



COST RECOVERY IMPLEMENTATION STATEMENT

Applications for aged care approved provider status

2021-22

Cost recovery involves government entities charging individuals or non-government organisations some or all of the efficient costs of a regulatory activity. This may include goods, services or regulation, or a combination of them. The Australian Government Charging Framework, which incorporates the Cost Recovery Guidelines (the CRGs)¹, sets out the framework under which government entities design, implement and review regulatory charging activities, consistent with the *Public Governance, Performance and Accountability Act 2013*.

¹ The Australian Government Charging Framework and the CRGs are available on the Department of Finance website (www.finance.gov.au).

1. INTRODUCTION

1.1 Purpose of the Cost Recovery Implementation Statement

This Cost Recovery Implementation Statement (CRIS) provides information on how the Aged Care Quality and Safety Commission (the Commission) will implement cost recovery for applications for aged care approved provider status. It also reports financial and non-financial performance information for applications for aged care approved provider status and contains financial forecasts for 2021-22 and three forward years.

The cost recovery model at section 3 outlines the cost recovery process.

The Commission will maintain this CRIS until the activity or cost recovery for the activity has been discontinued or is amended following review and further consultation.

1.2 Description of the regulatory charging activity

The Commission has regulatory responsibility for aged care, including approval of aged care providers, accreditation, monitoring, compliance functions, resolution of complaints and monitoring of Commonwealth funded aged care providers.

Under the *Aged Care Quality and Safety Commission Act 2018*, organisations seeking to provide aged care services subsidised by the Australian Government are required to be an 'Approved Provider'. To become an approved provider, organisations must make a written application which is assessed by the Commission to determine if they meet, or have the ability to meet, the matters that must be considered as set out under the Act.

Applicants must comply with four legislative rules under the Commission Act:

- Use the approved form; and
- Be a corporation; and
- Be suitable to provide aged care; and
- Do not have any disqualified individuals as key personnel

Assessing that a business is suitable to provide aged care involves a significant assessment process.

From 1 January 2020, businesses have been applying to the Commission to be assessed for suitability to become an approved provider (i.e. to enter the aged care market). Prior to 1 January 2020, businesses applied to the Department of Health for this assessment.

Activity being cost recovered

In the 2021-22 Budget, the Government decided that businesses seeking to apply to become an approved provider of aged care will be charged a fee to recover the costs of the assessment of their application. Additionally, further costs will be recovered from applicants who fail to provide all evidence requested prior to the application being submitted.

Government organisations, whilst required to apply using an approved form, do not undergo a significant assessment process, as legislation deems them to be approved.

Section 3.1 describes the types of applications and processes where fees will be charged. Charging will commence in November 2021 on a date to be specified by the Commissioner.

Appropriateness of cost recovery

Consistent with the Australian Government Charging Framework (the Charging Framework), applicants will be charged application fees, as they create a need for the regulatory activity through the desire to supply aged care services through an aged care business. Applicants lodging their application will be required to pay an application fee at the time they submit their application. Further reviews and consultations will cover requirements of future reform and the changes to the assessment process that may occur.

2. POLICY AND STATUTORY AUTHORITY TO COST RECOVER

2.1 Government policy approval to cost recover the regulatory activity

In the 2021-22 Budget, the Government decided that businesses seeking to apply to become an approved provider of aged care will be charged fees to recover the costs of the assessment, commencing in November 2021. Arrangements were anticipated to permit the payment of reduced fees by applicants operating in thin markets or proposing to operate in such markets.

2.2 Statutory authority to charge

Section 23 of the *Aged Care Quality and Safety Commission Act 2018* (the Act) provides for the charging of fees for services provided by the Commissioner in performing their functions.

Further, section 63B of the Act provides that applications for approval as a provider of aged care must be accompanied by any fee specified by the Commissioner.

An instrument specifying the amount of the fees to be charged will be in place before charging commences.

3. COST RECOVERY MODEL

3.1 Outputs and business processes of the regulatory charging activity

The objective of this regulatory charging activity is to improve the efficiency, productivity and responsiveness of the approval process and accountability of the submission of approved provider applications.

Approval must be sought from the delegate of the Commissioner, via the Application for Approved Provider process before a provider can receive a subsidy from the Commonwealth Government for providing aged care. The delegate must make a decision within 90 days.

Applications are assessed by Commission officers against the legislation, and a recommendation is made to the delegate.

There are three types of applications made:

New Applicants: Organisations that are not currently approved to provide any type of aged care under the Act, including home care, residential care and/or flexible care.

