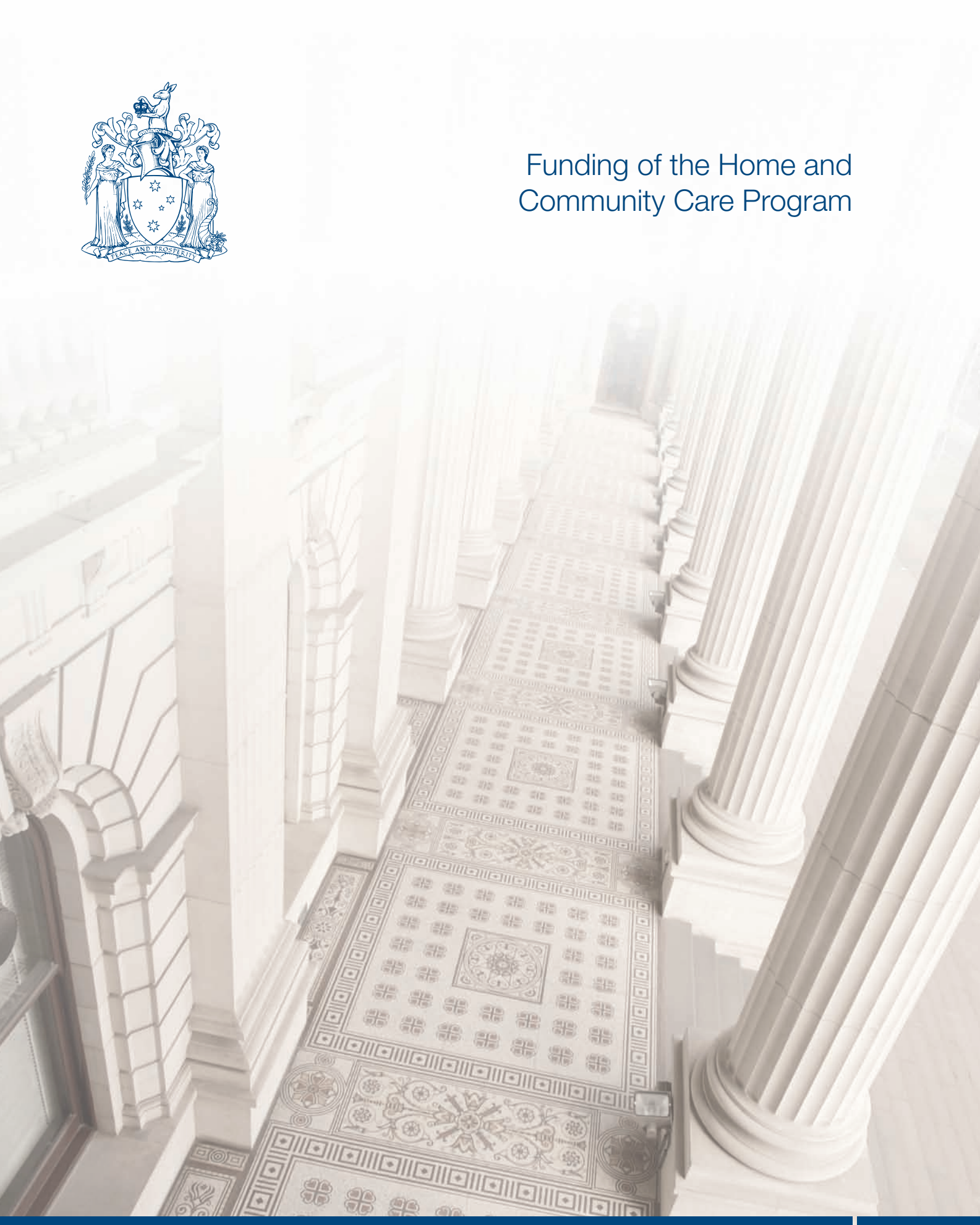
Funding of the Home and Community Care Program



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Funding of the Home and Community Care Program

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Victorian Auditor-General's Office

Auditing in the Public Interest

The Hon. Robert Smith MLC
President
Legislative Council
Parliament House
Melbourne

The Hon. Jenny Lindell MP
Speaker
Legislative Assembly
Parliament House
Melbourne

Dear Presiding Officers

Under the provisions of section 16AB of the *Audit Act 1994*, I transmit my performance report on *Funding of the Home and Community Care Program.*

Yours faithfully

D D R PEARSON
Auditor-General

24 June 2009

Foreword

The Home and Community Care (HACC) program funds a range of services aimed at supporting frail older people and those with a disability to continue living independently in the community. The program is important as it seeks to avoid premature or inappropriate admissions to long-term residential care.

The demand for HACC services from both existing and new clients is increasing in line with an ageing and growing population. Typically, HACC clients receive less than one hour of service a week and only one third has a carer.

In a program where services are rationed, decisions about how funds are distributed are crucial for fair access to services. Historical funding approaches have resulted in the inequitable distribution of HACC funds across the state, with rural regions receiving higher per capita funding than metropolitan regions. This means that an individual's place of residence directly affects their ability to access HACC services.

The first step in achieving fair access is to allocate funds equitably across the state to address historical funding inequity between regions. This has been a government objective for over a decade. However, the distribution of HACC funding must also satisfy other objectives and the current approach to apportioning HACC funds gives higher priority to maintaining existing service and funding levels in regions while also addressing changes in target population size and location. This has perpetuated funding inequities and provided only marginal funding to address relative equity.

It is not surprising therefore, that this audit found significant funding inequities remain in the HACC program and this is unlikely to change in the short to medium term. 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.

The Department of Human Services (DHS) has already taken positive steps to review the HACC funds allocation formula and it should continue to examine and provide advice to government on current and possible resource allocation strategies so that the stated objective of addressing historical inequities can be achieved. In addition, DHS should set accountability targets for achieving equity and report its progress using a single transparent measure, the statewide per capita funding measure.

D D R PEARSON
Auditor-General

24 June 2009

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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 Governmen*t, 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**).

2 Audit Act 1994 section 16 — submissions and comments

2.1 Introduction

In accordance with section 16(3) of the *Audit Act 1994* a copy of this report was provided to the Department of Human Services (DHS) with a request for comments or submissions.

The comments and submissions provided are not subject to audit nor the evidentiary standards required to reach an audit conclusion. Responsibility for the accuracy, fairness and balance of those comments rests solely with the agency head.

2.2 Submissions and comments received

RESPONSE provided by the Secretary, Department of Human Services

I believe the report will assist the department in advancing the government's policy commitment to improve equity in the allocation of community care funds in the context of a continually growing target population. I believe it captures the complexity of the policy choices that are implicit in any major social spending program.

Recommendations

Recommendation 4.1 *– 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.*

RESPONSE provided by the Secretary, Department of Human Services – continued

DHS agrees with the tenor of the recommendation. As noted in the audit report, DHS has already commissioned an independent review of the HACC resource allocation formula. DHS will take the opportunity to seek the consultant's advice on how these proposals might be implemented. In particular, advice will be sought on the following matters:

- *Evidence in the literature or elsewhere regarding relative rural/urban needs in community care that should be reflected in an adjustment to the resource allocation formula;*
- *Modelling of scenarios that would involve the application of the resource allocation formula to HACC base funding (rather than only to annual growth funding), and advice on the impacts; and*
- *Modelling the funds required in addition to the historic pattern of annual growth funds in order to achieve a given level of improvement in equity between regions in a given time frame.*

DHS agrees that statewide average funding per capita (that is, dollars per person in the HACC target population) is a meaningful measure against which regional funding levels can be compared.

DHS will undertake modelling to assess the value of the proposal on setting a five percent convergence band (or similar) and defining the achievement of relative equity accordingly.

As the audit notes, the Department is constrained in the speed with which it can resolve historical imbalances between regions or local government areas in terms of per-capita funding levels. When the target population of any region is slowly rising, a reduction in per capita funding towards the State average is, in effect, a cut in the region's capacity to deliver services at the same level as it had been.

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

DHS will consider ways in which the annual HACC planning process (which includes a strong regional planning and consultation framework) could be used to set more quantified targets and time frames for improving equity in resource allocation within each region. As the audit notes, it is important to acknowledge the need for regional planning and resource allocation decisions to work within the realities of the local service systems and their labour markets.

