



Australian Government

Aged Care Quality and Safety Commission

COST RECOVERY IMPLEMENTATION STATEMENT

for accreditation services

2023-24

Charging for regulatory activity involves government entities charging individuals or organisations in the non-government sector some or all of the minimum efficient costs of a specific government activity. The Cost Recovery Policy along with the Australian Government Charging Framework (the Charging Framework) sets out the policy under which government entities design, implement and review charging for regulatory activities. The CRIS is the public document to ensure the transparency and accountability for the level of the charging and to demonstrate that the purpose for charging, as decided by Government, is being achieved.

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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) implements cost recovery charging for the accreditation and re-accreditation of residential aged care services. It reports actual financial and non-financial performance information for the accreditation and re-accreditation of residential aged care services and contains financial and demand forecasts for 2023-24 and three forward years. The Commission will maintain the CRIS until the activity or cost recovery for the activity has been discontinued.

1.2. Context for cost recovery

The Australian Government Cost Recovery Policy (CRP) sets out the overarching framework under which government entities design, implement and review cost recovered activities. Government entities must document cost recovered activities in a CRIS as required by the Charging Policy.

Cost recovery by the Commission aligns with the Government's overarching cost recovery policy that, where appropriate, non-government recipients of specific government activities should be charged some or all of the costs of those activities. The CRP set out the overarching framework under which government entities design, implement and review cost recovered activities. Government entities must document cost recovered activities in a CRIS as required by the CRP.

1.3. Description of the regulatory charging activity

On 1 January 2019, the Commission was established by the Aged Care Quality and Safety Commission Act 2018. 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. This includes regulatory responsibility for the accreditation of residential aged care services through the conduct of site audits, and risk-based monitoring of residential and home-based aged care services through review audits, quality reviews and assessment contacts in accordance with the Aged Care Quality and Safety Commission Rules 2018 (the Rules) and the applicable Aged Care Quality Standards (the Quality Standards).

The Commission's role as the national regulator of aged care services is to uphold the objectives of the Commission Act by:

- Protecting and enhancing the safety, health, wellbeing and quality of life of aged care consumers
- Promoting engagement with consumers about the quality of care and services
- promoting confidence and trust in the provision of aged care

Accreditation of residential aged care services is a key component of the current aged care regulatory environment established by the Aged Care Act 1997 (the Act) and is an internationally recognised evaluation process used to assess the quality of care and services provided in areas such as health care, disability services, and aged care as part of a safety and quality framework. It seeks to assess a

level of performance against established quality standards and contribute to improved safety, quality and continuous improvement of services.

The Competition Policy Review found independent regulation can help encourage entry into a service market by ensuring all providers operate on a level playing field – leading to greater choice, diversity and innovation in service provision.

1.4. Activities being cost recovered

Accreditation is a requirement for any residential aged care service that wants to receive government subsidies. Under the current Aged Care Act, all residential aged care services must be assessed against the Quality Standards as part of the accreditation process. The site audit of a residential aged care service must be undertaken prior to a re-accreditation decision, which is necessary to allow for the receipt of subsidy to operate the residential aged care service.

Cost recovery fees will be paid by approved providers of residential aged care services in respect of:

- **Accreditation of commencing residential services**
Assessment and determination of an application for accreditation of a commencing service.
- **Re-accreditation of residential services**
Assessment and determination of applications for re-accreditation of:
 - accredited services
 - previously accredited services (services that were but are no longer an accredited service).

In May 2017, the former Australian Aged Care Quality Agency (Quality Agency) met the requirements of the Cost Recovery Guidelines (CRGs) and introduced cost recovery for the accreditation of residential aged care services. The related policy approval was for the full recovery of accreditation costs, with fee relief offered in certain circumstances (through a viability supplement). With the introduction of the Australian National Aged Care Classification funding model (AN-ACC) on 1 October 2022 the viability supplement ceased, however alternative fee relief arrangements were implemented to provide fee relief to the same cohort of residential aged care providers. The fees payable by providers of residential aged care services, introduced at that time, comprised an application fee of \$1,140 (payable by all applicants) and a further fee for the accreditation assessment based on the number of places in the relevant service. The accreditation fees are specified by the Commissioner on the Commission's website.

1.5. Appropriateness of cost recovery

Consistent with the CRP, since May 2017 providers of residential aged care services have been charged fees for accreditation and re-accreditation, as they create a need for the regulatory activity through the desire to supply residential aged care services. Providers are required to pay an application fee at the time they submit their application for accreditation of residential aged care services. For re-accreditation of an accredited or previously accredited service, fees are to be paid prior to the submission of the application.

