

1 Audit summary

1.1 Introduction

The Home and Community Care (HACC) program was established in 1985 as a joint Commonwealth-state initiative. The program funds a range of basic maintenance and support services so that frail older people and those with a disability can continue to live independently in the community and avoid premature or inappropriate admission to long-term residential care.

The Department of Human Services (DHS) administers the HACC program which had expenditure of \$470 million in 2007–08. Sixty five per cent of HACC clients are over 70 and have significant levels of frailty and disability. On average, HACC clients receive less than one hour of service a week and only one third has a carer.

Historical funding approaches have resulted in funding inequities within and between regions. In particular, rural regions have received much higher per capita funding (PCF) levels than metropolitan regions. Consequently, where individuals live directly affects both access and level of service.

The first step in achieving fair access is providing equitable allocation of funds across the state. The audit focussed therefore on funding equity at the statewide and intra-regional level. It did not assess equity in service provision at the individual consumer level.

This audit examined:

- whether DHS has effectively addressed the funding inequities across the state and within regions
- regional planning and coordination of HACC services which affect funding equity
- monitoring and reporting arrangements including reporting on whether HACC achieved funding equity.

The audit follows the 2004 audit of HACC, the *Delivery of Home and Community Care Services by Local Government*, which made a series of recommendations to improve the planning and delivery of the HACC program.

1.2 Overall conclusion

Addressing historical funding inequity between regions has been an objective for over a decade. This has not been achieved and significant funding inequities remain.

This is mainly because objectives for HACC funding distribution are multifaceted, with equity as one of a number of aims. Other key commitments include maintaining existing service and therefore funding levels at the regional level while also addressing changes in target population size and location.

The approach adopted by DHS to address funding inequity between regions recognises these other commitments and it has developed an appropriate and transparent approach, the relative resource equity formula (RREF), to distribute 'growth' funds in the HACC program.

However, given that growth funds make up only a small portion of the total HACC budget, the current approach to apportioning HACC funds has largely perpetuated funding inequities and provided only marginal funding to address relative equity. This type of funding made up 1.4 per cent of the total HACC budget in 2007–08.

As a result relative funding equity cannot be achieved unless there is a revision of the current funding approach and/or a significant injection of additional recurrent funds.

1.3 Findings

1.3.1 Addressing statewide funding inequities

Movement towards equity in funds distribution

Addressing relative funding equity between regions in the HACC program has been a stated priority since 1992. From 2003 an additional \$2.3 million above the matched funding commitments of the Commonwealth has been allocated in an attempt to remedy funding inequities.

However, there has also been a commitment to maintain existing service levels to all regions, adjusted for population growth. This was because HACC demand exceeds supply in all regions within the state and the level of service to individuals is generally so low that it should not be reduced.

Consequently the DHS approach to addressing funding inequity has not been to redistribute funds from relatively well resourced regions to relatively under-resourced regions. Rather DHS uses a proportion of HACC growth funds to 'top up' under-resourced regions in order to bring all regions in line.

Accordingly, under the current HACC strategy approved by the relevant minister, funds are first allocated to maintain the existing level of service in regions. Growth funds are then distributed to adjust for population growth within regions, and the remainder is applied to address resource inequities.

In effect, this approach has perpetuated existing inequities as the growth funds simply add to the inequitable base. In 2007–08, 60 per cent of growth funds were allocated to adjust for population growth leaving 40 per cent available to correct inequities.

As a result of the ministerial priority given to population growth and maintaining the service base, there is no evidence of a clear trend towards equity in PCF across the state. By DHS's own reckoning it will take up to 25 years to achieve funding equity between regions using the current approach. In 2006 DHS calculated that an additional injection of \$11.6 million would be needed to achieve equitable PCF.

The objective of maintaining the existing service levels adjusted for population growth has been achieved. There has also been a steady increase in the funding position of regions overall with under-resourced regions having marginally improved their position.

Relative resource equity formula

DHS has developed a more appropriate and transparent approach targeting the allocation of growth funds to relative need. The RREF targets funds according to five relevant population variables. Ultimately the RREF should be applied to all funds once PCF parity between regions is achieved.

