

# ACCPA

Aged & Community Care Providers Association



## Home care fees and choice

Analysis of data on fees and market share

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## About ACCPA

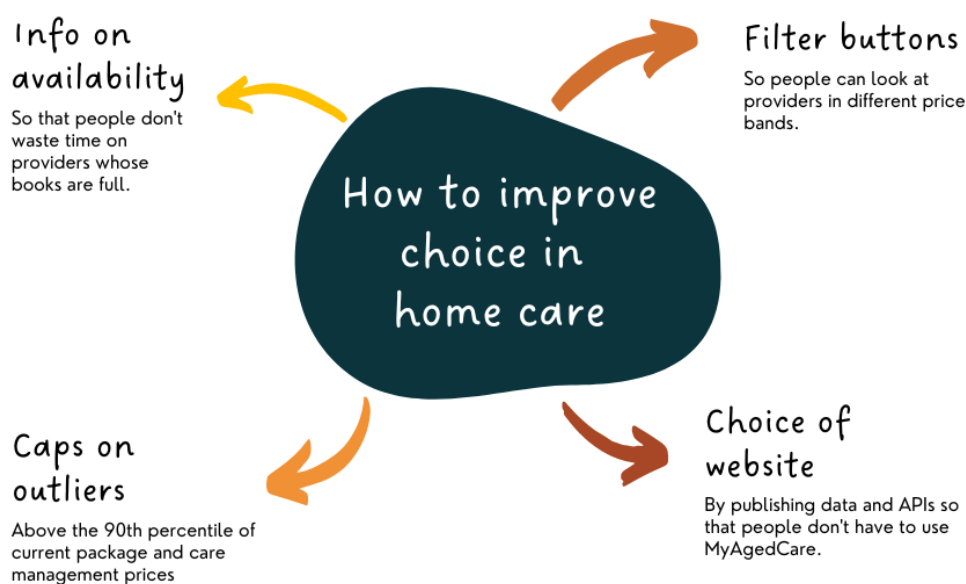
Aged and Community Care Providers Association (ACCPA) is the national Industry Association for aged care providers offering retirement living, seniors housing, residential care, home care, community care and related services.

ACCPA exists to unite aged care providers under a shared vision to enhance the wellbeing of older Australians through a high performing, trusted and sustainable aged care sector. We support our members to provide high quality care and services while amplifying their views and opinions through an authoritative and comprehensive voice to the government, community, and media.

Our sector serves to make better lives for older Australians, and so do we.

# Executive summary

- In the 2022 election, Labor committed to capping home care administration and management fees. The *Aged Care Amendment (Implementing Care Reform) Bill 2022* currently before Parliament goes significantly further, giving Government wide-ranging powers to cap any home care fee at any level, with limited Parliamentary scrutiny.
- ACCPA respects the Government's election commitment, and can support targeted rules to address concerns about unreasonable outlier fees, but not intrusive regulation that would require widespread changes to prices and models of care.
- Our analysis of recently published price data from June 2022 shows that every Aged Care Planning Region (ACPR) with more than 600 clients has at least one provider with total fortnightly and package management fees of less than 20%, and the vast majority have providers with monthly fees of less than 15%.
- However, matching pricing data with funding data suggests that about 7 in 10 people choose providers with fortnightly fees of 20-30% (with the remainder of clients split evenly between providers above and below this range).
- Data also suggests that package and care management fees are already lower than package and care management costs, and the average home care provider has a lower margin than a typical café.
- Rather than introducing price regulation which disregards the choices older people make, Government can make it easier for people to choose the right home care provider by:
  - Adding a price filter button to MyAgedCare
  - Adding information on availability
  - Publishing data and APIs so people don't have to use the MyAgedCare website
  - Capping only outlier prices, above the 90<sup>th</sup> percentile



# Policy context

## Policy context

In the lead up to the 2022 election, Labor committed to capping 'management and administration' fees in home care,<sup>1</sup> referring to concerns about money going to bonuses and marketing, and raising concerns about management and administration fees of up to 50%.