2. POLICY AND STATUTORY AUTHORITY TO CHARGE (COST RECOVER)

2.1. Government policy approval to charge for this regulatory activity

In the 2015-16 Budget the Government announced full cost recovery arrangements were to be established for accreditation of residential aged care services by the Commission's predecessor, the Australian Aged Care Quality Agency. Cost recovery commenced in May 2017. Policy approval from Government allowed for the full recovery of the costs of accreditation, with fee relief provided in certain circumstances to support the viability of residential aged care services operating in thin markets.

The fees for accreditation services have not changed since they were introduced in 2017. In the 2023-24 Budget, the Government confirmed that fees were to remain unchanged for the 2023-24 financial year.

2.2. Statutory authority to charge

Section 23 of the Aged Care Quality and Safety Commission Act 2018 provides authority for the Aged Care Quality and Safety Commissioner (Commissioner) to charge fees for services provided by the Commissioner in performing the Commissioner's functions.

3. CHARGING (COST RECOVERY) MODEL

3.1. Outputs and business processes of the regulatory charging activity

The activities proposed to be subject to cost recovery in scope for this CRIS are:

1. Assessment and determination of applications for accreditation of commencing residential aged care services
2. Assessment and determination of applications for re-accreditation of accredited and previously accredited residential aged care services.

These activities contribute to the Commission's Portfolio Budget Statement¹ outcome of 'Protect and enhance the safety, health, wellbeing and quality of life of aged care consumers, including through effective engagement with them, regulation and education of Commonwealth-funded aged care service providers and resolution of aged care complaints.' The Forward Estimates 2024-27 Planned Performance Results for the period of this CRIS are "Take appropriate action to assess residential aged care services and home service providers against the aged care standards in accordance with legislative timeframes, and target compliance monitoring to areas of identified risk, in accordance with the reforms to the *Aged Care Act 1997* and the accreditation model."

There are two types of application for accreditation:

Commencing service accreditation: Accreditation of commencing services is available for commencing residential aged care services and commencing flexible care services that contain short-term restorative care in a residential care setting.

¹ The Aged Care Quality and Safety Commission's Portfolio Budget Statement is available on the Department of Health and Aged Care website (<https://www.health.gov.au/resources/publications/health-portfolio-budget-statements-budget-2023-24?language=en>)

Residential aged care services are considered to be commencing when an approved provider has been allocated places for the service, but the service has not provided residential care for those places, is not currently accredited, and has not previously been accredited. In response to applications for commencing service accreditation, the Commission must record a decision, in writing, to accredit the commencing service or not to accredit the service and the reasons for the decision which is then provided to the applicant.

Accreditation for commencing residential aged care services lasts for one year.

Re-accreditation of residential services: Re-accreditation of residential services is available for accredited and previously accredited residential aged care services. Accredited aged care services need to apply for re-accreditation before the period of accreditation expires. In response to applications for re-accreditation of residential services, the Commission must make a decision to re-accredit the service or not to re-accredit the service and record the reasons for the decision, which is then provided to the applicant in a written notice.

Before the accreditation period for an accredited service ends, the Commissioner will send a reminder notice to the provider which will include:

- the date by which the provider needs to make the application for re-accreditation
- the day on which the period of accreditation is due to end

The reminder notice specifies the application fee that is applicable to the approved provider. For re-accreditation of an accredited or previously accredited service, fees are to be paid prior to the submission of the application. The application must be in writing on a form approved by the Commissioner.

Re-accreditation for residential aged care services generally lasts for up to three years, with the period of accreditation dependent on the outcome of the site audit.

Key business processes

The key business processes for commencing service accreditation are:

- **Assessment:** a desk assessment of approximately half a day's duration which includes an assessment about how the approved provider will ensure the commencing service will meet the Quality Standards.
- **Administration:** establishing a residential service in the business support system, record creation, providing a certificate of accreditation and publication of an accreditation decision.
- **Decision making:** consideration of evidence, requests for more information, liaison with the Department of Health and Aged Care on matters relevant to Approved Provider Status such as occupancy dates and size of service. The decision to accredit the commencing service is made pursuant to consideration of an application.

The key business processes for re-accreditation of residential services are:

- **Planning:** scheduling of site audits for accredited services that will likely apply for re-accreditation during the financial year (based on the date their accreditation period ends), and preparation of resources for quality assessors prior to the re-accreditation site audit.