RESPONSE provided by the Secretary, Department of Human Services – continued

Recommendation 5.2 *– 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.*

DHS agrees that these are desirable objectives, and will pursue them internally and with the Commonwealth in the context of current COAG deliberations on governance arrangements in HACC and related programs. The Department has a consistent record of promoting initiatives for joint planning with the Commonwealth, across the spectrum of community care and aged care services.

Recommendation 6.1 *– 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.*

DHS agrees that these are desirable objectives, and will pursue them with other jurisdictions via Community and Aged Care Officials. It should be noted that the literature demonstrates the difficulty of defining practical outcome measures in the fields of healthcare and community care, due to the complexity of cause-and-effect relationships. It is also noted that the existing HACC resource allocation formula is built on an independent measure of consumer need and hence of unmet demand (namely the ABS Survey of Disability, Ageing and Carers).

Recommendation 6.2 *– 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.*

DHS will continue to improve the relevance and efficiency of reporting requirements for funded agencies, via its existing agenda for service coordination, the development and promulgation of common data standards, and promotion of computerised data collection and information management.

3 Background

3.1 Home and Community Care Program

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 both to assist frail older people and people with a disability to live independently in the community, and to avoid premature or inappropriate admission to long-term residential care. Carers of older people and people with a disability are also recognised as part of the HACC target group.

The Department of Human Services (DHS) administers the HACC Program. HACC expenditure has grown 3–4 per cent annually in real terms for several years. Total government funding for HACC in Victoria rose from $211.9 million in 1996–97 to $470 million in 2007–08, including funds of $29.5 million for growth and indexation in 2007-08. The steady growth in the size of the HACC target population now requires additional expenditure of around $10 million annually to maintain existing levels of service.

In 2007–08 more than 257 000 Victorians received one or more services from the HACC program. On average each client received 47 hours of service a year, which is equivalent to less than one hour a week in support services. Sixty-five per cent of clients were aged over 70 years and many had significant levels of frailty or disability and low levels of available support, with around a third of clients having a carer.

Demand is expected to accelerate from 2011, when baby boomers reach the age of 65. The 65-plus age group is projected to rise from 13.3 per cent of the population in 2006 to 24.5 per cent by 2044–45. The predicted reduction in the number of informal carers, who currently account for 74 per cent of support to the frail elderly and people with a disability, will place further demand pressures on the program.

Further information on the HACC program is provided in Appendix A.

3.2 Funding inequity in HACC

With significant projected growth in demand and limited service supply, it is critical that decisions about HACC funds distribution are fair and that individuals have equitable access to services across the state.

Historical funding approaches in HACC have resulted in funding inequities within and between regions. In particular, rural regions have received much higher funding levels per capita than metropolitan regions. This means that where individuals reside affects the level of service they can access.

Consequently, individuals with relatively high needs living in some areas may not access HACC services as readily as individuals in another area with somewhat lower levels of need. The impacts of the program may, therefore, be lower than potentially achievable.

The importance of achieving funding equity in HACC has been recognised at both national and state levels. The Commonwealth Government has pursued the national HACC equalisation strategy in an attempt to address inequities in funding allocation between state and territories. The Victorian Government has expressed a similar goal for the state.

Performance reviews of social and human programs generally focus on three broad perspectives: whether the target population have equitable access relative to their needs, whether the services are affordable and delivered efficiently, and whether the program achieves its intended objectives.

This audit focuses on the first area and examines DHS's performance in addressing funding inequities in HACC between and within regions. This audit follows an audit conducted by VAGO in 2004 on the *Delivery of Home and Community Care Services by Local Government*, which made a series of recommendations for improving the planning and delivery of the HACC program.

3.2.1 DHS's funding strategy

Addressing funding inequities in the HACC program has been a stated priority since 1992, and since 2003 an additional $2.3 million in total has been allocated above the matched funding commitments with the Commonwealth Government to address this.

The overriding priority for government, however, has been to retain existing service levels to all regions adjusted for population growth. This decision was based on the analysis that HACC demand exceeds supply in all regions within the state and the existing service base in all regions must not be reduced and should be adjusted to keep pace with growth in demand.

The DHS approach to addressing funding inequity, therefore, has not been to redistribute funds from relatively well-resourced regions to relatively under-resourced regions but rather to utilise a proportion of HACC growth funds to 'top up' under-resourced regions. The HACC funds allocation process outlined below reflects this approach and is consistent with government policy.

3.2.2 HACC funds allocation strategy

HACC funds are allocated annually as follows:

- Firstly, regions start with the same funding as the previous year, to maintain the service 'base', which is indexed using the HACC program rate of indexation (2.9 per cent).
- Secondly, regions receive growth funds to account for both HACC population growth within the region to maintain the HACC service base for the region relative to population changes and to address relative funding inequities between regions.

The amount allocated to growth funds is 3–4 per cent of the total annual HACC budget. This leaves 1.4 per cent of the total budget to address funding equity.

Based on Australian Bureau of Statistics population projections, no regions are expected to experience an absolute fall in their HACC target population in the next few years, due to the overall ageing of the Victorian population. However, certain local government areas (LGAs) within regions may experience a fall in their HACC target population. Under these circumstances DHS regional offices might not necessarily allocate growth funds to that LGA during that year.

Monetary values in this report are expressed in nominal terms. The government indexes prices for HACC services at the same rate as services provided throughout the state by community service organisations, which was 2.9 per cent in 2008–09. The Commonwealth Government applies its own indexation rate, which was 2.2 per cent in 2008–09.

3.2.3 Relative resource equity formula

The relative resource equity formula (RREF) is used to determine how HACC growth funds are allocated between regions.

Evolution of the RREF

The RREF has been used to assist with the distribution of growth funds in the HACC program in Victoria since 1992.

Before 1992 a submission-based process was used to allocate HACC funds. DHS assessed yearly service provider submissions for funds against the annual plan to determine funds allocation. The submission-based process resulted in an inequitable distribution of funding between regions on a per capita funding (PCF) basis as there was no capacity to match funds to population distribution, and success was biased towards strong submissions. The RREF was introduced to facilitate an equitable distribution of funding between regions.

In 1992 a departmental steering committee, established to oversee the development of the RREF, provided the following rationale:

> The formula's aim is to achieve a relative fair share of resources across Community Services Victoria regions, so that regions receive a relatively equitable share of funding resources to their region commensurate with their demographic profile of HACC eligible clients, and the special characteristics of the geographical locality.
>
> The formula does not establish a benchmark describing a minimum or adequate level of funding or service required…Instead, the intent of the formula is to even out the relative inequities of historical allocations of resources, so that clients in one region have a relatively equal level of resources per capita as clients in another region elsewhere in Victoria.

Between 1992 and 2002 the initial form of RREF was developed. The definition of the HACC target population informed DHS's decision making about allocation of growth funds and incorporated:

- people of all ages living in the community with a moderate, severe or profound level of 'core activity restriction'
- those people aged 85 and over living in the community who do not have a core activity restriction
- a weighting for 'rurality'.

A submission-based approach to funding continued to coexist with the RREF during this period.

In 2001 the RREF was the subject of a detailed review. The review did not propose any option for redistributing base funding to improve progress towards achieving equity. Instead, it proposed that adjustments to base funding in under-funded regions be made through a preferential allocation of some portion of growth funding. The additional funding to an agency in one year automatically becomes part of its base funding the next year. Over time, the preferential allocation of a portion of growth funding to agencies in a region has the effect of improving the level of base funding, expressed as per capita dollars for the target population.

Following the review, the RREF was revised to incorporate five variables for weighting of need in the HACC target population. The implementation of the revised RREF began in 2003. The predominant reliance on written submissions from agencies to determine the allocation of growth funding within regions was reduced under this more direct allocation approach.

The history of HACC funds allocation since 2001 has incorporated variations to this method. For example, in 2003–04, additional unmatched state funds were allocated to the three regions furthest from equity to boost the RREF's allocation of matched growth funds and speed up progress towards equity.

In 2006 DHS made a commitment both to allocate enough funds to cover population growth and not allow PCF levels to fall at a regional level. The department also applied the balance of available growth funds to improve funding equity in relatively under-funded regions.

