LASA CONSULTATION REPORT IMPROVING HOME CARE PACKAGE PAYMENT ADMINISTRATION ARRANGEMENTS

September 2019

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LEADING AGE SERVICES AUSTRALIA

Leading Age Services Australia (LASA) is the national association for all providers of age services across residential care, home care and retirement living/seniors housing.

Our purpose is to enable high performing, respected and sustainable age services that support older Australians to age well by providing care, support and accommodation with quality, safety and compassion - always.

We are dedicated to meeting the needs of our Members by providing:

- a strong and influential voice, leading with authority on issues of importance; and
- access to valuable and value-adding information, advice, services and support.

LASA's membership base is made up of organisations providing care, support and services to older Australians. Our Members include not-for-profit, faith-based, private and government operated organisations providing age services across residential aged care, home care and retirement living. Ten per cent of our Members are government providers, 57 per cent are not-for-profit and 33 per cent are for-profit providers. Our diverse membership base provides LASA with the ability to speak with credibility and authority on issues of importance to older Australians and the age services industry.

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EXECUTIVE SUMMARY

Government announced it will make changes to the Home Care Packages (HCP) Program payment administration arrangements to implement a payment in arrears model that will assist in addressing the issue of accumulating unspent HCP funds. This will also align the HCP Program with other programs such as the National Disability Insurance Scheme (NDIS), and is more consistent with contemporary business practices.

Benefits of this proposal include:

- A one off cash saving for Government that can be redirected to additional HCPs of around $200 million;
- Mitigation of long-term prudential risk by transferring the liability for unspent funds from HCP providers to Government, noting that the proposal will not directly address accumulation of unspent funds; and
- Better visibility for Government concerning HCP expenditure and unspent funds accumulation on a per consumer basis to inform future policy revisions.

Costs associated with this proposal include:

- Cash flow costs for HCP providers that may be costly or difficult to finance with account for provider variations in financial performance, operational models and local conditions affecting implementation; and
- Administrative costs for providers to adjust and reconcile HCP subsidy claims, payment and expenses to align with the payment in arrears model.

There are also impacts that may emerge from HCP provider cash flow issues including a rationalisation of providers, restrictions that may emerge in consumer choice and the diversity of HCP offerings that can be afforded to support consumer choice and the delivery of timely care and services.

LASA puts forward a preferred model to Government for implementation of the HCP payment administration change that attempts to give account to the financial and operational impacts for varied options of transitioning to HCP payment administration in arrears:

1) Retaining a monthly cycle of subsidy claims and payments based on consumer movements and implemented as payment in arrears,
2) HCP expense reconciliation against subsidy payments to occur on a quarterly or bi-annual basis with account for corresponding subsidy payments that have been made during the equivalent reconciliation period,
3) Reporting of unspent funds for each HCP consumer to occur at the end of each reconciliation period, and
4) That HCP providers retain any unspent HCP funds attached to existing consumers until such time that it is returned to Government through natural HCP attrition.

Importantly, any cash saving generated through the HCP payment administration change should be redirected into the delivery of additional HCPs to older people waiting on the national queue.

LASA did explore an NDIS type payment approach with regard to Government investment in the NDIS infrastructure. The attractiveness of this approach was centred on the flexibility afforded providers with regards to aligning claims and payments with operational needs and relative to the interactions between consumers and providers. A move to an NDIS type payment approach was rejected however due to:

- The cost impost for HCP providers in moving to an NDIS type payment system,
- The current risks that NDIS providers continue to face in their interface with the NDIS claim/payment system,
- The inflexibility of the planned care approach utilised by the NDIS relative to the changing complex care needs among older Australians,
- The challenges for Government in undertaking a significant change management process in an already pressured aged care reform environment, and
- HCP providers operating in an already financially constrained and highly competitive environment with ongoing reforms to contend with.

The Department of Health (DoH) has suggested to LASA that it would seek to implement this measure 2019-20. This timetable does not appear practical however. LASA instead proposes that a milestone approach be established for implementation of this measure by 1 July 2021 to ensure a smooth transition experience for Government, HCP providers and consumers and support Government's commitment to consult with stakeholders in the implementation of the change.