Measuring progress towards funding equity

In 2006 DHS changed the measure of reporting progress towards funding equity. It introduced a per capita benchmark for metropolitan and rural regions respectively. This measures progress against the funding benchmark and an improved funding position. However, as a measure of comparative equity across the state it falls short.

The statewide PCF measure used prior to 2006 should be reinstated for reporting progress towards equity. In 2008 all metropolitan regions remained below the statewide PCF while all rural regions remained above. Except for two regions, all regions fell within 10 per cent above or below the statewide PCF. The two outlying regions were 20 per cent above and 15 per cent below the statewide PCF.

Since regions will not always align exactly with the statewide PCF DHS could consider that all regions had reached equity when they come within 5 per cent above or below the statewide PCF amount.

1.3.2 Addressing funding inequities within regions

DHS regions are addressing funding inequities within their regions. The DHS regions examined took account of funding inequities and other relevant factors when determining annual growth funds distribution. The regions generally showed movement toward per capita equity between local government areas, however, the pace of this movement varied between regions.

Regional targets, or time frames stipulating how regions will address relative funding inequity, are not used. These would support greater transparency and consistency in addressing funding equity within regions.

1.3.3 HACC-related services

The availability of HACC-related services in a region impacts on relative resource equity, but is not included in planning and funds allocation. DHS and the Commonwealth Government are yet to develop an integrated approach to planning and sharing information for HACC and related services, an imperative for using limited resources more effectively and improving equity.

1.3.4 Performance monitoring and reporting

DHS's performance monitoring and reporting arrangements are comprehensive—addressing quality, service outputs, financial accountability and risk management. They also include the measurement of equity, efficiency and effectiveness as defined by the Productivity Commission's performance indicators for aged care.

However, the audit identified opportunities for improvement. These included reporting against

- a relevant measure for relative funding equity
- outcome measures
- unmet demand.

Inclusion of these measures within the existing monitoring and reporting framework would enable a fuller assessment of the effectiveness and efficiency of the HACC program. DHS is working with the Commonwealth and other state governments towards the development of national outcome indicators for HACC.

1.4 Recommendations

Addressing statewide funding inequities

To deliver the stated objective of addressing historical inequities, the Department of Human Services (DHS) should continue to examine and provide advice to government on the current and possible funds allocation strategies.

To this end DHS should:

- gain a better understanding of the rural and regional per capita funding (PCF) and adjust the relative resource equity formula (RREF) and benchmarks accordingly
- assess the impact of applying the RREF to the base funding to redistribute funds equitably
- regularly model the additional funds required over and above the growth funds allocation to achieve equity

- report its progress in addressing statewide inequities by comparing all regions with the statewide average per capita measure, as this measure fairly represents the relative funding equity objective of achieving 'equitable per capita distribution of funds relative to the HACC target population'
- set a target of bringing and retaining regions within a convergence band of 5 per cent above and below the statewide average PCF as the overall measure of achieving relative statewide funding equity (**Recommendation 4.1**).

Addressing regional funding inequities

DHS should require regions to set accountability targets and time frames for addressing funding inequity within regions (**Recommendation 5.1**).

DHS, with the cooperation of the Commonwealth Government, should develop an integrated planning framework for HACC and related programs including measures of need, levels of service provision, estimates of unmet need and targets for achievement of funding equity (**Recommendation 5.2**).

Performance monitoring and reporting

DHS should enhance statewide monitoring and reporting through:

- working with other jurisdictions to agree on outcome measures for HACC service delivery
- implementing measures to report on levels of unmet demand
- reporting relative equity in service access and funding (**Recommendation 6.1**).

DHS should re-examine its reporting mechanisms with a view to:

- reducing the administrative burden on service providers with respect to reporting requirements
 - introducing a process to check services reported as delivered are delivered
 - developing guidelines for assessing under/over performance including for recoupment of funds
 - revising the desktop review process to include triggers for when a full service review is necessary (**Recommendation 6.2**).
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