Application of the RREF

As the precise number of people in each LGA who require HACC services is not known, the RREF attempts to arrive at a reliable proxy measure of the HACC eligible population, which is referred to as the HACC target population. The HACC target population is a weighted estimate and does not represent a count of individuals.

The RREF considers two groups in its estimate of the HACC target population:

- persons aged 0–69 with a disability
- all persons aged 70 and over.

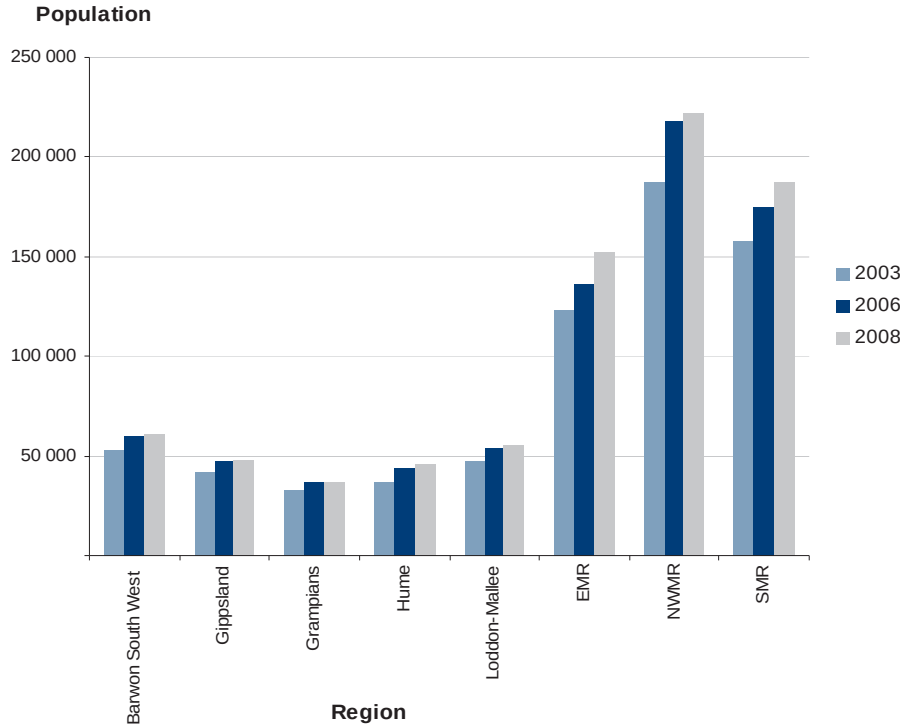
It should be noted that these two groups comprise people living in the community, that is, not in residential care. The numbers living in residential care are subtracted from the relevant totals.

The HACC target population is then weighted to take account of differences in need using the following five variables:

- **individual income**—refers to the population aged over 65 years with a weekly income of less than $300
- **health status**—defined as equivalent years of healthy life lost due to disability, expressed as years per 1 000 population
- **accessibility and remoteness**—this is based on 12 scores that categorise geographic areas on a five point scale from very remote to highly accessible
- **cultural and linguistic diversity**—refers to the proportion of the total population who speak a language other than English at home
- **Indigenous status**—refers to the proportion of the total population who are Aboriginal or Torres Strait Islander.

The RREF is applied annually, based on the HACC eligible population at LGA level. There are 79 LGAs in Victoria, grouped into three metropolitan and five rural DHS regions. The metropolitan regions comprise significantly larger HACC target populations and total funding levels than the rural regions. Figure 3A compares the size of the HACC target population in each region.

Figure 3A
HACC target population by region

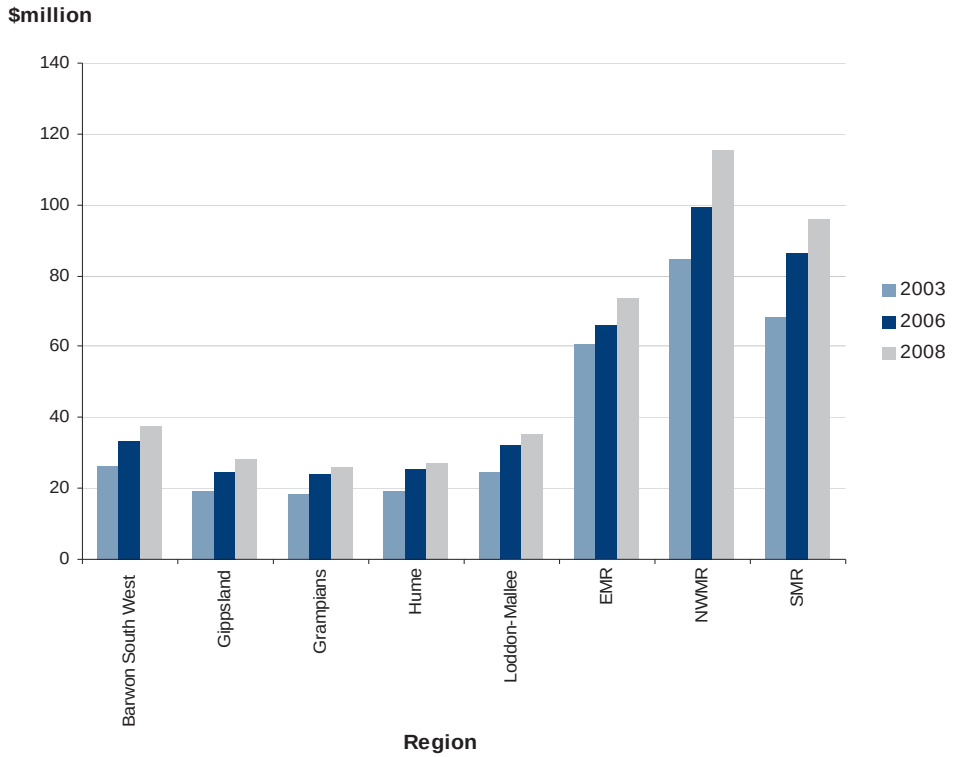


Note: (a) Eastern Metropolitan Region (EMR), North West Metropolitan Region (NWMR), Southern Metropolitan Region (SMR).

Source: Victorian Auditor-General's Office with data supplied by the Department of Human Services.

After the HACC eligible populations for all LGAs have been weighted and adjusted, the HACC target populations by LGA are aggregated to give regional HACC target population shares, which total 100 per cent. These shares are in turn used as the basis for distributing growth funds to regions. Each region receives its base funding from the preceding year, plus growth funding. Figure 3B compares the HACC budget allocation across the regions.

Figure 3B
HACC funding by region



Note: (a) Eastern Metropolitan Region (EMR), North West Metropolitan Region (NWMR), Southern Metropolitan Region (SMR).

Source: Victorian Auditor-General's Office with data supplied by the Department of Human Services.

3.3 Audit objective and scope

3.3.1 Audit objective

The audit examined the effectiveness of DHS's approach to addressing funding inequities between and within regions.

The audit also reviewed the effectiveness of regional planning and coordination for HACC and related services in addressing funding equity and the effectiveness of DHS's monitoring and reporting on the achievement of the HACC funds allocation to achieve the equity objective.

3.3.2 Audit scope

The following was within the audit scope:

- DHS's approach to funds allocation for HACC to achieve relative equity
- the impact of the RREF used to determine the distribution of HACC funds
- the statewide and regional planning approach and interface and cooperation between DHS and HACC and related services at the regional level to support relative funding equity.

The audit concentrated on progress towards achieving relative equity in funds distribution across the state as it provides the first step whereby equitable allocation of funding to individuals can then be achieved. It did not assess DHS's strategies to address equitable allocation of services to individual consumers. This is a separate matter relating to assessment processes and targeted access programs and as such fell outside the scope of the audit.

The audit was performed in accordance with Australian Auditing Standards applicable to performance audits, and included sufficient tests and procedures to enable audit conclusions to be reached.

The total cost of the audit was $360 000. This cost includes staff time, expert advice, overheads and printing.