The *Aged Care Amendment (Implementing Care Reform) Bill 2022* currently before Parliament goes significantly further, giving Government wide-ranging powers to cap any home care fee at any level, without any Parliamentary scrutiny.

Government has not so far given any public indication of how it would use those powers, or what specific fee caps it is considering.

## What are administration and management fees?

Technically, there is no such thing as administration and management fees but rather prescribed categories of charges for costs providers incur in delivering home care package services.

General overheads such as office space and marketing already need to be included in the hourly rate direct service rate and are not included in fortnightly fees.

Providers are only allowed to charge 'care management' and 'package management fees':

Care management is a service, that is similar to the advice and planning offered by GPs in healthcare. When accounting for the actual cost requirements for care management, cost components include:

- reviewing a care-recipient's home care agreement and care plan,
- coordination and scheduling of services,
- ensuring care-recipient care is aligned with complimentary supports,
- providing a point-of-contact for care-recipients or their support network,
- ensuring the care received is respectful of culture,
- family conferences and liaison,
- change or variation on reassessment,
- liaison with assessors, GPs and other health professionals,
- ad hoc calls and communications,
- ordering and delivering of in-home maintenance equipment and consumables,
- liaison with pharmacy for medications where this is not automatic or family controlled, and
- identifying and addressing risks to a care-recipient's safety.

There is strong evidence that good care management is vital to delivering good outcomes and keeping older people at home.

Package management includes the costs for preparing fortnightly consumer financial statements, managing package funds and adherence with compliance and quality assurance requirements for delivering home care package services.

The key distinction in relation to both of these fees is that they are standard fortnightly fees, which differentiates them from other fees that reflect package utilisation.

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<sup>1</sup> Australian Labor Party, 'Capping Home Care Administration and Management Fees', 2022, <https://www.alp.org.au/policies/capping-home-care-administration-and-management-fees>.

# New data and our analysis

The Department of Health and Aged Care has recently published data on individual home care provider prices,<sup>2</sup> reflecting the standardised price schedule data that home care providers are required to complete for the MyAgedCare website.

We matched this data with records from the Aged Care Services Information<sup>3</sup> and Aged Care Services List<sup>4</sup> datasets to examine the distribution of home care prices in different regions and the relationship between prices and size/market share, which we measured using data on total Government funding.

There are no consistent identifiers between each of these datasets, necessitating matching on other variables such as service and outlet names and street addresses. This has allowed us to match the vast majority of records between datasets, but there are some records that could not be matched. This may also relate to the fact these datasets were extracted at different times across 2021 and 2022, so some providers or outlets may have changed names or ownership.

There are a number of records that contained very limited price information. For example, they did not provide an hourly price for personal care. These have also been removed from our analysis since they do not seem to actually represent a pricing option that a person could choose.

Our analysis of regional price variation counts unique provider-price pairs. So, if a provider has multiple outlets registered in a region with the same prices this is only counted once. Our analysis produces lower bound estimates of regional price variation because we do not have data on the full range of regions that providers offer services in, only the regions where their outlet offices are registered.

In analysing market share, we have used national level data, averaging prices in the small number of cases where providers have multiple outlets charging different prices.

It should be noted that there appear to be a number of data entry errors within the dataset, with missing data, fees set at more than 100% of the value of a package, and care management hours that equate to 24/7 care management across the fortnight. However, this should not materially affect our analysis of the overall distribution of prices.

Finally, this data was extracted in June 2022, prior to price increases that may have occurred in July 2022, in particular in response to the increases in cost associated with the introduction of minimum shift times in the industrial award that applies to home care.

