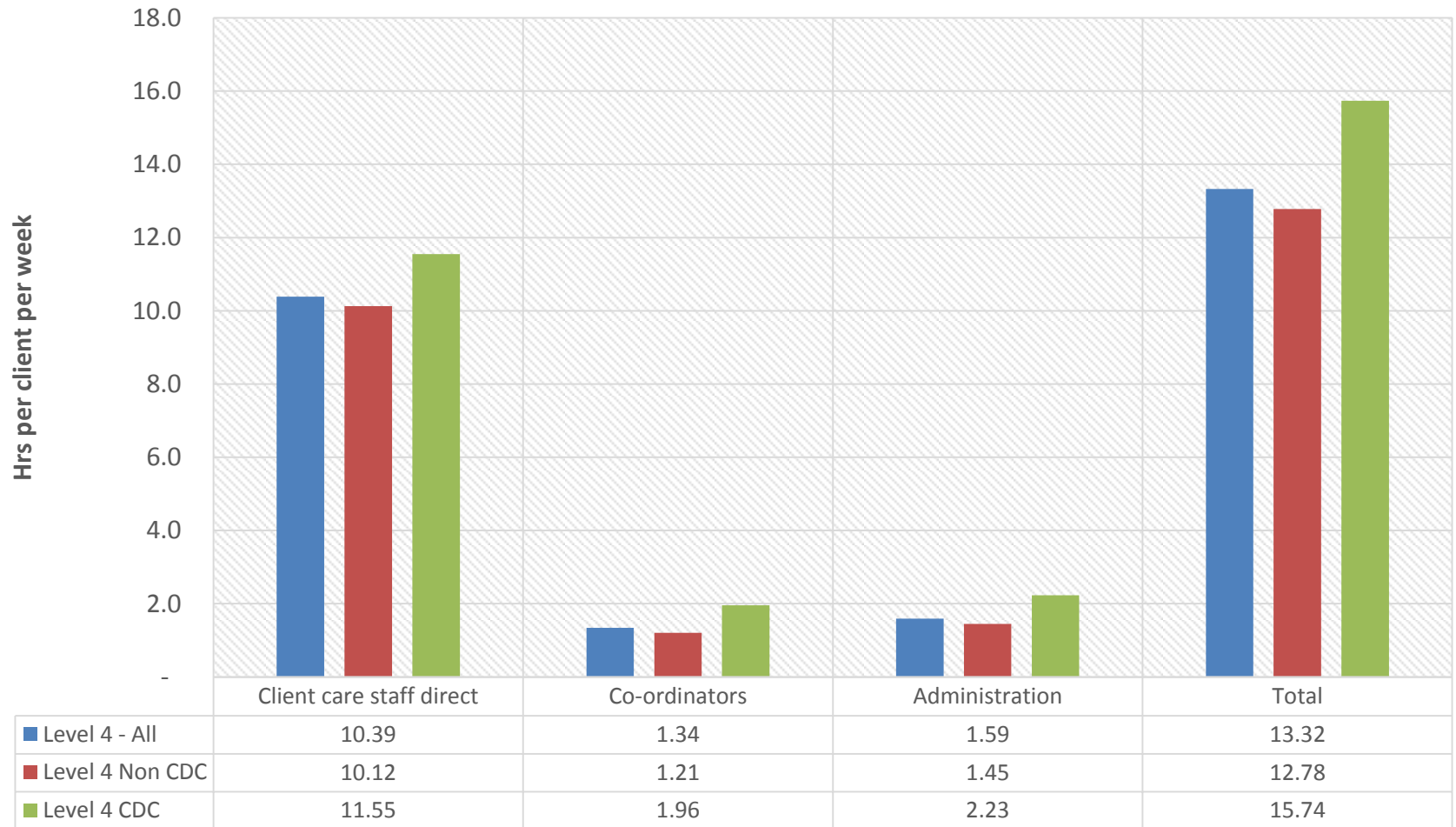


Level 4 cost comparisons



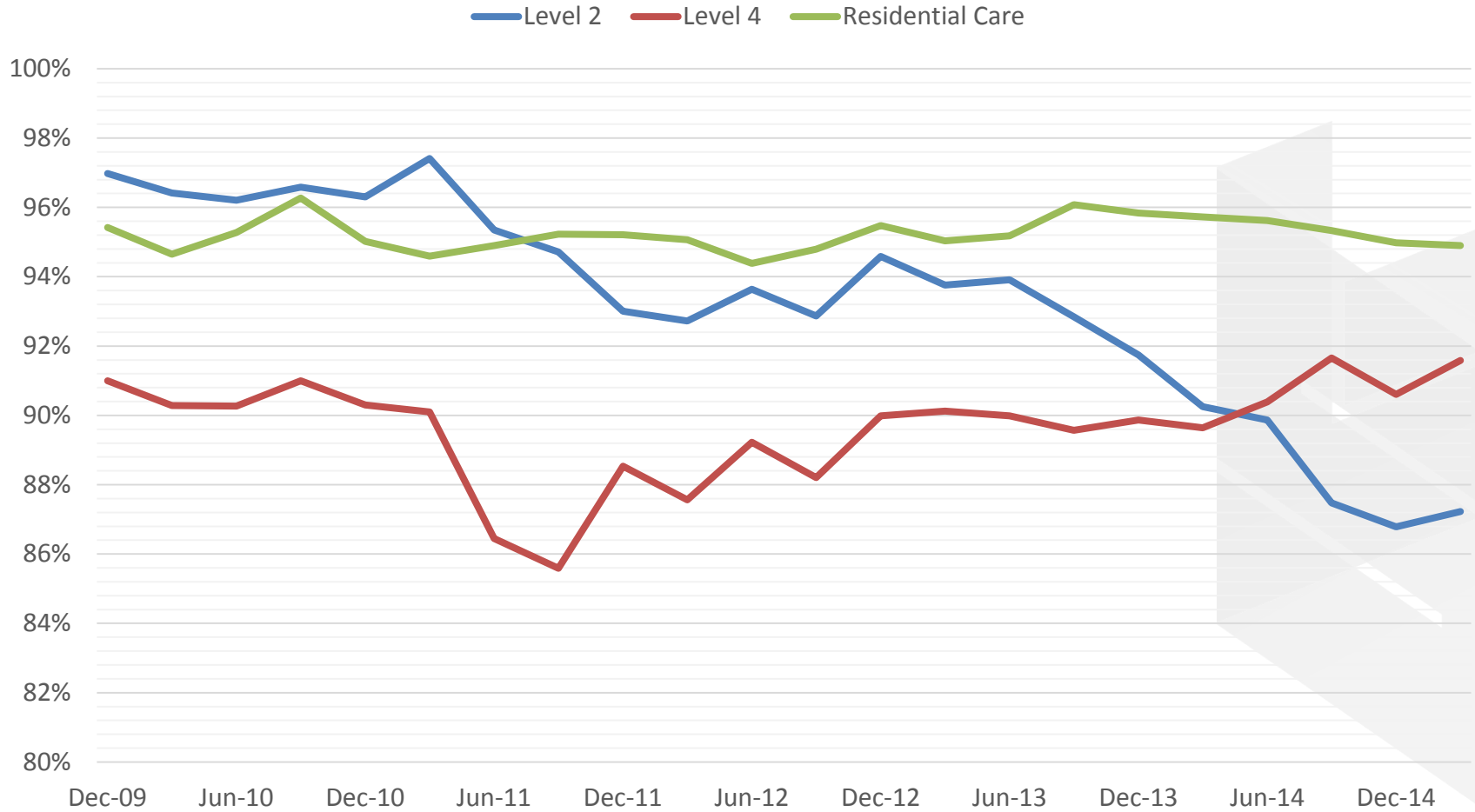
Home Care Level 4

Level 4 Wage Hours comparisons



Home Care

Utilisation Trends for Home Care Packages



Effects of declining utilisation

- ❖ Under-recovery of overheads
- ❖ Reduction of margins
- ❖ Rostering and staffing issues
- ❖ Setting budgets for clients

Implications of Client fees in CHSP

- It might help to solve current issues with low utilisation rates for Level 2 Home care packages
- Will make the playing field more even between Home Care services and CHSP services from a client fee viewpoint
- This is a new concept for CHSP providers. Will have to modify systems, monitor collection practices and change the “conversation” with consumers around how services are paid for

CDC Implications – Systems and Processes

- Significant investments in technology required
- Difficult for small providers to justify the investment
- Providers are still working through system implementations
- Providers are still working through how to calculate and monitor costs of services
- Many providers are continuing to find the transition to CDC difficult

CDC – the countdown continues

- ❑ There are a variety of methods being used for charging clients for administration costs
 - % of revenue
 - Flat fee based on a budgeted overhead recovery rate
- ❑ There different views on charging a handling fee for brokered services
- ❑ Many providers are still not ready

GST Implications

- ❖ Care services will be GST-free if:
 - ✓ The Home Care Provider is government funded for the service provided under the Aged Care Act 1997 or Home and Community Care Act 1985 or
 - ✓ The Home Care Provider receives funding from the Commonwealth, a State or Territory in connection with the supply, and the services or items supplied are listed in Schedule 1 to the GST-free Supply (Care) Determination 2000