4 Addressing statewide funding inequities

At a glance

Background

The audit examined the Department of Human Services' (DHS) approach to addressing statewide funding inequities in Home and Community Care (HACC) from 2003–2008. A range of factors were assessed, including whether there was:

- a clear and relevant definition of relative funding equity
- an appropriate and transparent approach to distributing funds
- a funds allocation strategy that supported the achievement of relative funding equity within a reasonable time frame
- consistency between the definition and the measures used to monitor relative funding equity
- demonstrated progress towards relative funding equity.

Findings

- A steady increase in the funding position of all regions has occurred and relatively under-funded regions have generally improved their position.
- However, there has been no real impact on eliminating funding inequities between regions.
- DHS modelling of their current approach to distributing annual growth funds predicts that relative funding equity will not be achieved for 25 years.
- The formula developed to allocate funds the relative resource equity formula (RREF) is an appropriate approach to funds distribution. It is sensitive to relevant population characteristics and population shifts.

Recommendation

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

4.1 Introduction

While the overriding priority for government has been to retain existing service levels to all regions adjusted for population growth, addressing funding inequities in the HACC program has been a stated priority since 1992. A relatively small level of additional funding has been allocated above the matched funding commitments with the Commonwealth Government to address this.

The Department of Human Services' (DHS) approach to addressing funding inequity has not been to redistribute funds from relatively well-resourced regions to relatively under-resourced regions but rather to utilise a proportion of HACC growth funds to 'top up' under-resourced regions. The HACC funds allocation process is consistent with government policy.

In this part we examine the DHS approach to addressing relative funding inequities between regions and its impact within this broader policy context. The effectiveness of the approach was assessed by examining whether there was:

- a clear and relevant definition of relative funding equity
- an appropriate and transparent approach to distributing funds
- a funds allocation strategy that supports the achievement of relative funding equity within a reasonable time frame
- consistency between the definition and the measures used to monitor relative funding equity
- demonstrated progress towards relative funding equity.

Three planning trienniums were selected for study, 2003–06, 2006–09 and 2008–11. These were selected for the following reasons:

- 2003–06: were the first years in which the revised relative resource equity formula (RREF) was used
- 2006–09: was the period in which a new HACC planning and funds allocation approach was launched, including the introduction of rural and metropolitan benchmarks to monitor progress towards funding equity
- 2008–11: was the transition period where the Victorian HACC program moved from a state to a national triennial planning framework.

4.2 The definition of relative funding equity

Clear objectives for funds distribution mechanisms are critically important. For public services, the objective is generally to ensure that equal funds are directed towards individuals in equal circumstances regardless of where they live.[1]

DHS has provided a clear and relevant definition of what the RREF is and what its purpose is since it was first introduced in 1992. DHS defined the objective of the RREF:

> The intent of the formula is to even out the relative inequities of historical allocations of resources, so that (HACC) clients in one region have a relatively equal level of resources per capita as clients in another region elsewhere in Victoria.

In 2001 a consultant provided a revised definition of the RREF, however, there was no evidence of an accompanying departmental statement:

> An equitable distribution of HACC funding is achieved when the HACC target population in each region receives the same per capita dollar funding. Each region's share of the state's total HACC funding would then be equal to its share of the total state target population.[2]

The stated purpose outlined originally in 1992 and again in 2001 is in line with general objectives for public services funds distribution.

More recently in the *Victorian HACC Program Expenditure Priorities Statement 2006–09*, the approach to relative equity is defined differently:

> …regions should receive funding to maintain per capita funding levels relative to growth in their HACC population.

This statement indicates a shift in the approach to achieving relative equity. It implies that the equitable distribution of funds across the state relative to the HACC population is no longer the primary goal.

[1] Peter C. Smith, *Formula Funding of Public Services*, Routledge, Oxon, 2007.

[2] A. Howe, et al, *Review of the Relative Resource Equity Formula in the Home and Community Care Program in Victoria*, final report for the Department of Human Services, 2001.

4.3 The relative resource equity formula

The audit assessed whether the RREF provides an appropriate and transparent approach to decision making about equitable funds distribution.

Historically, funds were allocated to health services based on the use of a formula of per capita allocation plus a growth component. Over time, the approach has been refined to take account of social circumstances and the dependency levels of individuals within the population, to better target funds allocation.[3] The evolution of the RREF, as outlined in Part 3, is consistent with this direction.

A review on home and community care delivery around Australia identified the following proxy indicators as those that most highly correlate with actual need:

- need factors: dependency and cognitive limitations
- predisposing factors: age (elderly), marital status (single—with no carer availability), living arrangements (carer availability)
- enabling factors: contact with and access to services (remoteness)
- barriers to service use: language (culturally and linguistically diverse).[4]

The RREF is appropriately weighted to account for these characteristics, including age, health status, accessibility and remoteness, cultural and linguistic diversity. It is also weighted to account for low individual income and Indigenous status, also appropriate indicators, reflecting government equity and access objectives and policy priorities in targeting services.

Limitations of the relative resource equity formula

DHS has action underway to improve its understanding of the actual differential costs associated with operating sustainable services to rural and remote areas. This is critical in the provision of transparent and fair funding to rural regions, and to redress the existing inequities between metropolitan and rural regions per capita funding (PCF).

Notwithstanding, an adjustment is currently included in the RREF for accessibility and remoteness and this may be revised or supplemented with other adjustments based on the outcomes of the DHS action in this area.

DHS has been proactive in raising issues relating to population data source reliability with the Australian Bureau of Statistics. Despite this, limitations with the current RREF are also noted:

- some data sources used in the weightings are less robust than is desirable
- sub-regional characteristics may be lost in the aggregation to regional population data.

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[3] R Carr-Hill, et al, *The Determinants of Expenditure on Children's Personal Social Services*, British Journal of Social Work, 1999. Vol. 29, 679–706.

[4] A. Howe, et al, *Targeting in community care: a review of recent literature and analysis of the Aged Care Assessment Program Minimum Data Se*, unpublished report to the Australian Department of Health and Ageing, 2006.

These limitations are significant because the effectiveness of a funding formula, such as the RREF depends on how successfully variations in population characteristics can be taken into account,[5] as expected service needs change in line with certain population characteristics.

Conclusion

The RREF is an appropriate and transparent approach to distributing available funds equitably compared to past funding approaches that gave greater weighting to submission-based funds allocation. It provides a population-based formula for allocating funds that is targeted to relevant population characteristics and need. This is in line with common practice in the health and human services sector.

While DHS has been proactive in addressing matters relating to population data source reliability, some limitations remain in terms of accounting satisfactorily for the additional costs associated with rural and remote areas.

It is important that the RREF be subject to regular review and testing of the impact of the variables. It is noted that DHS commenced a review of the RREF before this audit commenced.

4.4 The growth funds allocation strategy

Each year over half of the growth funds are allocated to maintaining the existing funding base, adjusted for growth, limiting the amount available for redressing funding inequity.

In 2007–08 DHS had $16.8 million in growth funds available. Approximately $10 million, 60 per cent, was allocated to adjustments for population growth leaving $6.8 million, approximately 40 per cent, available to address funding inequity.

Overall the proportion of the global HACC budget for growth funds is small, around 3–4 per cent of the total budget. The proportion allocated to address relative funding equity therefore is marginal: for 2007–08 it was 1.4 per cent.

DHS modelling of their current approach to distributing annual growth funds predicts that relative funding equity will not be achieved for 25 years. In May 2007 DHS estimated that an additional $11.6 million would have been required to help relatively under-funded regions to achieve relative funding equity in 2007–08 allocations.

Stopping allocating funds for population growth in relatively well-funded regions is one method that would release additional funds to address relative funding equity for under-funded regions. However, the relatively well-funded regions are rural and therefore applying such an approach would only release relatively small amounts of funding.

[5] Peter C. Smith, *Formula Funding of Public Services*, Routledge, Oxon, 2007.

Applying the RREF when allocating base funding, rather than just to growth funds, would enable further redistribution of funds to achieve equity. Such an approach while worthy of analysis is not able to be pursued under current policy settings.

Conclusion

The effect of the current funds allocation strategy has been to give a higher priority to adjusting for population growth than redressing funding inequity. The current approach cannot deliver relative funding equity between regions in the foreseeable future. Regular modelling of the shortfall of funds to achieve equity after the growth funds allocation is required.