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<sup>2</sup> [Home Care Package – Published pricing schedule – 30 June 2022 | Australian Government Department of Health and Aged Care](#)

<sup>3</sup> [Aged Care Service Information June 2022 - AIHW Gen \(gen-agedcaredata.gov.au\)](#)

<sup>4</sup> [Aged care service list: 30 June 2021 - AIHW Gen \(gen-agedcaredata.gov.au\)](#)

# How much choice is there?

## *In most locations there are plenty of providers at all price points*

In most regions, there are home care package providers offering a range of price points across the various fees and charges in the standard price schedule.

As explained above, there is an important difference between care and package management fees. However, in the analysis below we have combined both into a single standard fee to demonstrate the level of choice that exists in different regions. For simplicity, we only present the average percentage fee across the different package levels. For some providers, the level of standard fees as a percentage of package value differs between package levels. However, this should not significantly distort the results as the median difference between the highest and lowest standard fee percentage is only 2.5%.

To illustrate the level of choice in relation to price, we show the percentage of ACPRs where people have access to home care providers with combined fortnightly fees below a specified level. We have excluded ACPRs with less than 600 home care clients at June 2021 from this analysis. These regions account for less than 5% of people receiving home care.

Once again it is important to emphasise that these are lower bound estimates which exclude the large number of providers that offer services into multiple regions from a single outlet address. This is particularly significant for regional areas as most provider offices are located in capital cities. Data on service areas is available on MyAgedCare but has not been released as a compiled dataset, and is difficult to access because MyAgedCare does not allow the use of data mining tools.

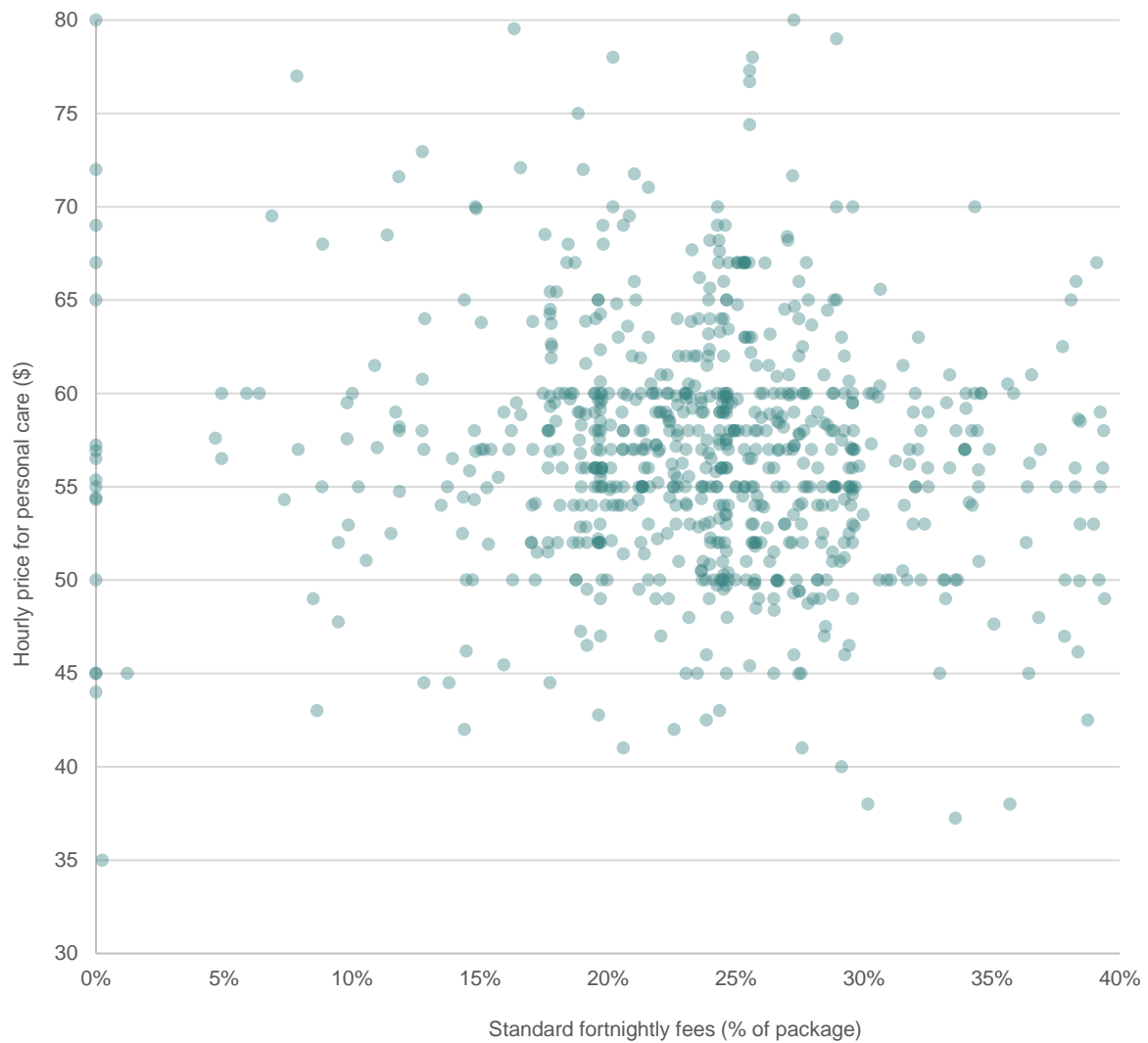
**Table 1 Availability of providers with lower fees by ACPR**