1. INTRODUCTION

Since the *Increasing Choice in Home Care* reforms in February 2017, each HCP consumer has been allocated an individual budget to pay for home care, with any amount not spent held by their HCP provider until the consumer chooses to use it, or switches provider.

The Aged Care Financing Authority (ACFA)[1] notes that the balance of unspent HCP funds has increased over the last three years:

At 30 June 2018, home care providers reported holding unspent funds of $539 million. This is up from $329 million at 30 June 2017. The level of unspent funds being held at 30 June 2018 equates to holding average unspent funds per consumer of $5,898, up from $4,613 as at 30 June 2017 and $3,667 per consumer at 30 June 2016.

The Stewart Brown Aged Care Financial Performance Survey[2] suggests a further increase in the balance of unspent HCP funds in 2018-19, reaching $6,788 per consumer in March 2019, equating to a total balance of around $600 million.

Consequently, there are significant concerns regarding the growth in the accumulation of unspent funds, the use of these funds (particularly for capital expenditure), the financial sustainably of home care providers who rely on funding in advance and the impact of the unspent funds quantum on new HCPs being issued. As such, Government has indicated that it will make changes to HCP payment administration arrangements to address the issue of unspent funds.

In the April 2019 Budget the Government allocated:

[1] https://agedcare.health.gov.au/news-and-resources/enewsletter-for-the-aged-care-industry/aged-care-financing-authority-acfa-letter-to-providers/2019-acfa-annual-report-on-funding-and-financing-of-the-aged-care-sector

[2] http://www.stewartbrown.com.au/news-articles/26-aged-care/181-march-2019-aged-care-sector-financial-performance-survey

$7.1 million over two years from 2018-19 to improve payment administration arrangements for home care packages to address stakeholder concerns regarding unspent funds and align home care arrangements with other Government programs, such as the National Disability Insurance Scheme.

This occurs on the back of the Government's May 2018 Budget announcement for modernising the health and aged care payment systems, investing $106.8 million over four years from 2018–19. This will ensure that the Government continues to own and operate the information and communication technology (ICT) systems that support the delivery of Medicare, the Pharmaceutical Benefits Scheme, aged care and related payments into the future.

Improvement of HCP payment administration arrangements was also alluded to in the latest ACFA Report[1] released in July 2019:

In the 2019-20 Budget the Government announced that payment arrangements in home care to be changed from payment in-advance to payment upon delivery of service. This change is intended to avoid Commonwealth subsidies and supplements funding being held as unspent funds by providers. Consumers would still be able to access any unspent funds from the Commonwealth.

The Government has advised it will consult with stakeholders on the implementation of these improved HCP payment administration arrangements. Advice on the consultation has not yet been issued. ACFA is to be commissioned to complete scoping work to inform any changes.

2. LASA ADVOCACY

LASA approached Government in July 2019 as a follow up to the Budget announcement earlier this year. Advice received by LASA indicates the intention to transition HCP payment administration from subsidy payments been issued in advance to subsidy payments being issued after delivery of service, termed 'payment in arrears'. HCP providers will only receive funding for the services they have delivered, rather than the full monthly value of a consumer's HCP. This will align the HCP Program with other programs such as the NDIS, and is more consistent with contemporary business practices.

Advice also indicates the intention of Government to complete HCP payment administration changes during the 2019-20 financial year. LASA argues strongly that the indicated transition timeframe (currently 10 months) needs to be revisited by Government. Additionally, a co-design implementation approach between Government and the sector is required to account for the significant operational changes impacting on both providers and consumers of HCP services.

During August 2019, LASA consulted with its national home care Membership to explore the perceived advantages and disadvantages of transitioning from current HCP payment administration arrangements to a payment in arrears approach for HCP subsidy payments. LASA has progressed this early stage consultation in seeking to proactively engage with Government in the implementation of the intended HCP payment administration changes.

The following summary reflects LASA's analysis of expected benefits to Government and the reform process.