GST Implications

- Schedule 1 appears to cover most services that could possibly be required hence most will be GST-free.

Fee for service - GST Implications



- Increasingly providers may be asked to provide services over and above that funded by the package
- If the supply is non-government funded, then only the services covered by item 2.1 of Part 2 of Schedule 1 to the Quality of Care Principles are GST free. This clearly covers daily living assistance such as bathing and dressing.

Fee for service - GST Implications

□ However, many services are not covered and examples of common supplies where GST is required to be charged include:

- Assistance with housework
- Assistance with gardening
- Meal preparation services
- Shopping for groceries
- Monitoring medication
- Rehabilitation services
- Assistance with writing cheques, letters, etc
- Provision of social and community activities
- Driving to appointments, and
- Advocacy services

The Home Care Agreement

- The key to a number of GST implications will be the way the Home Care Agreement is phrased
- If there references to the Provider acting as agent for the care recipient then this may have implications for whether the provider can claim GST credits on supplies
- We suggest that providers seek advice from their tax advisors on their own situation

Where to from Here?

- ✓ Many providers still have a lot of work to do to transition to CDC
- ✓ There will need to be a change in culture for monitoring activity cost variances going forward in both Home Care and CHSP
- ✓ Providers will need to monitor utilisation rates and adjust cost recovery rates if required

Where to from Here?



- ✓ If providers have purchased packages and have the cost of those packages in the balance sheet they will need to consider impairing them this year
- ✓ Smaller providers may struggle with the cost of administering small numbers of packages