Combined fortnightly fee level	<10%	<12.5%	<15%	<17.5%	<20%
Percentage of ACPRs where there are providers with fees below this level	69%	75%	87%	94%	100%

*Source: ACCPA estimates based on matching Home Care Price Schedule June 2022 with data from the Aged Care Services Information June 2022, and Aged Care Provider List June 2021. ACPRs with less than 600 clients are excluded based on the June 2021 People in Care data release are excluded.*

There may be some concern that providers with lower fortnightly fees have higher hourly rates. This is not consistently the case (see figure 1). There are some cases of providers with low fortnightly fees and high hourly rates. However, there are also many cases of providers that have high hourly rates and high standard fees, or low hourly rates and low standard fees. This result is all consistent with there being a diversity of cost structures, and pricing models for consumers to choose from, rather than it being the case that all providers have similar costs and adopt different pricing strategies.

**Figure 1 Fortnightly fees vs hourly personal care prices**



Source: ACCPA estimates based on matching Home Care Price Schedule June 2022 with data from the Aged Care Services Information June 2022, and Aged Care Provider List June 2021.

# Do people actually pick providers with lower prices?

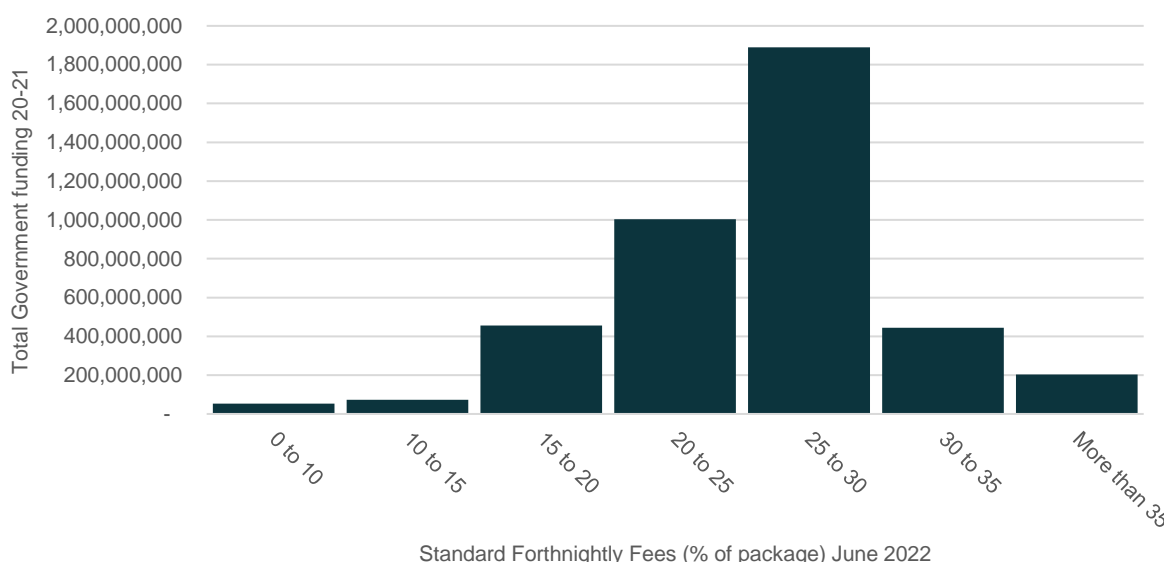
*Some do. Some also pick providers with high prices. Most pick providers with prices around the middle of pack.*