1) Government will receive a one off cash saving, noting ACFA will undertake scoping work that may include indication of the value of this cash saving. Based on HCP expenditure during 2017-18 and noting there will be a projected 24 per cent increase in HCPs across the period 1 July 2018 to 1 July 2020, LASA estimates the one off cash saving will be near $200M. Importantly, any cash saving generated through the HCP payment administration change should be redirected into the delivery of additional HCPs to older people waiting on the national queue.

2) The change will reduce long-term prudential risk by progressively transferring liability for unspent funds management from HCP providers to Government. Accumulated unspent funds that currently sit with HCP providers for existing consumers will also need to be accounted for and returned to Government, but this will not be addressed by this measure in the short-term.

3) The change will enhance Government capability for analysis of unspent funds accumulation on a per consumer basis once the improved HCP payment arrangements are implemented, informing future policy decisions to address the issue of unspent funds accumulation and HCP expenditure relative to HCP funds allocations to consumers.

LASA notes that the return of unspent HCP funds to Government through the HCP payment administration change is unlikely to allow these funds to be spent on additional HCPs without further cost to the Budget bottom line, as the return of unspent HCP funds is already accounted for in home care expenditure estimates.

3. KEY RISKS FOR POLICY CHANGE

LASA's home care Members have identified three key risks to be accounted for by Government in progressing the implementation of HCP payment administration changes:

- Availability of cash reserves for HCP providers to absorb the change,
- Restrictions to consumer choice, and
- Increasing administration costs for HCP providers that will be passed on to consumers.

3.1. Availability of cash reserves

Providers will need to accommodate a one off HCP program cash flow adjustment across the initial month in which the proposed HCP payment administration change from payment in advance to payment in arrears is introduced. This translates to an approximated monthly equivalent[3] of:

- $732 per Level 1 HCP,
- $1,288 per Level 2 HCP,
- $2,803 per Level 3 HCP, and
- $4,249 per Level 4 HCP.

As an example, a HCP provider with 200 level 2 HCPs and 50 level 4 HCPs would require a cash reserve of near $0.5M in negotiating the required transition involving a one off, one month adjustment from HCP subsidy payment in advance to payment in arrears.

LASA notes that ACFA[1] have reported that there was a very significant decline in the overall financial performance of home care providers in 2017-18 compared with recent years, with considerable variability across providers within the sector. Furthermore, it is reported that the competitive pressures evident in 2017-18 and having continued in 2018-19 will likely result in a degree of rationalisation in the number of providers in coming years despite Government releasing increasing numbers of HCPs.

HCP providers who have leveraged off accessing funding in advance to support their business models will be impacted by the HCP payment administration change. They will require cash reserves to remain viable in an evolving market based system. It should be noted that organisations exclusively administering HCPs are identified as being particularly vulnerable in terms of the required cash flow adjustments (noting they have limited collateral to borrow against). Those HCP providers operating in thin markets such as rural and remote communities will also be more vulnerable to any negative impacts. HCP providers will need to source finance to build cash-reserves for continued operations and

[3] https://agedcare.health.gov.au/funding/schedule-of-subsidies-and-supplements-from-1-july-2019

identify lenders willing to assist with access to finance without their having hard assets to use as security.

Account should be given to the feasibility of introducing a bond/deposit scheme to mitigate adverse cash flow impacts in identified thin markets where risks for market failure may stem from the HCP payment administration change relative to low demonstrated consumer demand for HCPs, competing pressures and declining financial performance. In contrast, HCP providers operating in regions where there is strong demonstrated consumer demand for HCPs should be able to operate on their own merits within the context of the competing pressures and overall declining financial performance.

LASA's preferred approach for Government implementation of changed HCP payment administration should seek to alleviate any financial pain points that could be introduced with regard to cash flow adjustments on commencement of the change. In this regard, LASA recommends that Government ascribe to HCP providers, retainment of any unspent HCP funds attached to existing consumers until such time that it is returned to Government through natural HCP attrition. In such circumstances, ongoing HCP subsidy payments and expense reconciliation to inform payment at point of service would only focus on claim/payment reconciliation for those periods succeeding introduction of the change. Alternatively, implementation of the HCP payment administration changes should, at minimum, include sufficient lead time before Government seeks to claw back existing unspent HCP funds being held by HCP providers to ensure that these funds can be used to mitigate risks against the one off cash flow adjustment that will be required following introduction of the HCP payment administration change.