4.5 Measures to assess relative funding equity achievement

To be useful, measures to assess the achievement of relative equity must be relevant and appropriate to the objective of achieving an equitable distribution in the allocation of HACC funding to DHS regions i.e. an equal share of funds relative to the HACC target population size as stated in 2003.

DHS has used the following measures to gauge progress towards funding equity:

- a statewide average PCF measure comparing each region with the statewide PCF—used from 2003–05
- a metropolitan and rural PCF benchmark—the current method of reporting on relative equity introduced in 2006, against which metropolitan and rural regions are measured separately:
  - the metropolitan benchmark is the statewide average PCF across all regions ($523 in 2007–08)
  - the rural benchmark is an average of PCF to rural regions ($598 in 2007–08).

The benchmarks were unchanged until recently, when they were indexed.

DHS advised that the benchmarks were introduced to account for metropolitan and regional variations, resulting from historical inequities, and the additional costs associated with maintaining a viable service in rural and remote areas. However, it is noted that that the RREF already provides a weighting for rurality and remoteness.

DHS has also advised that the replacement of the statewide average measure by the benchmarks was not intended to override the overall equity objective but was introduced as an interim measure to hasten progress towards the achievement of equity.[6] The intent of DHS was to bring metropolitan and rural regions in line with the respective benchmark and then address the gap between metropolitan and rural regions. It is not clear how this approach will hasten the progress toward relative funding equity across the state.

[6] Department of Human Services ministerial briefing, May 2007.

Conclusion

The relevant measure of funding equity achievement is the comparison of each region with the statewide average PCF measure. Recently introduced benchmarks do not provide a measure of progress toward relative funding equity.

The benchmarks, defined as a minimum level of funding, have a different purpose and do not represent a measure of statewide equity. While regions are moving towards the benchmarks this does not provide a comparative picture of the progress toward addressing historical funding inequities across the state between regions. Comparison with the original measure, statewide average PCF, should be used for this purpose.

Audit recognises however that it is impractical for every region to achieve the statewide average PCF target at the same time and that regions will move in relation to that average over time, given population shifts. A better measure of relative funding equity is therefore when regions come within an agreed convergence band close to the statewide average. For example, when all regions are 5 per cent above or below the statewide PCF, this could be deemed a relatively equitable distribution of funds. In this way no region would be more than 10 per cent worse off in relative terms than any other region. This approach will also allow for variation required to operate a sustainable rural service.

4.6 Progress towards relative funding equity

4.6.1 Movement towards relative funding equity using the statewide PCF measure

Overall progress toward relative funding equity has been very limited and no clear pattern of convergence by regions with the statewide average PCF is evident. This is demonstrated in Figure 4A, which shows:

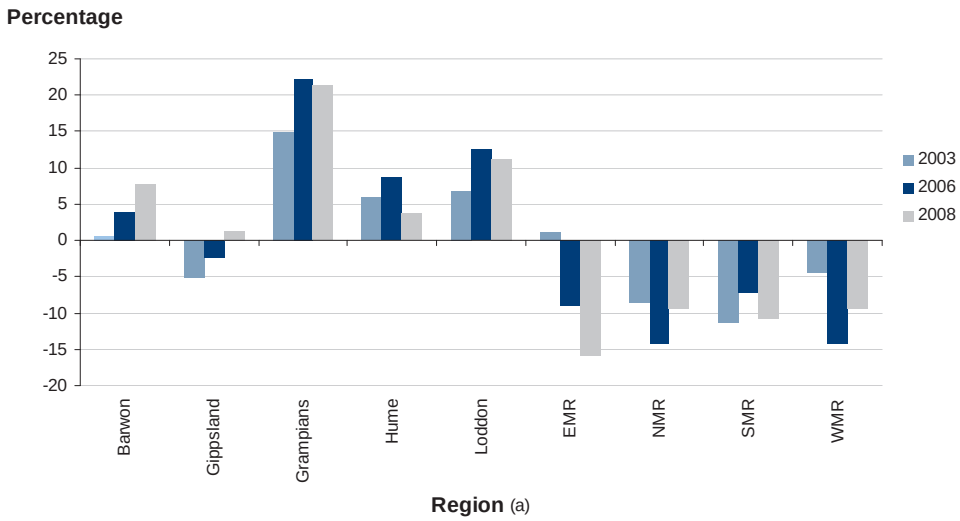
- The disparity between metropolitan and rural regions PCF during the three trienniums remains.
- Rural regions remain above the statewide average PCF (average is equated to 0 per cent), while all metropolitan regions are below the average.
- All metropolitan regions had approximately a 10 per cent variance below the statewide PCF average, except the Eastern Metropolitan Region (EMR) which had a 15 per cent variance. This was due to an error in the 2003 population projections which was highlighted when the 2006 census data became available. The 2003 population projections were shown to be relatively accurate for the EMR HACC target population while the other metropolitan regions were found to have been overestimated resulting in a relatively lower level of funding than warranted for EMR.

- In rural regions Grampians and Barwon have continued to trend away from the statewide PCF. Gippsland and Hume have trended toward the average and are quite close to the statewide PCF. All rural regions except the Grampians are within 10 per cent of the statewide average, while two regions are within five per cent. The Greater Geelong Local Government Area (LGA), with population characteristics closer to metropolitan LGAs and significant population growth, tends to distort the Barwon region figures.

Regional variation with respect to the statewide average PCF can be explained by:

- Funding to adjust for population growth can reinforce the region's deviation from the statewide average PCF.
- The impact of population projections, which are updated periodically as census data becomes available—if actual population changes for regions differ significantly from the projection, the PCF for the region will be altered when the population figure is subsequently adjusted.

Figure 4A
Progress towards funding equity—
DHS regions compared with statewide PCF average



Note: Statewide PCF average is equated to zero per cent.

(a) Eastern Metropolitan Region (EMR), North Metropolitan Region (NMR), Southern Metropolitan Region (SMR), West Metropolitan Region (WMR).

Source: Victorian Auditor-General's Office with data supplied by the Department of Human Services.

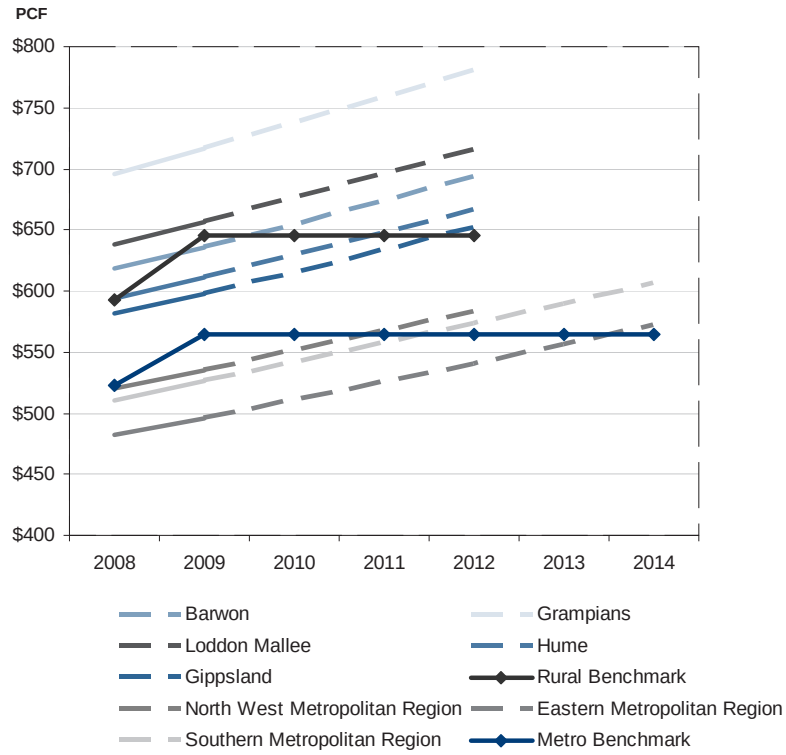
4.6.2 Movement towards DHS funding benchmarks

A steady improvement in the overall PCF funding position of regions within both metropolitan and rural areas is evident, however, there is continued disparity between rural and metropolitan regions.

Figure 4B illustrates that all regions are projected to achieve the benchmarks set by DHS by 2011, except EMR which is projected to reach the benchmark by 2013 due to its funding level being significantly below the PCF level.