There is nothing that we can see in the data to suggest that people have a general preference for providers with lower prices.

About 7 in 10 people choose providers with fortnightly fees of 20-30%, skewing towards the higher end of this range. The rest are split evenly between providers with fees above 30% and below 20%.

This is essentially a normal (in the statistical sense) distribution, which illustrates the role of price variation in supporting choice.

**Figure 2 Volume of Government Funding by Fortnightly Fee Band**



Source: ACCPA estimates based on matching Home Care Price Schedule June 2022 with data from the Aged Care Services Information June 2022, and Aged Care Provider List June 2021.



# Should fees be regulated?

ACCPA supports targeted rules to prevent unreasonable outlier fees, but not changes that would require a wider restructure of home care prices.

## Fees are actually lower than costs

We do not have contemporary data on administration fees and costs.

Average administration and management fees are already lower than administration and management costs (\$19.60 versus \$20.52 per client per day according to 2019-20 data from Aged Care Financial Reports). Combined administration and care management fees have also fallen from 32.3% in 2015-16 to 28.7% in 2019-20. While administration and management fees have fallen, administration and management costs have risen from 29.2% in 2015-16 to 30.1% in 2019-20.

**Table 2 Administration costs and fees over time, per client per day (% of provider income)**

	2015-16	2016-17	2017-18	2018-19	2019-20
Care management fees	\$11.12 (14.5)	\$10.27 (14.1)	\$9.72 (13.5)	\$10.35 (14.1)	\$11.05 (16.2)
Package management fees	\$13.63 (17.8)	\$12.88 (17.7)	\$12.10 (16.8)	\$11.49 (15.6)	\$8.55 (12.5)
Total administration and management fees	\$24.75 (32.3)	\$23.15 (31.8)	\$21.82 (30.3)	\$21.84 (29.7)	\$19.60 (28.7)
Total administration costs	\$22.44 (29.3)	\$20.22 (27.8)	\$22.20 (30.7)	\$22.57 (30.7)	\$20.52 (30.0)

Source: ACFA Funding and Financing Reports (7th and 9th Reports)

## High admin costs are driven by the design of the home care system

High administration costs are largely driven by the design of the home care system, with significant cost and work being required by providers to meet ever-increasing Government compliance demands and reporting requirements. Providers need to recover these costs against package management fees to remain viable. Drivers of high administrative overheads include:

- Every provider needing to offer everything. The preference for applying a generalist approach to home care package service delivery limits the realisation and benefits of specialisation.
- Change in quality standards with three different quality standard frameworks being progressed since the commencement of home care packages.
- A new Client Charter of Aged Care Rights that needs to be individually explained to each consumer.
- Ongoing changes in payment arrangements, with transition and financing costs.
- New requirements for fortnightly statements introduced via regulation with a month's notice.
- Requirement for positive consent to price changes unlike everything else.
- The introduction of Serious Incident Response Scheme reporting in home care.
- Changes to the Social, Community, Home care and Disability Services Award rules.

