

COST RECOVERY IMPLEMENTATION STATEMENT

Applications for aged care approved provider status

2023-24

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 these. 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. INTRODUCTION

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) has implemented 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 2023-24 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.

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 and Aged Care 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, while 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 commenced on 15 November 2021.

Appropriateness of cost recovery

Consistent with the Australian Government Charging Framework (the Charging Framework), since 15 November 2021 applicants have been 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 have been 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. The Commission is required to conduct a review of the charging model and fee levels on an annual basis before each new financial year begins. The fee levels have been updated and are effective from 3 July 2023.

2. POLICY AND STATUTORY AUTHORITY TO COST RECOVER

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. Fees commenced on 15 November 2021. A reduced fee structure was approved for applicants seeking to operate, or already operating in thin markets.

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.

Furthermore, 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 was in place before charging commenced.

3. COST RECOVERY MODEL

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 application assessment and decision process, and accountability for 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 care². The delegate must make a decision within 90 days of receiving the application.

Applications are assessed against the legislation and a recommendation is made to the delegate.

There are three types of applications made:

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

2. 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, it may apply for approval to provide home care or flexible care or both. Note: If an organisation is currently only providing services under the Commonwealth Home Support Programme (CHSP) and would like to apply to become an approved provider, it 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 (that is, without assessment), due to the different requirements across care types.

3. 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 regarding 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 with personal and support services, and clinical care. Home care relates to 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 (STRC)) caters for older people who need a different type of care from that offered by mainstream home care 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.

For 2023-24, the Commission has 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 2023-24

The volume of all applications per year, consisting of:	54
The volume of home care (only) applications per year	48
The volume of residential care (only) applications per year	2
The volume of flexible care (only) applications per year	1
The volume of two care type applications per year	2
The volume of three care type applications per year	1
The volume of pre-assessment request for information notices issued to applicants per year	35
The volume of assessment request for information notices issued to applicants per year (one)	29
The volume of assessment request for information notices issued to applicants per year (subsequent)	10
The volume of waivers expected to be granted per year	2

3.1 Costs of the regulatory charging activity

The approach used to determine the costs of this regulatory charging activity is a marginal 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 business 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 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 (average) amount of time to assess. 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 taking place at the APS 4 to Executive Level 1 levels or equivalent.

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 FY2023-2024. These fees have been updated to outline the indexed fees and forward financial estimates of revenue and expenses. There has been a small change in fees. The new and old fees are detailed in table 2 below.

Table 2: Estimated unit cost per application FY2023-2024

Estimated Unit Cost per Application 2023-24	Direct Costs (\$)	Indirect Costs (\$)	Licencing Costs (\$)	Total Cost (\$)	NEW Fee (\$) effective 3 July 2023	Previous Fee (\$)
Home Care Applications	6,746	1,670	1,846	10,262	9,260	8,720
Residential Applications	6,746	1,670	1,846	10,262	9,260	8,720
Flexible Applications	6,746	1,670	1,846	10,262	9,260	8,720
Multiple Applications - 2 care types	7,883	1,937	1,846	23,334	10,680	10,060
Multiple Applications - 3 care types	9,229	2,275	1,846	13,350	12,370	11,650
Pre-Assessment RFI	170	52	0	222	220	210
Home Care Evaluation 1st RFI	901	231	0	1,132	1,145	1,080
Residential Evaluation 1st RFI	901	230	0	1,132	1,145	1,080
Flexible Evaluation 1st RFI	901	231	0	1,132	1,145	1,080
Multiple - 2 care type Evaluation 1st RFI	1,100	281	0	1,382	1,390	1,310
Multiple - 3 care type Evaluation 1st RFI	1,355	347	0	3,404	1,720	1,620
Home Care Evaluation 2nd RFI	381	95	0	475	475	450
Residential Evaluation 2nd RFI	381	95	0	475	475	450
Flexible Evaluation 2nd RFI	381	95	0	475	475	450

Multiple - 2 care type Evaluation 2nd RFI	455	113	0	568	570	540
Multiple - 3 care type Evaluation 2nd RFI	573	142	0	715	720	680

*Time spent on preparation of notices to applicants where their applications have not been approved is considered not recoverable. Time spent on submissions where it has been determined that no further action is required is not recoverable.

3.2 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 this process.

The new application fees applying from 3 July 2023 (specified in Table 5) will be subject to an annual adjustment based on indexation. These 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. The Commission 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. The Commissions 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 Commission to make a decision, however the Commission believes they may be able to substantiate suitability. The Commission is requesting more information to substantiate claims of suitability.

Table 5: Application fee rates 2023-24

Charge title	Type	Rate	Estimated volume	Estimated total revenue	Output	Business process
Single care type application	Fee	\$9,260	51	\$472,260	Single care type application	Home Care Applications Residential Applications Flexible Applications
Multiple – 2 care type application	Fee	\$10,680	2	\$21,360	Multiple – 2 care type application	Multiple Applications - 2 care types