Note that while this figure is based on the use of fixed benchmarks as a measure of equity, benchmarks are not fixed, but vary over time due to the impact of funding indexation.

Figure 4B
Progress towards PCF benchmarks



Source: Victorian Auditor-General's Office with data supplied by the Department of Human Services.

4.6.3 Comparing progress towards funding equity with the HACC target population

VAGO compared progress towards funding equity using both measures against the growth in the HACC target population over time. This is illustrated in Figure 4C, which shows the HACC target population is:

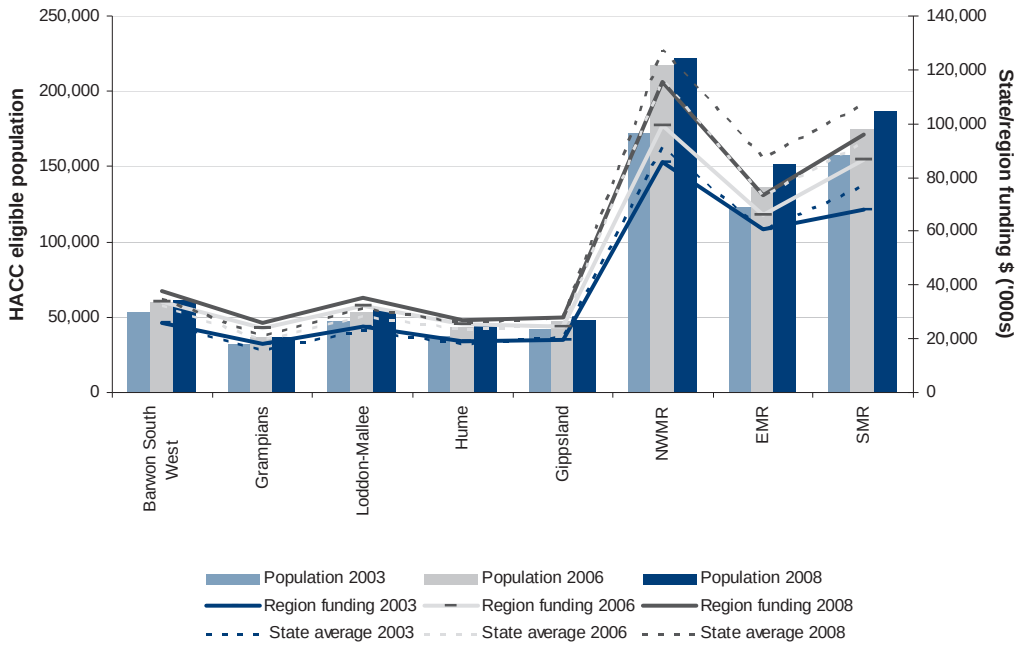
- growing in all regions
- significantly larger and is growing more quickly in metropolitan regions than in rural regions.

With respect to funds allocation:

- metropolitan regions are presently below the statewide average PCF
- rural regions are above the statewide average PCF, except for Gippsland and to a lesser extent Hume, which are very close to the statewide average PCF.

Figure 4C shows that there has not been consistent movement towards funding equity over the period 2003–2008. This is demonstrated by the gap between the line representing the PCF received by each region (solid lines) and the line representing the state average PCF for each year (dotted lines). The smaller the gap the closer actual PCF for each region is to the statewide average PCF, and, therefore to funding equity. For the majority of regions this gap has widened.

Figure 4C
Comparing growth of the HACC target population with PCF



Note: North West Metropolitan Region (NWMR), Southern Metropolitan Region (SMR), Eastern Metropolitan Region (EMR).

Source: Victorian Auditor-General's Office with data supplied by the Department of Human Services.

4.7 Conclusion

The objective of addressing funding inequities between regions has not been achieved and significant historical funding inequities remain. The effect of the current funds allocation strategy has been to give a higher priority to adjusting for population growth than redressing funding inequity.

Maintaining the existing service base in regions, adjusted for population growth, has occurred, but this has been at the expense of overcoming relative funding inequities.

The RREF has provided a transparent and appropriate approach to distributing growth funds and is in line with common practice. However, DHS needs to gain a better understanding of the costs of maintaining sustainable rural and remote services and further improve data reliability and sensitivity.

The progress toward relative funding equity across the state should be routinely reported using a relevant and appropriate measure, the statewide PCF equity measure. Reporting against separate benchmarks for metropolitan and rural regions does not provide a picture of progress towards addressing funding inequities between regions.

Recommendation

4.1 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.

5 Addressing regional funding inequities

At a glance

Background

The Department of Human Services' (DHS) regional offices have a significant role in addressing relative funding inequity within their region and in integrating the delivery of Home and Community Care (HACC) with other related services.

Three regions were examined as case studies in the audit. The audit also assessed whether DHS regional planning takes account of the interrelationships between HACC and related programs.

Findings

- DHS regions demonstrate consistency with statewide planning priorities.
- The case study regions took account of relative funding inequities combined with a range of other factors to determine annual growth funds distribution.
- The case study regions generally demonstrated movement towards relative funding equity, as measured by the average regional per capita funding (PCF) measure. However, the pace of progress has varied between regions.
- Regional targets stipulating when regions are to address relative funding inequity are not set.
- The inability to plan for HACC and related programs diminishes the capacity to accurately assess the real extent of relative inequities in service access and funds distribution within regions.
- Improved cooperation between DHS and the Commonwealth Government is a prerequisite to developing more integrated planning for HACC and related services to achieve enhanced service equity, effectiveness and efficiency.

Recommendations

- DHS should require regions to set accountability targets and time frames for addressing funding inequity within regions.
- 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.

5.1 Introduction

Following statewide funds distribution, the Department of Human Services' (DHS) regional offices allocate funds within the region to address funding inequities.

To assess DHS's approach to addressing within-region funding inequities three case study regions were examined, the North West Metropolitan Region (NWMR) and two rural regions, Loddon Mallee and Gippsland. The audit assessed:

- whether regional planning priorities reflected statewide priorities, including addressing funding inequity
- whether regions have a transparent and consistent approach to address their funding inequities
- progress towards funding equity within the region.

The audit also assessed whether DHS regional planning takes account of the interrelationships between Home and Community Care (HACC) and related services, which can affect demand for HACC services. Related services are similar programs that provide complimentary services to the HACC target group and are listed in Appendix C.

5.2 Approaches to addressing funding inequities within regions

5.2.1 Relationship between statewide and regional planning

A consistent approach to regional planning and priority setting was evident across the three case study regions and regional priorities were clearly linked to statewide planning priorities.

The three regional offices demonstrated clear understanding of the statewide objectives. They were able to demonstrate how the *Victorian HACC Program Expenditure Priorities Statement 2006–09* and the *Victorian Triennial Plan for HACC 2008–11 Directions and Expenditure Priorities in Victoria*, guided their planning and funding decisions, including addressing funding inequity within the region. Further detail on these key documents is provided in Appendix B.

Regional plans demonstrated a direct relationship with statewide priorities. The plans also demonstrated response to local and regional priorities within the broader statewide planning framework. For example, the Gippsland region gives priority to services for the Indigenous population, while NMWR prioritises culturally and linguistically diverse services.

The regional, annual and triennial plans prepared were based on a planning template provided by DHS central office. The annual plan prepared by each region directly related to the statewide HACC priorities relevant to the region and included a summary of allocations for each activity referenced to the relevant priorities.

5.2.2 Approaches to addressing funding inequities within regions

Overall, DHS regions take account of relative funding inequities, combined with a range of other relevant factors when determining annual growth funds distribution within the region. However, the pace of addressing funding inequities and disparity in per capita funding (PCF) at the Local Government Area (LGA) level varied between case study regions. Regional targets and time frames for addressing funding equity are not set.

Regions use the annual allocation of growth funding to address inequity in PCF between LGAs. From 2003–04 until 2006–07 allocation of growth funding within regions was based on the Within-Region Estimate of Need formula, a modified version of the relative resource equity formula (RREF). This approach was discarded due to the unjustifiable level of administrative burden and immaterial adjustments to funding distribution between LGAs associated with its application. It was replaced by the following approach.

