



FACT SHEET

Phase 2 changes to HCP in Australia commencing 1 September 2021

What's happening to Home Care Packages (HCP)?

On February 2021, legislation was passed by Australian Parliament to support Phase 2 of Improved Payment Arrangements (IPA) . Under Phase 2 of IPA there are 5 key changes being implemented.

- 1 Providers will now be paid in arrears for actual care and services delivered in the past month
 - a Providers will submit a claim for the total invoice amount each month for each care recipient
- 2 Services Australia are establishing a Home Care Account for each care recipient
 - a Any unspent subsidy will accrue in this account and be maintained by Services Australia
- 3 Opt-in Arrangement
 - a Providers have a choice to opt-in to draw down on the commonwealth portion of unspent funds they hold
 - b Providers can elect to opt-in from 1 September 2021 to 28 February 2022
- 4 Reporting of Unspent Funds
 - a Providers will be required to report the Commonwealth portion of unspent funds they hold for each care recipient
 - b Providers have until 31 December 2021 to report this balance
 - c Reporting of the unspent funds will be mandatory for all care recipients with a status of opt-out
- 5 70-Day Limit
 - a A new 70-day limit is being introduced to retrospective changes at departure and therefore providers will need to submit any claims and events before day 70

New terminology

Term	Meaning
Home Care Account	The account where any subsidy amounts not spent in a claim month will be accrued
Claim Entitlement	The amount of subsidy a care recipient is entitled to. Calculated by the basic subsidy for their package level, plus any supplements, less any ITF
Maximum Contribution Amount	The maximum amount available in the Home Care Account. Calculated by any accrued subsidy amount plus the claim entitlement for the month
Invoice Amount or Price	This is the 'Price' or, the amount that is being claimed for care and services delivered to a care recipient. It is determined by taking the total cost of care and services delivered and subtracting the amount of any client contributions that are not an ITF
Shortfall Amount*	This is the amount used by Services Australia to determine the payment they will make to a provider for a claim.
Payment Determination*	This is the actual payment amount made for the claim

*more information about these terms can be found in the Opt-in and Opt-Out examples below

What choices does a provider have?

A provider has two choices. They can opt-in or opt-out. All care recipients will be set to opt-out by default.

If they opt-in, they elect to return the commonwealth portion of unspent funds they hold for a care recipient gradually over time. Providers can begin to opt-in from 1 September 2021 and have until 28 February 2022 to make this choice.

Once a provider has elected to opt-in they cannot opt-out again later. If a provider does not elect to opt-in during the 6 month window then care recipients will remain opted-out.

The opt-in status of a care recipient determines the sequence in which funds are drawn down from the various portions of unspent funds.

Any new care recipient that commences services with a provider on or after 1 September 2021 will be set to opt-in by default.

What doesn't change?

A provider will continue to:

- ✔ Claim through the Aged Care Provider Portal
- ✔ Provide detailed monthly statements to clients
- ✔ Collect home care charges from clients the same way
- ✔ Recoup fair admin costs through their prices for care and services
- ✔ Use funding to meet the client's care plans
- ✔ Be paid on a monthly payment cycle

What happens from 1 October?

A provider will claim through Services Australia only the amount for care and services delivered to clients during September 2021. Providers can report this amount to Services Australia by entering it into the Aged Care Provider Portal, using the Bulk Invoice Amount import tool or via a paper claim.

Providers can begin to report the Commonwealth portion of unspent funds they hold for a care recipient.

Timing for reporting Commonwealth unspent funds

Claim Month	Month Claimed	Date unspent funds value is calculated	Reporting requirement
September 2021	From October 2021	31 August 2021	By 31 December 2021, providers must submit a report for at least one of these claim months
October 2021	From November 2021	30 September 2021	
November 2021	From December 2021	31 October 2021	
December 2021	From January 2022	30 November 2021	Mandatory
January 2022	From February 2022	31 December 2021	Mandatory

What happens from 1 January 2022

Why should a provider opt-in?

There are currently \$1.4billion of government unspent funds in the system. By returning unspent funds to the government, a provider will transfer the risks of holding these funds to the government.

What benefits are there for a provider opting in?

Two of the key benefits are:

- ✔ A provider will not be liable for government subsidy accruing as unspent funds in their accounts
- ✔ A provider doesn't need to opt-in for all of their clients

How does a provider opt-in?

Opting in is done in the Services Australia Aged Care Provider Portal. A provider can opt-in for a client when they submit their monthly claim to Services Australia during the six-month window.

How does it look when a provider opts in?

If a provider chooses to opt-in, they will claim only the value of care and services delivered to a client in the previous month.

The sequence in which funds are drawn down are as follows:

- 1 Commonwealth portion of unspent funds
- 2 Home Care Account
- 3 Care Recipient portion of unspent funds

Where they would normally receive a payment, a provider will draw down on the existing Commonwealth portion of the unspent funds they hold for a client to deliver care.

The provider will continue to draw down until these particular unspent funds are used up. Once used up, Services Australia will pay the provider monthly in arrears, based only on the value of services delivered in the previous month.