- **Assessment:** an unannounced site audit to assess the service's performance against all 42 requirements of the Quality Standards. The duration of a site audit and the number of quality assessors appointed to an assessment team to conduct the audit varies according to the number or residential aged care places at the service, the structure of the service and other considerations (typically 2 to 3 quality assessors for 2 to 3 days on site but increased to 4 quality assessors for services with more than 160 residential aged care places).
- **Administration:** preparation of a detailed Assessment Report of each audit, publishing the decision and report, providing a certificate of accreditation, quality assurance, arranging and meeting costs of transport, accommodation and travel time, and preparation and issuing of reminder notices for providers.
- **Decision Making:** the decision to re-accredit the service is made pursuant to consideration of an application, receipt and review of the provider's response, review of other Commission intelligence and preparation of a comprehensive performance report.

3.2. Costs of the regulatory activity

The approach used to determine the costs of this regulatory activity is based on a marginal costing methodology for the allocation of costs. Corporate operating costs such as overheads and/or capital costs are not considered in the cost attribution to the assessment activities.

Direct costs have been estimated based on the number of re-accreditation site audits, the location of the residential aged care service (metro, inner regional, outer regional, remote or very remote), and the number of allocated residential places for a service.

Direct costs are those costs that can be directly attributed to the regulatory activity, such as staffing costs. Indirect costs are those costs which are difficult to link to individual activities, such as corporate overhead costs.

3.2.1. Direct costs

Main Cost Drivers

The most significant cost driver for the activities covered by this CRIS is staffing for the end-to-end process of accreditation and re-accreditation - primarily the number of staff required to plan and conduct re-accreditation site audits followed by the drafting of the accompanying reports and the decision-making process. Travel costs and accommodation costs for the period staff are required to be on site conducting re-accreditation site audits are also main cost drivers. For re-accreditation, the variation in the time required to complete a site audit is reflected in the fee structure, with fees based on the number of residential aged care places at the service.

Direct staffing costs take into account the salary cost of assessors, including staffing on-costs such as superannuation, annual leave, long service leave and training.

Cost Driver Assumptions

The direct staffing costs for re-accreditation are based on the number of staff required to complete a site audit and the standard time taken to complete each stage of the re-accreditation (the effort) process multiplied by the average direct cost of the staff who complete each activity. Staff from Australian Public Service (APS) Level 4 to Executive Level 2 or equivalent are involved in the process, with the bulk of the work completed by APS 6 staff and decision-making activities completed by Executive Level staff. The effort calculations include required team size assumptions based on the

number of residential aged care places at the service as well as standardised efforts for planning, administration, report writing and decision making.

The cost of travel and the associated accommodation costs are included as direct costs. The direct travel and accommodation costs are based on the actual average costs of these activities. The total travel and accommodation costs have been aggregated and allocated proportionately so that the location of the service does not disproportionately impact the fee structure.

3.2.2. Indirect costs

Main cost drivers

Indirect costs such as corporate overheads, utilities and business systems, and capital costs have not been attributed to the costing.

Cost driver assumptions

It is assumed that the indirect costs of the entity are incurred in the production of all the functions of the Commissioner.

3.3. Design of the regulatory charge

The Government's policy decision provides authority for the Commission to fully cost recover the administration of accreditation of commencing residential services and re-accreditation of residential services by charging fees to providers of residential aged care services.

The type of cost recovery charge is a fee which now reflects partial cost recovery of the accreditation and re-accreditation service. The activities included for cost recovery, as listed in section 3.1, have been assessed as providing a service or regulation to residential aged care services and are required for the continued accreditation and government subsidy of residential aged care services.

The fees were originally calculated to represent the full recoverable cost of accreditation activities in 2016-17. Since that time there have been multiple drivers for an increased cost of accreditation services – primarily the introduction of the current Quality Standards in 2019 which resulted in additional effort required to complete detailed audit reports and written decisions. Staffing costs, travel and accommodation costs have also increased since 2016-17, but indexation has not been added to the published fees in successive years.

The fees have been carried forward to 2023-24 and now represent a calculation of the partial cost of completing the regulatory activities during a financial year.

Fees for commencing service accreditation

The applicable fee for commencing and recommencing service accreditation is a fixed fee of \$1,140 because the cost of making a commencing service accreditation decision is not affected by the size of the service. This fee includes the cost of (a) a desk assessment of information provided in the application for accreditation about how the approved provider will ensure that the commencing service will meet the Quality Standards and (b) the decision to accredit or not accredit, as well as (c) related direct costs and (d) a proportionate share of indirect costs.

Fees for re-accreditation of residential services

The applicable fees for re-accreditation are shown in Table 1 (below).