When determining the allocation of growth funding within DHS regions, consideration is given to a broad range of relevant factors:

- statewide priorities
- planning data and population trends supplied by central office
- existing service provision and relative funding inequities
- consultation with service providers to identify regional priorities and service gaps
- service delivery efficiencies
- service delivery constraints, e.g. workforce shortages.

Drawing on information gathered, regions then:

- distribute growth funds to LGAs
- determine the service mix that growth funds will purchase from agencies to meet specific regional HACC needs
- determine which agencies are best placed to deliver the additional services purchased with the growth funds.

The three case study regions have addressed funding equity within their regional planning approaches. The strategy and pace with which this is approached is a matter for regional determination.

Gippsland addressed funding equity as a key priority and equitable alignment within the region has largely been achieved. Loddon Mallee and NWMR have taken a more gradual approach in addressing funding equity within the region and steady progress has been made, although some differences still remain.

Regions did not have a specific strategy or targets stipulating how regional inequities would be addressed within a specific time frame, which is not a central office requirement. The setting of specific targets and time frames for funding equity achievement within regions would enable a more transparent and consistent approach to addressing this problem.

5.3 Progress towards within-region funding equity

5.3.1 Progress towards equity

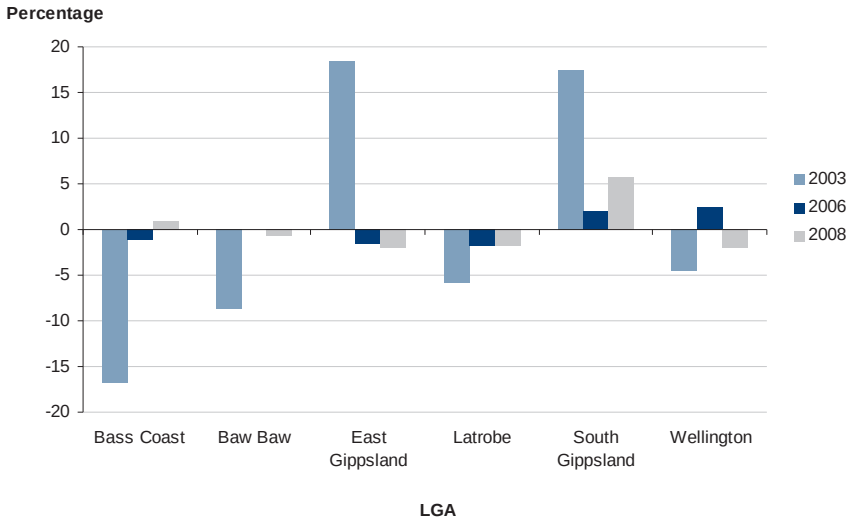
Overall, the case study regions demonstrate a pattern of convergence towards relative funding equity over the five-year period.

In each case, we compared the LGA PCF with the average across the region. Given the policy of achieving relative equitable funding distribution within regions there is an expectation that DHS regions will endeavour to address funding inequities, so a pattern of convergence can be reasonably expected.

Gippsland region

Figure 5A illustrates the high level of relative funding equity between LGAs in Gippsland. The data accords with the strategy adopted by the Gippsland regional office. Gippsland advised that it sought to move quickly towards funding equity between LGAs, rather than adopting a more incremental approach. While implementing this strategy may have caused some difficulty at the time, it has clearly led to a more equitable distribution of HACC funding in 2006 and 2008 compared with 2003. The apparent move away from funding equity from 2006 to 2008 reflects the release of new population data that differed significantly from the population projections.

Figure 5A
Gippsland LGAs compared with Gippsland average

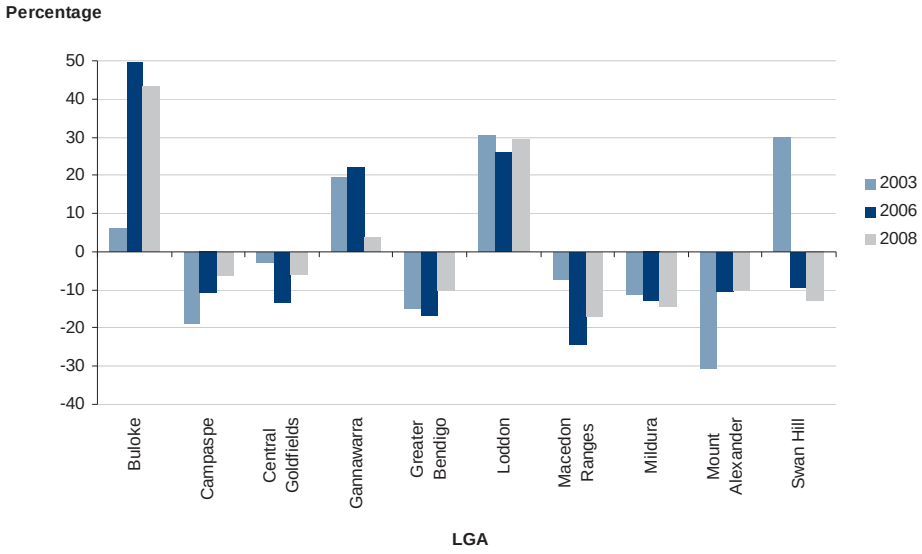


Source: Victorian Auditor-General's Office with data supplied by the Department of Human Services.

Loddon Mallee region

Although there are some apparent anomalies, such as the Buloke and Loddon LGAs, overall, Figure 5B shows a gradual pattern of convergence towards funding equity in Loddon Mallee LGAs.

Figure 5B
Loddon Mallee LGAs compared with Loddon Mallee average

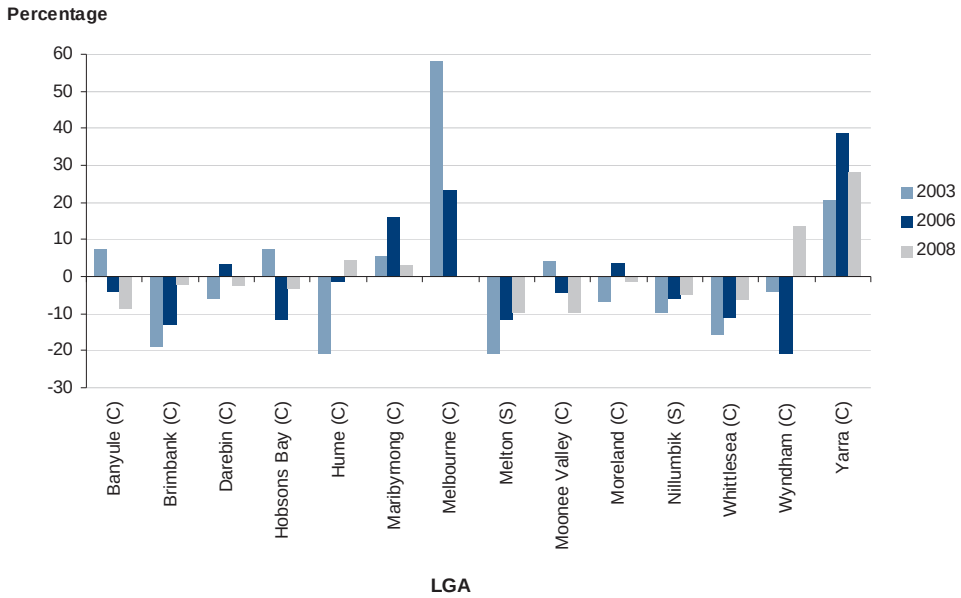


Source: Victorian Auditor-General's Office with data supplied by the Department of Human Services.

North West Metropolitan region

A pattern of convergence is shown in Figure 5C for the NWMR, except for the City of Yarra. Melbourne LGA has moved from being funded at a significantly higher level than other NWMR LGAs to a position of average PCF funding. This may reflect boundary changes (in 2003 Melbourne was not in NWMR). Yarra receives a higher-than-average PCF but most other regions are now within a range of 10 per cent above or below the average PCF level.

Figure 5C
NWMR LGAs compared with NWMR average



Note: City council (C), Shire council (S)
Source: Victorian Auditor-General's Office with data supplied by the Department of Human Services.

5.4 Planning for HACC and related services

Currently no formal mechanism exists allowing DHS to integrate relevant planning information regarding HACC-related services into statewide planning for the HACC program, and this information is not part of the HACC planning process.