Multiple – 3 care type application	Fee	\$12,370	1	\$12,370	Multiple – 3 care type application	Multiple Applications - 3 care types
Request for information – pre-assessment	Fee	\$220	35	\$7,700	Request for information – pre-assessment	Pre-assessment RFI
Charge title	Type	Rate	Estimated volume	Estimated total revenue	Output	Business process
Request for information – assessment (initial)	Fee	\$1,145	25	\$28,625	Request for information – assessment (initial)	Home Care Evaluation 1st RFI Residential Evaluation 1st RFI Flexible Evaluation 1st RFI
Request for information – assessment (initial)	Fee	\$1,390	2	\$2,780	Request for information – assessment (initial)	Multiple - 2 care type Evaluation 1st
Request for information – assessment (initial)	Fee	\$1,720	2	\$3,440	Request for information – assessment (initial)	RFI - Multiple - 3 care type Evaluation 1st RFI
Request for information – assessment (subsequent)	Fee	\$475	8	\$3,800	Request for information – assessment (subsequent)	Home Care Evaluation 2nd RFI Residential Evaluation 2nd RFI Flexible Evaluation 2nd RFI
Request for information – assessment (subsequent)	Fee	\$570	1	\$570	Request for information – assessment (subsequent)	Multiple - 2 care type Evaluation 2nd RFI
Request for information – assessment (subsequent)	Fee	\$715	1	\$720	Request for information – assessment (subsequent)	Multiple - 3 care type Evaluation 2nd RFI

3.3 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 approved provider 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 rates the cost recovery activity as 'Medium' following careful consideration of issues raised by consultation respondents prior to implementation (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 waiver arrangements (including the transparency and procedural simplicity of related processes). The Charging Risk Assessment is regularly reviewed.

In addition to the annual review of fees prior to each financial year, which considers the indexed fees and forward financial estimate and revenue expenses, the cost recovery arrangements were scheduled to be reviewed 12 months from introduction (November 2022). This review was to consider the impact of the cost recovery arrangements on the volumes of approved applications (market entry), application quality and fee waiver arrangements.

Since commencement of charging in November 2021 and following the significant surge in applications in the weeks immediately prior to the commencement of fees, the number of applications was low and was not statistically significant enough to support a review and making of findings in November 2022. The Commission deferred the November 2022 review until June 2023, to coincide with the regular annual review.

During the June 2023 review, data showed that the number of applications is significantly lower since the commencement of fees, and therefore the data available is limited. This may be due to a surge in applicants just prior to implementation of fees (most likely associated with prospective applicants wishing to avoid paying a fee). While the actual number of applications approved has been less following the implementation of fees (due to receiving a smaller number), the approval rate has been higher following the implementation of fees, and Commission staff have made fewer requests for further information from applicants. This is a positive sign that the introduction of fees has positively influenced applicants' behaviour by encouraging improved quality of applications, resulting in an increased rate of approvals. More time is needed for application numbers to stabilise post fee implementation to understand the impact on numbers of applications being received and approved (market entry).

It is difficult for the Commission to speculate on whether the fee waiver arrangements have been successful because data was not previously collected on the areas where applicants intended to deliver services. The fee waiver was not established to address a known barrier to market entry, rather to continue to incentivise entry into rural and remote areas through not introducing a fee. The one (1) fee waiver application that has been received was approved.

Based on the outcome of the June 2023 review and noting the concurrent reform of the Aged Care Act (the Act) which may impact current cost recovery arrangements, no changes are currently proposed to the current form of charging or the fee waiver.

As the reform of the new Act is intended to come into effect in 2024, the Commission will take forward the learnings from the introduction of fees and focus effort on policy development and steps to improve market entry into those new arrangements.

Annual reviews will continue to apply, and as a minimum indexation will occur until such time new arrangements are in place.

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 during the consultation process. 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.

6. FINANCIAL ESTIMATES

Table 6: Forecast financial performance.

Forecast Financial Estimates	2023-24	2024-25	2025-26	2026-27
All Activities				
Expenses = X	\$642,459	\$676,338	\$706,855	\$750,318
Revenue = Y	\$553,625	\$627,190	\$701,900	\$752,690
Balance = Y - X	(\$88,834)	(\$49,148)	(\$4,955)	\$2,372
Cumulative Balance	(\$218,864)	(\$267,812)	(\$272,767)	(\$270,395)

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

NB. Variation of 14% for FY02023-24 is due to initial overestimation of activity for the FY2022-23 volume forecast of 134 applications this is estimated to be 50 applications by 30 June 2023.

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 the accountability of the businesses applying to become an approved provider.

To determine the performance, the Commission will be measuring:

- Number of requests for information at:
 - Pre-assessment
 - Assessment (initial)
 - Assessment (subsequent)
- Number of approved applications
- Number of non-approved applications.

7a. FINANCIAL PERFORMANCE

Forecasting was completed on past applications received when no fee was charged for this activity. With the commencement of charging this has shown a significant decrease in the number of applications received for Approved Providers of up to 55%.

The significant decrease in applications will have an impact on the variance between revenue and expenses for a few years. This has been taken into consideration for the forecasting for the next 5 years and is to be reviewed annually.

Table 7: Financial Performance

Financial Performance	FY2021-22 FY* (\$)	FY2022-23 (\$)
All Activities		
Expenses = X	205,642	552,902
Revenue = Y	192,163	436,551
Balance = Y – X	(13,479)	(116,351)
Cumulative balance	(13,479)	(129,830)

* Charging commenced November 2021 – actuals for November 2021 to June 2022.

8. KEY FORWARD DATES AND EVENTS

Event	Date
Annual update prior to each financial year to consider indexed fees and forward financial estimates of revenue and expenses	June 2024*

*Note the comments in Part 4 – Risk Assessment

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
21 June 2022	Certification of the CRIS	Commissioner	Annual financial year update outlining indexed fees and forward financial estimates of revenue and expenses
29 June 2023	Certification of the CRIS	Commissioner	Annual financial year update outlining indexed fees and forward financial estimates of revenue and expenses. Consider changes resulting from the comparison of actual and predicted revenue and expenses, and the comparison of actual and volume forecasts.
8 December 2023	Certification of the CRIS	Commissioner	Insertion of financial performance section 7a