Existing Approved Providers: Organisations that are existing approved aged care providers and are seeking approval to provide an additional type of care. For example, if an organisation is already approved to provide residential care, they may apply to seek approval to provide home care or flexible care or both. Note: If an organisation is currently only providing services under the Commonwealth Home Support Program (CHSP) and would like to apply to become an approved provider, they must apply as a new applicant.

Existing approved aged care providers are expected to provide full substantiation of their claims for new areas of care and are not deemed to be suitable, due to the different requirements across care types.

Government Organisations: States, territories, authorities of a state or territory and local government authorities are taken (deemed) to be approved in respect of all types of aged care. Because of this, a simplified application form has been developed for government organisations. The information collected from the form enables a record to be created and subsidies paid to the organisation. There is no assessment conducted on this information, with information captured for record creation purposes only. Where a government organisation is approved for residential care, they will still be required to apply for accreditation or reaccreditation with regard to individual residential aged care service/s.

Each application to become an approved provider may seek approval for one (1) to three (3) care types:

- Residential Care - Residential care is provided in aged care facilities on a permanent or respite (short-term) basis
- Home Care - Home care assists older people to continue living at home whilst being provided personal and support services and clinical care. Home care is home care packages and does not include home support provided under other government funded aged care programs
- Flexible Care - Flexible care (in the form of Short-Term Restorative Care) caters for older people who need a different type of care than is offered by mainstream home and residential services. STRC services may be delivered in a home care setting, a residential care setting, or a combination of both.

Application complexity does not vary between new or existing providers, and each care type has individual suitability requirements under the Act, which modelling has shown do not differ in their complexity. This has meant that the key difference between applications is the number of care types applied for, not whether a provider is new or existing.

The key business processes to assess all care types are:

- Accept, register and undertake a pre-assessment check of the application;
- Issue a request for further information if a complete application has not been provided;
- Assessment of the application;
- Issue a request for further information if suitability information has not been completely provided; and
- Provide notifications and explanations to applicants.

The Commission estimated the volume of applications and requests for information from applicants which are specified in Table 1. These volumes are the basis of revenue and expense forecasts in Table 5 (Section 6).

Table 1: Volume forecasts used in determining the outputs for 2021-22

The volume of all applications per year, consisting of:	122
The volume of home care (only) applications per year	110
The volume of residential care (only) applications per year	3
The volume of flexible care (only) applications per year	1
The volume of two care type applications per year	6
The volume of three care type applications per year	2
The volume of pre-assessment request for information notices issued to applicants per year	79
The volume of assessment request for information notices issued to applicants per year (one)	62
The volume of assessment request for information notices issued to applicants per year (subsequent)	15
The volume of waivers expected to be granted per year	2

3.2 Costs of the regulatory charging activity

The approach used to determine the costs of this regulatory charging activity is an Activity-Based Costing (ABC) methodology for the allocation of all direct and indirect costs to the assessment activities. Direct and indirect costs have been estimated based on the average time required to assess one application of each type. Direct costs are those costs that can be directly attributed to the regulatory charging activity, such as staffing costs. Indirect costs are those costs which are difficult to link to individual activities, such as corporate overhead costs. All indirect costs were disaggregated and spread throughout the model to provide the full cost of each activity, on the basis of full-time staff equivalents involved in the activity.

The 2021-22 Budget provided capital funding to implement new IT technology which will be cost recovered as depreciation over the useful life of the asset once implemented.

The main cost driver for the activity is staff costs to manage the volume of applications. The model assumes that each single care type application takes the same amount of time to assess. Staff from Australian Public Service (APS) Level 4 to Executive Level 2 are involved in the process, with the bulk of the work taking place at the APS 4 to Executive Level 1 levels.

The Commission determined the amount of time required at each staffing level to assess an application through detailed modelling of current activity. These time allocations were used to calculate direct costs for the activity, being the total of salaried and associated on-costs.