Services Australia will credit the client's home care account with their available monthly subsidy (newly accrued unspent amount) for future use.

Services Australia will include the Commonwealth portion of unspent funds amount in the claim calculations from the time the provider has reported this balance. The provider will only need to report the Commonwealth portion of unspent funds amount **once**.

How do Services Australia calculate what they will pay when a care recipient is set to opt-in?

Step	Calculation
Adjusted Price	The adjusted price is calculated by taking the 'Price' and subtracting the Commonwealth portion of unspent funds
Shortfall	The shortfall is calculated by subtracting the ITF from the adjusted price
Maximum Contribution Amount	The maximum contribution amount is calculated by the total available funds in the Home Care Account
Payment Determination	This is the lesser amount of either the shortfall or maximum contribution amount

An example:

Opening Balances as at 31 August 2021		Care and Services Delivered	
Commonwealth Unspent Funds	\$250.00	Services Delivered	\$500.00
Care Recipient Unspent Funds	\$200.00		
Home Care Account	\$0.00		
Client Package Income (per month)		Invoice Amount ('Price')	
Subsidy	\$240.00	Services Delivered	\$500.00
ITF	\$90.00	LESS Basic Daily Fee	-\$60.00
Basic Daily Fee	\$60.00	Amount claimed to Services Australia	\$440.00

Adjusted Price	
Invoice Amount ('Price')	\$440.00
LESS Commonwealth unspent funds	-\$250.00
	\$190.00

Shortfall	
Adjusted Price	\$190.00
LESS ITF	-\$90.00
	\$100.00

Maximum Contribution Amount	
Subsidy	\$240.00
PLUS Home Care Account balance	\$0.00
	\$240.00

Payment Determination	
Lesser of Shortfall or Maximum Contribution Amount	\$100.00

Home Care Account Balance	
Opening Balance	\$0.00
Subsidy	\$240.00
LESS Payment Determination	-\$100.00
Closing Balance	\$140.00

From the example above, the provider will use the following funds to reconcile the total cost of care and services:

Source	Amount
Client Contributions for the Month	\$150.00 (Basic Daily Fee and ITF)
Commonwealth Portion of unspent funds	\$250.00
Payment Determination	\$100.00

How does a provider opt-out?

If a provider chooses **not** to opt-in, no action is required as care recipients are set to opt-out by default.

How does it look when a provider opts out?

They will claim only the value of care and services delivered to a client in the previous month and Services Australia will pay the provider monthly in arrears.

The sequence in which funds are drawn down are as follows:

- 1 Home Care Account
- 2 Care Recipient portion of unspent funds
- 3 Commonwealth portion of unspent funds

The Commonwealth portion of unspent funds that were accrued for a client before 1 September 2021 will continue to be held by the provider and can be used to deliver care services.

When a client exits the service, any remaining Commonwealth portion of unspent funds will be returned to the government.

The provider will need to continue reporting the Commonwealth portion of unspent funds held for each client in the monthly claims. This will enable an accurate calculation of the Commonwealth portion of unspent funds at the time a client exits home care with that provider.

How do Services Australia calculate what they will pay when a care recipient is set to opt-in?

Step	Calculation
Shortfall	The shortfall is calculated by subtracting the ITF from the adjusted price
Maximum Contribution Amount	The maximum contribution amount is calculated by the total available funds in the Home Care Account
Payment Determination	This is the lesser amount of either the shortfall or maximum contribution amount

An example:

Opening Balances as at 31 August 2021		Shortfall	
Commonwealth Unspent Funds	\$250.00	Invoice Amount ('Price')	\$440.00
Care Recipient Unspent Funds	\$200.00	LESS ITF	-\$90.00
Home Care Account	\$0.00		\$350.00
Client Package Income (per month)		Maximum Contribution Amount	
Subsidy	\$240.00	Subsidy	\$240.00
ITF	\$90.00	PLUS Home Care Account balance	\$0.00
Basic Daily Fee	\$60.00		\$240.00
Care and Services Delivered		Payment Determination	
Services Delivered	\$500.00	Lesser of Shortfall or Maximum Contribution Amount	\$240.00
Invoice Amount ('Price')		Home Care Account Balance	
Services Delivered	\$500.00	Opening Balance	\$0.00
LESS Basic Daily Fee	-\$60.00	Subsidy	\$240.00
Amount claimed to Services Australia	\$440.00	LESS Payment Determination	-\$240.00
		Closing Balance	\$0.00

From the example above, the provider will use the following funds to reconcile the total cost of care and services:

Source	Amount
Client Contributions for the Month	\$150 (Basic Daily Fee and ITF)
Payment Determination	\$240
Care Recipient portion of unspent funds	\$110

Does the payment cycle change for a provider?

No. A provider will still be paid on a monthly payment cycle.

What happens to the client's portion (charges paid by clients) of unspent funds held by a provider?

A provider will continue to collect home care charges from clients and will hold any unspent funds. The provider will assume accountability for these to their clients.