Table 1: Applicable fees for re-accreditation

Allocated Places	Re-accreditation fee	Re-accreditation fee for services receiving a fee waiver
1-9	\$3,016.00	\$0.00
10-24	\$5,945.00	\$0.00
25-80	\$11,891.00	\$5,945.00
81-160	\$17,124.00	\$8,562.00
161+	\$22,410.00	\$11,205.00

Fee waivers for re-accreditation fees

Full fee waivers are available for services with fewer than 25 residential places located in Modified Monash Model (MMM) categories 4-7 or with specialised homeless or Aboriginal and Torres Strait Islander status. A fee reduction of 50% is available for services with 25-29 residential places in MMM category 4; 25-39 places in MMM category 5; and services with 25 or more places in categories 6-7, or with specialised homeless or Aboriginal and Torres Strait Islander status. Information on the Modified Monash Model is available on the Department of Health and Aged Care website.²

The eligibility criteria for discounts to the applicable re-accreditation fees are shown in Table 2 (below).

Table 2: Discounts to applicable fees

Discount qualification	Fee payable
<ul style="list-style-type: none">Modified Monash Model (MMM) category 4 + 25-29 placesMMM category 5 + 25-39 placesMMM category 6-7 or with specialised homeless or Aboriginal and Torres Strait Islander status + >24 places	Half of applicable fee
>24 places and specialised homeless or Aboriginal and Torres Strait Islander status	Half of applicable fee
<25 places + in MMM categories 4-7 or with specialised homeless or Aboriginal and Torres Strait Islander status	Nil fee

There is no change to the way the fees are calculated for 2023-24. As such, the fee structure outlined in **Section 3.2 Table 2: Applicable fees for re-accreditation** remains a partial cost recovery arrangement.

² Modified Monash Model (<https://www.health.gov.au/topics/rural-health-workforce/classifications/mmm?language=und>)

Updates to cost recovery of accreditation services under this CRIS will be posted on the Commission's Website.

3.4. Introduction of the new Aged Care Act

Future consultation will occur in relation to any changes to cost recovered activities under the new Aged Care Act, which will include the introduction of the strengthened Aged Care Quality Standards.

The Commission's statutory authority to charge fees for services that it provides in the performance of its functions are expected to be maintained under the new Aged Care Act upon commencement (section 408 of the partial Exposure Draft of the new Aged Care Bill 2023³).

3.5. Cost recovery revenue

Table 3: Outputs for the 2023-24 Financial Year

Output title	Type	Unit cost	Charge Rate	Estimated volume	Estimated total cost	Estimated total revenue
Commencing Home	Fee	1,400	1,400	3	65,391	4,200
Re-accreditation 1-9 Allocated Placed	Fee	3,016	3,016	0	0	0
Re-accreditation 10-24 Allocated Placed	Fee	5,945	5,945	2	43,594	11,890
Re-accreditation 25-80 Allocated Placed	Fee	11,891	11,891	187	4,076,013	2,223,617
Re-accreditation 81-160 Allocated Placed	Fee	17,124	17,124	273	5,950,542	4,674,852
Re-accreditation 161+ Allocated Placed	Fee	22,410	22,410	40	871,874	896,400
Re-accreditation 1-9 Allocated Placed*	Fee	0	0	2	43,594	0
Re-accreditation 10-24 Allocated Placed*	Fee	0	0	11	239,765	0
Re-accreditation 25-80 Allocated Placed**	Fee	5,945	5,945	60	1,307,812	356,700
Re-accreditation 81-160 Allocated Placed**	Fee	8,562	8,562	8	174,375	68,496
Re-accreditation 161+ Allocated Placed**	Fee	11,205	11,205	1	21,797	11,205
TOTAL				587	12,794,756	8,247,360

*Fee waiver

**Fee reduction

³ <https://www.health.gov.au/sites/default/files/2023-12/exposure-draft-aged-care-bill-2023.pdf>

4. RISK ASSESSMENT

A charging risk assessment was undertaken in February 2024. The outcome of this assessment was an overall risk rating of low.

The most likely risks identified for any changes to cost recovery arrangements are:

- financial burdens placed on the sector if there is limited capacity to absorb this cost, either due to services operating on a small revenue base and small margins or due to the financial pressures of other reforms both recently implemented and upcoming.
- viability risks for services in remote and very remote locations, and specialised homeless and Aboriginal and Torres Strait Islander residential services, which is a cohort facing the greatest viability risk in thin markets.
- insufficient consultation with the sector in developing a new cost recovery arrangement.