## Cafes make more profit than home care providers

According to StewartBrown<sup>5</sup> data, the average home care provider made a margin of \$4.29 per client per day (6.3% of total provider income) in the March Quarter of 2022. Looking at the full sample of home care providers from the 2019-20 financial reporting data, the profit was \$3.16 per client per day (4.6% of total provider income). We expect that ongoing price pressures from petrol, rising award wages, and changes to minimum pay and conditions will result in margins having further contracted as we move into 2022-23. Margins for home care providers are roughly comparable to margins for pharmacies.

**Table 3 Margins for home care providers and selected other industries**

	Margin
StewartBrown Average (March 2022)	6.3%
Home care Provider Average (ACFA, 2019-20)	4.6%
Pharmacy more than \$3.5 million turnover (ATO Benchmark)	7%
Physiotherapists more than \$600,000 turnover (ATO Benchmark)	22%
Child Care Services more than \$600,000 turnover (ATO Benchmark)	16%
Coffee shop more than \$600,000 turnover (ATO Benchmark)	10%

Source ATO Small Business Benchmarks 2019-20; StewartBrown Aged Care Financial Performance Survey March 2022, Ninth Report of the Aged Care Financing Authority Report 2021

## Regulating standard fees won't make the costs disappear

Fixing fees and charges risks quality providers withdrawing, ultimately encouraging low-cost high-volume business models at the expense of person centred and outcome-oriented care.

Fixing certain fees and changes will also mean that most of the underlying costs are recovered elsewhere. In this case that is likely to be through higher hourly rates, which most heavily affect clients with high service volumes that are already fully utilising their package.

For many providers the price cap on fortnightly fees will not be binding (i.e., their costs are already below the cap). Where the cap is binding, the first order effect will be an immediate loss of revenue for providers and an increase in unspent funds. However, the final result will depend on how providers and consumers respond.

If the level of lost revenue is minimal providers may initially decide not to make any changes to their operations or pricing structure because the transition cost outweighs the loss of revenue. Providers that face a larger loss of revenue may choose to increase their hourly rates, or introduce other charges to offset the reduction in fortnightly fees. In addition to seeking to recover the lost revenue, they may seek to recover the additional transition costs associated with implementing the measure.

Consumers generally already only spend 80-85% of their subsidy. And these unspent funds will initially be increased by an amount equivalent to the lost provider revenue. Therefore, providers should mainly be able to recover reductions in fortnightly fees through higher hourly rates. Looking at average hours of care, a 1% reduction in fortnightly fees probably roughly equates to a \$1 increase in hourly rates.

However, there are some clients who are already fully utilising their package or are close to fully utilising their package. These clients will not be able to pay the increase in hourly rates within their package funds. Prima facie, this would mean a loss of care for those individuals. There would also be a reduction

<sup>5</sup> [StewartBrown - Aged Care Financial Performance Survey Sector Report March 2022.pdf](#)

in service delivery costs for the provider. Though in the short-term this is likely to be overwhelmed by the costs of restructuring a person's care plan to accommodate the reduction in the level of service that can be provided. However, a provider may choose to offer a discounted hourly rate to clients whose packages are fully utilised. In general, this should allow the majority of any reduction in standard fees to be recovered from unspent funds through higher hourly rates.

All of this ignores the behaviour of consumers. In principle, lower prices should induce additional demand. However, this effect is likely to be muted in home care given the unspent funds issue suggests that many clients already have their demand for services that can be purchased through their home care package fully satisfied. Clients may also refuse to agree to changes in prices, though anecdotally this behaviour is rare.

Differences in prices may also influence choice of provider. However, switching behaviour currently appears limited. As noted above, most people currently pick middle of the road providers. It is not clear whether highly priced providers would increase their market share through lower prices, but this appears unlikely.