Table 2: Estimated unit cost per application

Estimated Unit Cost per Application 2021-22	Direct Costs (\$)	Indirect Costs (\$)	Total Cost (\$)	Fee (\$)
Home Care Applications	6,453	2,323	8,776	8,780
Residential Applications	6,453	2,323	8,776	8,780
Flexible Applications	6,453	2,323	8,776	8,780
Multiple Applications - 2 care types	7,541	2,569	10,110	10,110
Multiple Applications - 3 care types	8,829	2,880	11,709	11,710
Pre-Assessment RFI	163	48	211	210
Home Care Evaluation 1st RFI	863	212	1,075	1,070
Residential Evaluation 1st RFI	863	212	1,075	1,070
Flexible Evaluation 1st RFI	863	212	1,075	1,070
Multiple - 2 care type Evaluation 1st RFI	1,053	259	1,312	1,310
Multiple - 3 care type Evaluation 1st RFI	1,297	319	1,615	1,620
Home Care Evaluation 2nd RFI	364	87	451	450
Residential Evaluation 2nd RFI	364	87	451	450
Flexible Evaluation 2nd RFI	364	87	451	450
Multiple - 2 care type Evaluation 2nd RFI	436	104	539	540
Multiple - 3 care type Evaluation 2nd RFI	548	131	679	680

* Time spent on preparation of notices to applicants where their applications have not been approved is considered not recoverable.

3.3 Design of regulatory charges

The Government's policy decision provides authority for the Commission to fully cost recover administration of the application assessment process by charging cost recovery fees to corporations applying to become a new approved provider, or to become an approved provider in a new care type, and applying an indexation rate to the fees annually. The fees reflect the efficient cost of the service provided by the Commission.

The intention is for applicants to pay a fee at just one point: the time they apply. Additional fees may be incurred by the applicant if they do not supply all mandatory evidence as identified on the application form or fail to fully outline their suitability to provide aged care. The Commission provides comprehensive supplementary information and prompts in the application form to support applicants through the process.

Charging will commence in November 2021. The application fees (specified in Table 5) will be subject to an annual increase due to indexation. The fees do not incur GST.

The fees are defined by the number of care types being applied for and any request for further information during the assessment process.

Table 3: Application fees

Application category	Description
Single care type application	Applicant may be new or existing, and making an application for approved provider status in one care type e.g. home care only
Multiple – 2 care type application	Applicant may be new or existing, and making an application for approved provider status in two care categories e.g. home care and residential care
Multiple – 3 care type application	Applicant is new, and making an application for approved provider status in all care types i.e. home care, residential and flexible care
Government Applications	Applicant is a state, territory or local government business and making application for approved provider status. Under the Act the application is deemed to be approved and only basic assessment is undertaken.
Identified special market	Applicant may be new or existing, and making an application for approved provider status for any care type. The applicant will be providing services in a market area that is underserved and may also target a special category of consumer.

Table 4: Additional fees potentially incurred

Additional Fee types	Description
Request for information – pre-assessment	Only payable when applicant has made an application and has not answered a question or provided all the required evidence. ACQSC is requesting completion of form and evidence.
Request for information – assessment (first)	Only payable when applicant has made an application and has not provided enough information to allow the ACQSC to make a decision. ACQSC is requesting more information to substantiate claims of suitability.
Request for information – assessment (subsequent)	Only payable when applicant has been asked to provide further information and has not provided information to allow the ACQSC to make a decision, however the ACQSC believes they may be able to substantiate suitability. ACQSC is requesting more information to substantiate claims of suitability.

Table 5: Application fee rates

Charge title	Type	Rate	Estimated volume	Estimated total revenue	Output	Business process
Single care type application	Fee	\$8,780	114	\$1,000,920	Single care type application	Home Care Applications Residential Applications Flexible Applications
Multiple – 2 care type application	Fee	\$10,110	6	\$60,660	Multiple – 2 care type application	Multiple Applications - 2 care types
Multiple – 3 care type application	Fee	\$11,710	2	\$23,420	Multiple – 3 care type application	Multiple Applications - 3 care types
Request for information – pre-assessment	Fee	\$210	79	\$16,590	Request for information – pre-assessment	Pre-assessment RFI
Request for information – assessment (initial)	Fee	\$1,070	56	\$59,920	Request for information – assessment (initial)	Home Care Evaluation 1st RFI Residential Evaluation 1st RFI Flexible Evaluation 1st RFI
Request for information – assessment (initial)	Fee	\$1,310	3	\$3,930	Request for information – assessment (initial)	Multiple - 2 care type Evaluation 1st
Request for information – assessment (initial)	Fee	\$1,620	3	\$4,860	Request for information – assessment (initial)	RFI - Multiple - 3 care type Evaluation 1st RFI
Request for information – assessment (subsequent)	Fee	\$450	13	\$5,850	Request for information – assessment (subsequent)	Home Care Evaluation 2nd RFI Residential Evaluation 2nd RFI Flexible Evaluation 2nd RFI

Charge title	Type	Rate	Estimated volume	Estimated total revenue	Output	Business process
Request for information – assessment (subsequent)	Fee	\$540	1	\$540	Request for information – assessment (subsequent)	Multiple - 2 care type Evaluation 2nd RFI
Request for information – assessment (subsequent)	Fee	\$680	1	\$680	Request for information – assessment (subsequent)	Multiple - 3 care type Evaluation 2nd RFI

3.4 Fee Waivers

Waivers of all fees (the initial fee and any “Request For Information” fees) are available to applicants who intend to provide either all or at least 85% of the services covered by their AP application to consumers located in the Modified Monash Model areas 6 and 7 (regions that are remote or very remote). Applicants must be able to provide substantial evidence to support any application for a fee waiver.