3.2. Restrictions to consumer choice

LASA notes that constraints on the cash reserves of HCP providers resulting from the HCP payment administration change may also translate to adverse impacts for HCP consumers. With subsidy payments being issued to HCP providers relative to their subsidy claim cycle, the current monthly Aged Care Online Payment (ACOP) claim cycle could see HCP payments delayed by up to 5-6 weeks after delivery of service.

Consumers, in having visibility of their unspent HCP funds balance, may want to purchase high value items. Consequently, they may have to await the release of HCP funds from Government where HCP provider cash reserve balances do not permit advance purchasing relative to subsidy payments.

Concurrently, HCP providers may require sub-contracting agreements be adjusted to reflect delayed payment terms. Small third-party contractors may not agree to delayed payments of six weeks. This may result in the cancellation of contracted services with adverse impacts to HCP consumers with regard to continuous care.

In this context, those HCP providers with larger cash reserves may have the financial capability to offer guarantees for continuity of care through advance purchasing arrangements relative to Government subsidy payments. These HCP providers may also have the flexibility to retain current sub-contracting agreements. Such HCP providers may appear more attractive to consumers in a highly competitive environment and can use this financial capability as part of their value proposition in generating market advantage.

By default, this may introduce a new policy driven market dynamic with significant impacts on existing HCP providers without cash reserves and who have already invested substantially to establish market positioning relative to the current policy environment. This may ultimately restrict the fullness of consumer choice currently seeking to be realised in a maturing home care market environment. HCP consumers may see providers as restricting their choices. This in turn may strain HCP consumer-provider relations at a time when consumer confidence in the sector is under question. Providers will have to deal with consumer feedback to the HCP payment administration changes introduced by Government and the flow on effects for their HCP operations.

3.3. Increasing administration costs

In transitioning HCP payment administration to a payment in arrears approach would require that HCP providers submit information to Government pertaining to HCP consumer movements and expenditure for each HCP consumer in making a claim for payment of subsidy after delivery of service. This is given the individualised nature of HCP consumer movements and expenses.

HCP providers would need to enter this information into the ACOP Portal for each month at the end of the month, as per current arrangements. These two data points, comprising HCP consumer movements and expenses, can then be reconciled for the same month in determining a HCP consumer's subsidy payment for that month. From this, unspent HCP funds can then be determined against the total HCP funding allocation and reported for each HCP consumer.

Such a change in HCP payment administration processes would require additional information be submitted via the ACOP Portal by HCP providers relative to current ACOP claim and payment requirements. Infrastructure associated with the ACOP system would need to be enhanced to allow for HCP expenditure reconciliation.

LASA notes that historically the sector has experienced unfunded cost imposts with the Department of Human Service's upgrading of the ACOP system and is concerned about a similar unfunded cost impost being imposed on HCP providers in implementation of the HCP payment administration changes in a highly competitive and financially constrained environment. Sector experience in DHS moving from manual HCP payment claims to the automated ACOP system in 2015-16 and then subsequently being integrated with My Aged Care during 2016-17 to support information exchange has not been without considerable additional unfunded expense and frustration to both HCP providers and consumers, providing evidence to substantiate sector concerns.

LASA also notes that the required change in HCP provider operations, software upgrades and the amount of additional time that would be required to submit and reconcile additional HCP expense information into the ACOP portal on a regular basis is more demanding of HCP providers than current HCP payment administration arrangements with account for matching this information to monthly HCP consumer budget statements.

Overall, implementing this change will be more demanding of HCP providers than current HCP payment administration arrangements. Consequently, any increase in administration costs needing to be incurred by HCP providers will inevitably be passed on to HCP consumers as a change in package management fees. Government should note that HCP consumers are not going to accept an increase in package management fees and any cost impost will undoubtedly fall back on HCP consumer-provider relations as a time impost. HCP providers will have to deal with consumer feedback to changes introduced by Government.