## **Regulating fees prevents price responses to labour shortages**

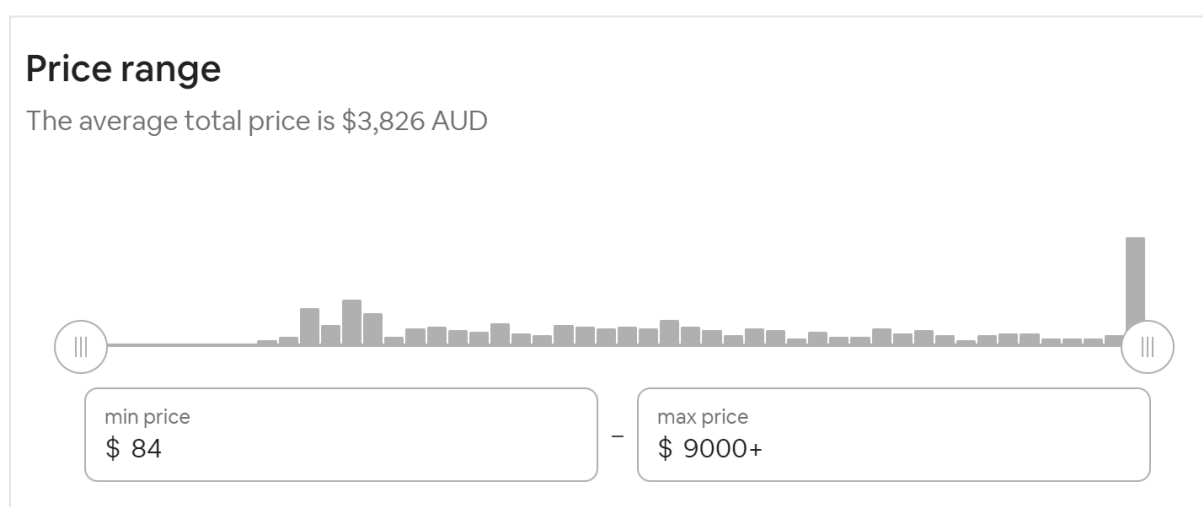
Staff shortages are currently causing some aged care providers to turn new clients away. The basic economic response should be that staff shortages cause some providers to pay higher wages in order to attract more workers, and pass this on through higher costs to consumers. Staff shortages prevents this from occurring.

# How can we improve choice?

## Create price filters

If people want a low-cost provider the easiest way to enable that is to add a filter button to MyAgedCare that allows them to find low-cost providers. This is a little challenging given the wide range of prices on offer, but it would be relatively easy to introduce a series of price sliders for care management fees, package management fees and some common service types. More sophisticated versions of these sliders can allow people to see how many options they have at different price points (see figure 6)

**Figure 3 AirBnB Price Slider**



Source: <https://www.airbnb.com.au/>

## Add information on availability

The lack of information on availability is another significant barrier to choice because of the time that both providers and prospective clients waste on inquiries about services that are not available. This is particularly a problem in the current home care package operational environment given present workforce shortages.

## Accelerate the provision of quality information

Information on price needs to be accompanied by information on quality. Enacting transparency of care-recipient experiences and outcomes as an extension of price transparency will further strengthen care-recipient choice and engagement in their accessing care and support. This needs to be designed in a timely and rigorous way so that people are making apples for apples comparisons. But giving people a bit of extra information about their home care provider shouldn't be hard.

## **Make the data available through APIs to support innovation**

My Aged Care is a terrible website with a terrible information architecture and user interface, and even with incremental refinements to increase price and quality information transparency to support consumer choice there are limits to what can be done to make it better. Government just isn't good at delivering consumer facing ICT. A big problem is that there's no competition driving progressive and timely ICT solutions from government. Rather than only publishing information about providers on MyAgedCare, government should make it available through an API and regularly updated bulk datasets.

This will allow other people to build websites using the information that providers offer to deliver a better user experience and support more effective choice matched to consumer preferences for how they want to access this information.