Information on the Modified Monash Model, fee waiver application process and evidence usefully provided in support of a waiver application can be found on the Commission’s website.

4. RISK ASSESSMENT

The Charging Risk Assessment has rated the cost recovery activity as ‘Medium’ following careful consideration of issues raised by consultation respondents (most notably about the potential for charges to restrict market entry), the likely contribution of fee arrangements to policy objectives (principally, the encouragement of quality applications), and the finalised waiver arrangements (including the transparency and procedural simplicity of related processes).

The cost recovery arrangements (including the charging model and fee levels) will be reviewed 12 months from introduction. As part of this review, the impact of the cost recovery arrangements will be considered, including on the volumes of approved applications (market entry), application quality and fee waiver arrangements. The efficiency of the provider approvals process will also be considered. External stakeholder consultation will be part of this process.

Fees will continue to be reviewed annually, with bi-annual reviews of the broader arrangements. This review regime will include ad hoc reviews should significant changes emerge to the cost or process of applying to become an approved provider of aged care.

5. STAKEHOLDER ENGAGEMENT

Following the announcement of the introduction of cost recovery, the Commission engaged in stakeholder consultation, briefing peak bodies, publishing a consultation paper on its website and inviting feedback. Forty-one individuals and four peak bodies responded to the invitation to provide feedback. There was significant peak body support for application fees, as a means of encouraging quality applications and market entrants. Some peak bodies and individual respondents did not

support introduction of the fees, primarily on the basis that they may discourage prospective providers from entering the market. Concerns were also raised about the application process needing to be clear for prospective applicants, and the efficiency of the assessment process. Consultation feedback showed strong support for a wide range of fee discounts, primarily for applicants proposing to service unmet need, often in remote areas, but also for underserved groups of consumers.

Stakeholders will be consulted through similar mechanisms on future changes proposed as a result of annual reviews of the CRIS.

6. FINANCIAL ESTIMATES

Table 6: Forecast financial performance

Forecast Financial Estimates	2021-22	2022-23	2023-24	2024-25
All Activities				
Expenses = X	\$ 1,264,353	\$ 1,386,826	\$ 1,504,070	\$ 1,626,946
Revenue = Y	\$ 1,177,370	\$ 1,295,700	\$ 1,412,220	\$ 1,531,560
Balance = Y – X	-\$ 86,983	-\$ 91,126	-\$ 91,850	-\$ 95,386
Cumulative Balance	-\$ 86,983	-\$ 178,109	-\$ 269,960	-\$ 365,346

The figures in the table above are forward estimates. A review of actual financial performance compared to estimates will be undertaken annually.

7 NON-FINANCIAL PERFORMANCE

The Commission will be monitoring the volume of applications with the expectation of a reduction in inaccurate and incomplete applications (request for information and non-approvals). By charging fees, it is expected this will improve the efficiency and responsiveness of the approval process and accountability of the businesses applying to become an approved provider.

To determine the performance, the Commission will be measuring:

- No. of requests for information:
 - At pre-assessment
 - At assessment (initial)
 - At assessment (subsequent)
- No. of approved applications
- No. of non-approved applications

8. KEY FORWARD DATES AND EVENTS

Event	Date
Stakeholder consultation on draft CRIS	28 September to 19 October 2021
Introduction of cost recovery arrangements	November 2021
Annual update on performance	November 2022
Review of cost recovery arrangements prior to 2022-23 CRIS being updated	November 2022

9. CRIS APPROVAL AND CHANGE REGISTER

Date of CRIS change	CRIS change	Approver	Basis for change
28 September 2021	Cost recovery consultation paper published	Accountable authority	Stakeholder consultation
10 November 2021	Agreement to the CRIS	Minister for Aged Care and Senior Australians	New regulatory charging activity
12 November 2021	Certification of the CRIS	Commissioner	New regulatory charging activity