The Commission will mitigate these risks by:

- maintaining a charging model based on the efficient costs of delivering accreditation and re-accreditation services. The Commission has business systems and financial controls that ensure that correct fees and charges for accreditation services are raised and collected on time. Cost tracking is utilised for every service and balanced against activity forecasts. Variances are closely monitored.
- continuing fee waiver and reduction arrangements and considering the appropriateness of any adjustments to these arrangements.
- working closely with the Department of Health and Aged Care to ensure that the regulatory framework is effective, proportionate and transparent.
- conducting consultation periods of a reasonable duration, with the provision of a summary of the consultation feedback to stakeholders, where required and sufficiently in advance of any changes to the cost recovery arrangements.

The risks outlined above are the primary reasons that the Commission has not made any changes to the re-accreditation fee structure in 2023-24.

Fees will continue to be reviewed annually, with two-yearly reviews of the broader arrangements. This review regime will include the review and consultation period required ahead of the commencement of the new Aged Care Act.

5. STAKEHOLDER ENGAGEMENT

The CRIS will be used as part of the Commission's ongoing engagement with stakeholders about cost recovery. The CRIS will be updated at least annually to ensure that the Commission continues to recover the appropriate costs (marginal) of delivering accreditation services, that this remains transparent, and that any changes to cost recovery arrangements associated with the introduction of the new Aged Care Act are included when available. The Commission will consider the impact of the costs of regulatory activities and engage with the sector before any changes to cost recovery arrangements are made.

6. FINANCIAL PERFORMANCE

6.1. Financial estimates

The figures in the table below are forward estimates for cost recovered accreditation and re-accreditation activities. A review of actual financial performance compared with estimates will be undertaken annually. These forecasts will be updated at the start of each budget year. The balance is due to application of discounts and will be funded from Government budget appropriation.

Table 4: Forecast of financial performance

Financial Item	2023-24	2024-25	2025-26	2026-27
Total expenses	\$12,064,024	\$17,638,082	\$31,503,374	\$14,928,556
Total revenue	\$8,247,360	\$10,080,826	\$17,362,931	\$7,934,235
Balance = revenue - expenses	-\$3,816,664	-\$7,557,256	-\$14,140,442	-\$6,994,322
Cumulative balance	-\$47,265,863	-\$54,823,119	-\$68,963,561	-\$75,957,883

6.2. Financial outcomes

Table 5: Prior year financial outcomes for accreditation and re-accreditation activities

Financial Item	2019-20	2020-21	2021-22	2022-23
Estimates				
Revenue = X	\$5,512,337	\$7,344,695	\$9,706,902	\$20,675,251
Expenses = Y	\$10,170,546	\$11,018,126	\$14,801,865	\$47,420,178
Balance = X – Y	-\$4,658,209	-\$3,673,431	-\$5,094,963	-\$26,744,927
Remissions, rebates and adjustments = Z	\$472,063	\$500,321	\$580,940	\$1,724,345
Net balance = balance – Z	-\$5,130,272	-\$4,173,752	-\$5,675,903	-\$28,469,272
Actuals				
Revenue = X	\$5,512,337	\$7,344,695	\$9,706,902	\$20,675,251
Expenses = Y	\$10,170,546	\$11,018,126	\$14,801,865	\$47,420,178
Balance = X – Y	-\$4,658,209	-\$3,673,431	-\$5,094,963	-\$26,744,927
Remissions, rebates and adjustments = Z	\$472,063	\$500,321	\$580,940	\$1,724,345
Net balance = balance – Z	-\$5,130,272	-\$4,173,752	-\$5,675,903	-\$28,469,272
Cumulative Balance	-\$5,130,272	-\$9,304,024	-\$14,979,927	-\$43,449,199

7. NON-FINANCIAL PERFORMANCE

Table 6: Volumes of applications and audits

Output description	Total output volume	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Application for re-accreditation (fee-type output)	Actuals	632	543	710	1,583				
	Estimated					668	849	1,168	567
Onsite audits (fee-type output)	Actuals	497	543	710	1,583				
	Estimated					587	742	1,278	584

8. KEY FORWARD DATES AND EVENTS

The Commission will publish the Cost Recovery Implementation Statement for accreditation services for 2024-25 by 30 June 2024.

Event	Date
Publication of the 2024-25 Cost Recovery Implementation Statement for accreditation services	June 2024
Annual update on performance	November 2024

9. CRIS APPROVAL AND CHANGE REGISTER

Date of change	CRIS change	Approver	Basis for change
February 2024	Certification of the CRIS	Commissioner	New CRIS for existing regulatory charging activity
March 2024	Agreement to the CRIS	Minister for Aged Care	New CRIS for existing regulatory charging activity