Consequently, there will be an inevitable demand for increased automation and system investment to manage cost and administration burden ongoing and ensuring package management fees are kept to a minimum relative to the HCP payment administration change. Such investment and the associated change management processes will take time if the intention is to minimise adverse HCP consumer experience during the transition process.

3.4. Other considerations

LASA notes that payment administration for the NDIS provides greater flexibility with regard to the regularity of subsidy claims and payments than the current ACOP system. Increased flexibility in the regularity with which HCP providers submit subsidy claims and reconcile payments beyond the current fixed monthly claim and payment cycle may ameliorate some risks for HCP providers with limited cash reserves. It will support HCP providers, with varied size, structure and financial capability to respond quickly to changing market dynamics and ongoing cash flow demands for delivery of timely care and services that are responsive to HCP consumers.

LASA also notes that greater flexibility in the regularity of subsidy claims and payments would be potentially more responsive to increasing consumer self-management for those HCP providers seeking to offer this care management option. In the context of delayed subsidy payments and administrative demand for timely HCP expense reconciliation, consumer willingness to self-manage their care may become frustrated without timely access to cash reserves and unspent funds. In this regard, processes are required to support HCP consumers to draw down on unspent funds in a timely manner for the purchase of costly expense items relative to the regularity of subsidy claims and payments that occur on a monthly cycle.

4. PREFERRED APPROACH TO IMPLEMENTATION

Through LASA's consultation with home care Members, account has been given to the financial and operational impacts for varied options of transitioning to HCP payment administration in arrears. These options were centred on HCP providers only receiving funding for the services they have delivered, being aligned with other programs such as the NDIS, and being more consistent with contemporary business practices relative to current HCP payment administration arrangements.

The key principles that appear most important to HCP providers in participating in implementation of improved HCP payment administration arrangements include:

- ***Simplicity*** – Any change in HCP payment administration arrangements needs to remain simple relative to current arrangements. The design should not be overly complicated and administratively burdensome with regard to HCP provider operations, and
- ***Flexibility*** – Any change in HCP payment administration arrangements should include sufficient flexibility for HCP providers with regard to the regularity with which they have to undertake HCP payment administration requirements. This will assist to minimise operational and financial risks while also supporting capability to respond quickly to changing market dynamics and ongoing cash flow demands.

An option explored with Members as an outcome of the consultation and that could support an implementation approach consistent with the above principles is referenced below:

1) Seek to retain a monthly cycle of subsidy claims and payments based on consumer movements. This would be offered as a payment in arrears cycle based on consumer movements without regard for HCP expense reconciliation. If would require minimal adjustment to HCP provider subsidy claim and payment processing in engagement with the ACOP portal relative to current HCP payment administration arrangements.

2) Introduce HCP expense reconciliation against subsidy payments on a quarterly or bi-annual basis with account for corresponding subsidy payments that have been made during the equivalent reconciliation period. This would introduce a bulk subsidy payment adjustment within the last subsidy payment for that period, with account for reconciliation of the full amount of subsidies paid to a HCP consumer relative to the declared expenses a HCP consumer has incurred for that period.

3) ACOP reporting of unspent funds for each HCP consumer to occur at the end of each reconciliation period, providing Government enhanced visibility for analysis of unspent funds accumulation on a per HCP consumer basis relative to current visibility arrangements.

4) HCP providers retain any unspent HCP funds attached to existing consumers until such time that it is returned to Government through natural HCP attrition. The total amount of unspent funds for each HCP consumer are reported to Government on commencement of transition to the changed HCP payment administration arrangements for reconciliation to future subsidy/expense reporting in determining unspent HCP fund balances for existing consumers.

