

PARLIAMENTARY INQUIRY QUESTION ON NOTICE

Department of Health

Standing Committee on Community Affairs

**Inquiry into the Aged Care Legislation Amendment (Financial Transparency)
Bill 2020**

Written Question Received: 9 September 2020

PDR Number: IQ20-000619

Expenditure of Commonwealth funds by aged care providers

Written

Senator: Wendy Askew

Question:

How does the Department of Health currently assess the expenditure of Commonwealth funds by providers of aged care, particularly providers of residential aged care services?

Answer:

In return for Government subsidies, residential aged care providers in receipt of Government subsidies are required to meet the responsibilities set out in the *Aged Care Act 1997* (the Act) and subordinate legislation or contractual arrangements.

Approved providers of residential aged care and home care are required to submit an annual Aged Care Financial Report (ACFR) to the Department of Health. The ACFR contains a number of elements including an independently audited General Purpose Financial Statement as well as a residential segment income and expenditure statement.

Within the residential income and expenditure statement, providers are required to provide uniform reports that set out the sources of the funds they receive (Commonwealth, state, resident, other), and then explain how these funds were expended. They are required to report expenditure against categories that include care, accommodation, hotel expenses (catering, cleaning etc), administration, finances, and other non-operational expenditure. As employee related expenditure is the largest expenditure item, providers are further required to separately report against categories of care, accommodation, hotel, and administration.

To better understand the reporting requirements on providers, Attachment A provides further detail on the categories and subcategories that providers must report against in their income and expenditure statements.

Funding that is provided to residential aged care providers under grant programs is assessed based on eligibility requirements outlined in Grant Opportunity Guidelines as per the Commonwealth Grants Rules and Guidelines.

RESIDENTIAL INCOME AND EXPENSE STATEMENT

Income
Care Income:
◦ Subsidies & Supplements (Commonwealth)
◦ Subsidies and Supplements (State)
◦ Resident Fees - Means Tested Care Fees
◦ Resident Fees - Other
<i>Total Residential Care Income</i>
Accommodation Income:
◦ Subsidies and Supplements (Commonwealth)
◦ Subsidies and Supplements (State)
◦ Resident Accommodation Payments and Charges
◦ Accommodation Bond Retention amounts
◦ Capital Grants (Commonwealth and State)
<i>Total Residential Accommodation Income</i>
Other Resident Fee Income
◦ Basic Daily Fee
◦ Extra Service Fees
◦ Additional Service Fees
<i>Total Other Resident Fee Income</i>
Financing Income:
◦ Interest Income
<i>Total Financing Income</i>
Other Income:
◦ COVID-19 Funding
◦ Donations and Fundraising
◦ Gain on the Sale of Assets
◦ Asset Revaluation Increases/Fair Value Gain
- Financial Assets
- Other Assets
◦ Effect of Adoption of AASB 16 Leases
◦ Other Non-recurrent Income
<i>Total Other Income</i>
<i>Total Income</i>
Expenses
Care Expenses:
◦ Labour Costs
◦ Contract Labour Costs
◦ Other Expenses
<i>Total Care Expenses</i>
Accommodation Expenses:
◦ Labour Costs
◦ Property Repairs, Maintenance & Replacements

◦ Rent for Buildings
◦ Other Accommodation Expenses
Total Accommodation Expenses
Catering, Cleaning & Laundry Expenses
◦ Labour Costs
◦ Contracted Services - External Service Organisations
◦ Contracted Services - Internal Service Organisations/Divisions
◦ Other Catering, Cleaning & Laundry Expenses
Total Catering, Cleaning & Laundry Expenses
Administration Expenses:
◦ Labour Costs
◦ Management Fees
◦ Other Administration Expenses
Total Administration Expenses
Capital and Financing Expenses:
◦ Depreciation
◦ Amortisation
◦ Interest Expense
Total Capital and Financing Expenses
COVID-19 Expenses:
◦ Labour Costs
◦ Resident Support
◦ Preventative Measures
◦ Other COVID-19 Expenses
Total COVID-19 Expenses
Other Expenses:
◦ Loss on Sale of Assets
◦ Asset Revaluation Decreases/Fair Value Loss
- Financial Assets
- Other Assets
◦ Effect of Adoption of AASB 16 Leases
◦ Other Non-recurrent Expenses
Total Other Expenses
Total Expenses