Will a provider's opt-in arrangements impact on the funding for clients?

No. Regardless of the opt-in status of the provider, their full amount of unspent funds will remain available to them

Do the monthly statements change?

There will be changes required to the monthly HCP Statement that providers issue to care recipients. However, these changes will not be mandatory until the department confirm sometime in 2022. The department are also working on a "better practice" statement that again will not be mandatory but providers will be encouraged to strive towards aligning with.

Once mandatory, providers will need to include the breakdown of unspent funds across the three sources and display the amounts as follows:

- ✔ Commonwealth Unspent Portion
- ✔ Care Recipient Unspent Portion
- ✔ Home Care Account Balance

If a client changes providers, how will that look?

If a client decides to move to a different service, even if the service is with the same approved provider, the Commonwealth portion of the client's unspent funds will be returned to Services Australia, where it'll be held in the client's home care account. This is regardless of whether the provider has opted in or not.

This account will then have a stop placed on it for 70 days with no access allowed. The new provider won't be able to access the home care balance from prior to their transfer and during the 70 day quarantine period. New subsidies that accrue from the day when they begin delivering services, will be accessible by the new provider.

The home care account balance for the client that accrued while receiving services from the previous provider, will be available to the new provider after the 70 days. The previous provider has that time to finalise claims against the client's home care account. After 70 days, no further claims can be made by the previous provider.

Any unspent client funds must be transferred to the new service provider when a client moves to a different service (even under the same approved provider).

What happens if the client exits home care?

In this scenario:

- ✔ The Commonwealth portion of the client's unspent funds is returned to the government
- ✔ The client portion of unspent funds is returned to the client or their estate, less any outstanding charges

A provider will have a 70 day window to finalise any events and claims and can't make any changes after that date.

Can a provider charge an exit fee?

There are certain instances where you can use unspent funds for an exit fee.

This can happen if all of the below apply:

- ✔ The provider holds unspent funds (either Commonwealth and client portion, or only the client portion) on the client's behalf when they exit the care, and
- ✔ The provider's exit fee is published on My Aged Care, and
- ✔ The provider's Home Care Agreement states that the client agreed to an exit fee

Can a provider charge a client for admin costs?

Business-related administration costs such as office rent, insurance and marketing can't be charged separately. These costs should be included in the provider's costs for care and services. The amount needs to be fair and reasonable. That way, clients see the all-inclusive cost of delivering the service.

Any price increase must be visible in the provider's pricing schedule on My Aged Care. A copy of the schedule needs to be included in the client's Home Care Agreement and be mutually agreed upon by both the client and the provider.

How does a provider treat a client who is in deficit when calculating the Commonwealth portion of unspent funds?

The way the system works, a client shouldn't be in deficit, even temporarily. A provider should also not be in deficit. If either of them are in deficit, then Services Australia says it's on the provider. In the event of choosing to go into deficit, the provider should report a zero-dollar value for the client. The new client home care account will not be able to go into deficit.

What to do between now and 1 September 2021

Here are steps a provider should take before 1 September to make the transition a lot smoother:

- ✔ Ensure care recipient claims and client records are up to date, including reconciling the proportion of the Commonwealth portion of unspent funds currently being held for each client
- ✔ Payment in arrears will continue for the full subsidy, based on actual number of clients in the service during the month being claimed for

What to do during September 2021

Here are steps a provider can take:

- ✔ Claim the full subsidy for August. This will be the last time you claim full subsidy.
- ✔ Prepare for October claim. Regardless of whether opting in to return unspent funds, a provider will calculate the amount of unspent funds held for each client as at 31 August 2021 (Commonwealth portion and client portion for each client) for the September monthly claim which will be submitted in October
- ✔ Choose to opt-in to return by drawing down on the Commonwealth portion of unspent funds for individual clients. You'll have until 28 February 2022 to action this

What to do during October 2021?

Here are steps a provider can take:

- ✔ Submit a claim for the total dollar amount of actual care and services delivered during September per client. Total dollar amount per client. (A detailed invoice by service type isn't required)
- ✔ Begin to Opt-in to return, by drawing down on the Commonwealth portion of unspent funds for individual clients, up until 28 February 2022
- ✔ Continue to provide detailed monthly statements to clients

What to do from 1 November and onwards

A provider will:

- ✔ Continue claiming as detailed in the October 2021 procedure
- ✔ If opting-in, the provider must action this by 28 February 2022. After this the provider can no longer opt-in
- ✔ Unspent funds held by the provider which are not drawn down on as part of the opt-in period, will need to be returned when the client exits the care

Will a provider need to update their IT to meet new reporting requirements?

It's advisable. It can improve business administration practices and keep you ahead of the game. is working hard on updating their software systems to meet the requirements for the changes.

Is funding available to a provider for the transition?

You may be eligible, but it's limited through a closed and targeted grant round that opened on 19 February 2021 and remains open until December 2021. You can find more information about the grant at .

It's important to note that home care providers eligible for funding have been notified by the Department of Health.

For any additional grant information, you can contact or .

Useful Links