LASA recommends that Government give further consideration to the above approach, noting:

- It is simple in that it retains current arrangements for monthly subsidy claims and payments, with the exception of payments being made in arrears.
- It introduces a periodic HCP expense reconciliation process which is simpler to administer than monthly HCP expense reconciliation. It is noted that a similar approach has been effectively utilised by the Australian Taxation Office with regard to Australian businesses who are required to lodge quarterly Business Activity Statements to allow for periodic tax reconciliation.
- It provides flexibility to HCP providers through the proposed periodic HCP expense reconciliation cycle with account for minimising adverse cash flow impacts ongoing in contracting and providing payment to third party operators and supporting consumer choice. It will also support forward planning of capital expenditure for HCP consumers within the periodic reconciliation period relative to care planning against changing consumer needs without demanding a stockpile of cash reserves.
- It provides flexibility to HCP providers through the retaining of existing unspent HCP funds in transitioning to the changed HCP payment administration arrangements by mitigating risks against the one off cash flow adjustment that will be required following introduction of the HCP payment administration change.

Other options considered in the consultation process included the adoption of an NDIS type payment approach, noting Government investment in the NDIS infrastructure. Such an approach is discouraged however, noting:

- The cost impost for HCP providers in moving from the current ACOP system to an NDIS equivalent,
- The current risks that NDIS providers continue to face in their interface with the NDIS claim/payment system,
- The challenges for Government in undertaking a significant change management process in an already pressured aged care reform environment,
- HCP providers are operating in an already financially constrained and highly competitive environment with ongoing reforms to contend with, and
- The fluid nature of care planning that informs service delivery in response to the complex care needs of older Australians is incompatible with the current NDIS system design. Offering a planned in-home care approach for older people through the NDIS system is inflexible relative to the current packaged care approach. It may require regular reassessments and/or care plan reviews for approval of additional services in the context of rapid functional decline, increasing implementation costs for both assessment services and HCP providers.

As such, the attractiveness of the NDIS model is more to do with the flexibility afforded providers with regards to aligning claims and payments with operational needs and relative to the interactions between consumers and providers.

5. STAKEHOLDER CONSULTATION

LASA notes that Government have announced that they will consult with stakeholders on the implementation of the improved HCP payment administration arrangements. Key consultation points for HCP providers include:

- Key processes and timeframes for HCP provider reconciliation of HCP expenses to subsidy claims and payments, and in accessing subsidy payments and Government generated payment statements with regard to confirming unspent HCP fund balances. There needs to an assurance from Government that financial information issued to HCP providers is accurate and timely to facilitate consistency of information issued to consumers in their HCP monthly statements.
- Involvement of HCP providers in testing the integrity of the improved HCP payment administration arrangements through the ACOP system, as well as key processes and timeframes. The aim will be to consider options for minimising disruption to HCP provider operations and consumer experience of their HCP prior to national rollout of the change.
- Reconciling of client contributions, comprising basic care fees and income tested care fees, to unspent HCP funds balances and noting the intention of these balances to be managed by Government in enhancing Government capability for analysis of unspent funds accumulation.
- Key processes and timeframes in response to consumer requests to drawn down large amounts of unspent funds for HCP expenditure that are beyond HCP provider cash reserves and relative to routine subsidy payment cycles. Consumers who routinely use their funds to pay for costly expense items will need a mechanism to allow for this.
- Key process and timeframes for reconciling consumer movements and HCP expenditure for consumers exiting from their HCP package. Where transfer of a consumer’s HCP between providers is required, these processes will need to be finalised for Government to accurately determine the consumer’s unspent HCP funds balance for communication to the new HCP provider. Government will need to look at the lead time required to do this relative to current arrangements and noting some third party invoicing may take 5-6 weeks to reconcile, or even longer with account for error resolution, before being finalised for determining unspent HCP funds balances.
- Key processes and timeframes for response to discrepancies identified between HCP provider and Government reconciliation of subsidy claims, payments and HCP expenses to unspent funds balances. Consideration will need to be given to the impacts for both HCP providers and consumers during the transition process and ongoing for discrepancy management and current sector experience.
- Key processes and timeframes for communication of the HCP payment administration changes to existing HCP consumers and their representatives, as well as other stakeholders, with account for the feedback and questions that may emerge from consumers to HCP providers. Timely information concerning the overall payment administration change will inform changes in provider operational processes and the communication of the associated impacts for consumers relative to their HCP experience.

6. TRANSITION TIMEFRAMES

Government announcement of the implementation approach for HCP payment administration changes should be timed to allow HCP providers opportunity to forecast any anticipated transition costs as part forward budget planning to address the impacts the proposed change may have on cash flow adjustments. LASA notes the Government's commitment to consult with stakeholders in the implementation of the change.

Importantly, Government needs to recognise that HCP providers will commence budget planning in the quarter preceding commencement of any financial year and the timing of any announcement for this Budget measure should be made relative to HCP provider budgeting for HCP payment administration change management.

LASA recommends that milestones be established to increase accountability of Government in the co-design and change management process. This will assist to avoid the problem of spending considerable time not doing anything or communicating in progressing change management, which is then followed by a short consultation period or a decision with no consultation.

6.1. Proposed Milestones

Stage 1 Government consultation with HCP providers completed by **April 2020** with announcement of the implementation approach to HCP providers so they can allocate a budget for change management in the 2020-21 financial year.

Stage 2 ACOP system capability specifications enacted by Government with account for system integrity testing being completed by **December 2020**. Lead time for completion of this milestone will be dependent on the outputs of user testing with HCP providers. It is recommended that pilot sites for user testing include representation from each State and Territory to account for feedback associated with variations in local conditions.

Stage 3 HCP payment administration change specifications provided to HCP providers by Government by **January 2021** for communication with HCP software vendors so HCP providers can enact adjustments to HCP software.

HCP payment administration changes communicated to HCP consumers by Government by **January 2021** to allow sufficient lead time for HCP providers to engage with HCP consumers to advise them of the impacts of the pending HCP payment administration change, offering follow-up support and advice.

Stage 4 Government implements the national rollout of the HCP payment administration change commencing **July 2021** with system and procedural refinement based on stakeholder feedback (early stage implementation and system/process maturation based on stakeholder experience) during following six months.

Stage 5 ***Optional*** - Government recall of unspent HCP funds relating to existing HCP consumers to commence in **January 2022**.

LASA notes that stakeholder commitment to deliver on each milestone stage within the indicated timeframe will be critical in achieving full implementation by 1 July 2021. Where delays in completion of milestone stages occur this may require the review of the overall transition timeframe for full implementation, noting implementation at the beginning of a financial year is critical to support a smooth transition experience for HCP providers and consumers.

7. CONCLUSION

Government has indicated that it will make changes to HCP payment administration arrangements to address the issue of unspent funds, align the HCP Program with other programs such as the NDIS, and provide greater consistency with contemporary business practices.

While the details of the Government's implementation of the proposal have not yet been disclosed, the proposed changes do raise a number of cash-flow and administration concerns that are likely to negatively affect the quality and quantity of services in the HCP Program. This LASA Consultation Report aims to encourage proactive engagement between the sector and Government in co-designing the implementation of the intended HCP payment administration changes.

It should be noted that LASA has previously made representation to Government in early 2018 with recommendations for reducing the accumulation of unspent funds.[4] To date, the DoH has advised LASA that they are reviewing their policy approach to accumulating unspent HCP funds. The current proposal, once implemented, will further support the review process by providing Government capability for analysis of unspent funds accumulation on a per consumer basis, informing future policy decisions to address the issue of unspent funds accumulation and HCP expenditure relative to HCP funds allocations to consumers.

LASA continues to recommend that the lapse of time between assessment of a HCP consumer's care needs and being assigned a home care package at their assessed level should be reduced to no longer than three months. It is also noted that reassessment/review of consumer care needs prior to an automatic HCP upgrade is required to ascertain if the upgrade is still required prior to HCP assignment.

LASA will continue to engage with Government and other key stakeholders concerning the future home care reforms in this respect, demonstrating industry leadership in working with our Members to identify key aged care issues, consider appropriate solutions, and advocate with authority and influence to enhance the delivery of aged care programs on behalf of LASA Members and older Australians.

[4] https://lasa.asn.au/wp-content/uploads/2018/03/Unmet-neeDs-and-unspent-funds_-IMPROVING-home-care-package-ASSIGNMENT.pdf