Given their multiple and complex needs, HACC clients are often eligible for HACC and a number of related services funded under different programs. Appendix C provides an overview of these programs and details the overlap and interrelationship with the HACC program.

The DHS regional planning approach for HACC does allow for judgements to be made about the impact of aligned programs in determining the funding to LGAs and in the service delivery mix. DHS has undertaken a number of program initiatives to support better coordination across HACC and related programs at both the state and regional level. These cover regional planning networks, program reviews, cross-program reference groups and regional administrative structures to improve coordination of planning for HACC and related programs, and client satisfaction surveys. These initiatives are outlined further in Appendix D.

The lack of integrated planning across HACC and related programs is a serious deficiency. It impacts on:

- the capacity to provide a comprehensive overview of community aged care service and funds distribution at statewide, regional and local level
- accurate assessment of relative equity in service access and funds distribution
- gaining maximum resource efficiencies.

A major constraint in integrating planning for HACC services with related services is the absence of accurate and detailed information on the number, type and funding of Commonwealth-funded HACC-related services at the regional and local level. Consultation with the Commonwealth Government indicated that discussions with DHS with respect to sharing relevant planning information continue and that better integration of planning of HACC and related programs is an area of priority.

To improve equity, effectiveness and efficiency between HACC and related services, DHS, with the cooperation of the Commonwealth Government, needs to develop an integrated planning framework for HACC and related programs including:

- measures of need
- levels of service provision
- estimates of unmet need
- targets for achievement of equitable service resource equity.

This framework should also include relevant state-funded HACC and related programs.

At the client level, the new HACC Assessment Framework to be introduced in 2009 will enable a more consistent assessment of clients and a more integrated approach to service provision across HACC and related services. In turn, this information should feed into service planning. The value and importance of this initiative, with respect to performance reporting and planning for addressing relative inequities in service access, is discussed in Part 6. Further information on the assessment framework is provided in Appendix E.

5.5 Conclusion

DHS regions demonstrated consistency with the statewide HACC planning priorities and have addressed funding inequities within that approach. Overall, the case study regions take account of relative funding inequities as well as a range of other relevant factors when determining annual growth funds distribution.

The three case study regions generally demonstrated progress toward funding equity as measured by the average regional PCF funding measure. However, the pace of progress varied between regions. Regional targets or time frames stipulating how regions will address relative funding inequity had not been set. These should be developed to support greater transparency and consistency in approaches to addressing within-region funding equity.

The inability to jointly plan for HACC and related programs significantly limits the capacity to accurately assess the extent of relative funding inequities in service access and funds distribution within regions and local areas. It also prevents integrated and coordinated planning for community aged care services and funds distribution. A cooperative approach between the Commonwealth and state governments to develop an integrated planning framework for HACC and related services, including sharing of relevant planning information, is required to improve equity, effectiveness and efficiency.

Recommendations

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

5.2 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.

6 Performance monitoring and reporting

At a glance

Background

The Department of Human Services' (DHS) statewide and regional performance monitoring and reporting framework for the Home and Community Care (HACC) program was examined with a particular focus on the performance measures used for achieving relative funding equity.

Findings

- DHS's monitoring and reporting framework is adequate, covering quality, service outputs, financial accountability and risk management, though a number of business process areas need addressing.
- The statewide per capita funding measure should be adopted for reporting the progress of all regions towards relative funding equity.
- Measuring and reporting on outcomes and unmet demand should be introduced as they are critical to the ability of the HACC Program to report on effectiveness.
- Valuable insight into equity of service access at consumer level across the state will be provided once the new assessment approach is introduced in 2009. Information on levels of unmet need and equitable service delivery to individuals will be made available. This information should be linked to the planning process and reported on.
- Reporting on equity in individual access to services, combined with reporting on relative equity in funds distribution is needed to report the extent to which relative inequities within the state have been addressed.

At a glance – *continued*

Recommendations

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.

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.

6.1 Introduction

The audit examined the DHS statewide and regional performance monitoring and reporting framework for the HACC Program with a particular focus on the performance measures used for achieving relative equity.

Performance measures need to be:

- relevant—linked logically to the objective and within the control of the service being held accountable
- appropriate—providing sufficient information to identify achievement against the objective.

The results reported should also be accurate and fairly represented so that they are reliable sources of information for decision making.

The Productivity Commission's *Report on Government Services 2009* provides a set of performance indicators for aged care services that measure for equity, effectiveness and efficiency.[1]

6.2 DHS's performance monitoring and reporting

6.2.1 Performance monitoring and reporting framework

DHS's performance monitoring and reporting framework for HACC includes a range of relevant service and business monitoring and reporting components, including:

- quality of service delivery—triennial quality assessment using the HACC National Standards Assessment Instrument
- service output—HACC Minimum Data Set (MDS)
- financial accountability and acquittal—financial accountability record, flexible service response, service system response, fees report
- risk management—desktop review.

Figure 6A provides a summary of this reporting.

[1] *Report on Government Services 2009,* Productivity Commission, Canberra 2009

Figure 6A
Monitoring and reporting of HACC service delivery in Victoria

Report	Frequency	What it assesses	Details
HACC National Standards Instrument assessment	Every 3 years	Quality of service provision	Rates agencies with a score out of 20 on internal quality controls to determine where follow up action is required
HACC MDS	Quarterly	Measure outputs	Reports on units of service delivered
Financial reporting, including:	Annual	Financial performance and acquittal	
• Flexible service response			• Reports on funding for services that do not have a unit cost and do not fit the 'typical' HACC service, e.g. funding for Aboriginal and Torres Strait Islander agencies
• Financial accountability record			• Records the income provided to an agency from DHS and the agency expenditure against this
• Service system response			• Reports on funding for infrastructure or services to improve the system
• Fees report			• A one-page document declaring that fees have been used in accordance with DHS policy
Desktop review	Annual	Risk management	Focuses on risk factors, e.g., financial viability

Source: Victorian Auditor-General's Office.

Notwithstanding the above, the audit found a number of business process areas that should be addressed to improve effectiveness and efficiency, including:

- reducing the administrative burden on reporting requirements for service providers: service providers consistently reported a significant administrative burden relating to reporting requirements, in particular up to six databases required for reporting to DHS on service delivery for various programs in addition to HACC.
- introducing a process to check that services reported as delivered have been 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.

Further information on DHS's approach to HACC performance monitoring and reporting at statewide and regional level is provided in Appendix F.

6.3 Comparison with Productivity Commission's performance indicators for aged care services

A comparison with the Productivity Commission's relevant performance indicators for community aged care services shows that DHS reports on a range of relevant performance indicators, although there are significant gaps in relation to measuring unmet need and outcome measures. Figure 6B provides an abridged version of the performance indicators for aged care in the Productivity Commission's 2009 report. A complete version of the performance indicators is provided in Appendix G.

Two main priorities for the future development identified by the Productivity Commission include:

- continued improvement of efficiency indicators, including HACC services and assessment services
- development of outcome measures—few outcome indicators relate directly to equity, although some outputs may be proxy indicators for equity of access.

Figure 6B
Comparison of DHS monitoring and reporting information with performance indicators for aged care services

Performance category	Performance indicators for Aged Care services	DHS monitoring and reporting information
Equity		
Use by different groups	People born in a non-English speaking country Indigenous Financially disadvantaged Veterans People living in rural or remote areas	User data collected quarterly through HACC MDS on use by different groups and reported on in HACC MDS Annual Bulletin.
Effectiveness		
Timeliness	Waiting times for community care	Not collected.
Assessment/ streaming	Targeting	To be addressed through the new HACC Assessment Framework / linked to reporting.
Appropriateness	Unmet need	Not collected.
Care	Intensity of care	Collected through HACC MDS as HACC client assistance type by age and hours of service received and reported on in Annual Bulletin.
Independent appraisal and client perceptions	Compliance with service standards for community aged care Client appraisal of service standards	Independent triennial assessment of agencies against HACC National Service Standards Instrument, which includes feedback from HACC clients.
Efficiency		
Other	Cost per output unit	This is not specifically reported on, but comparing the HACC MDS with DHS's Service Agreement Management System (SAMS), which records the number of service delivery units contracted to the service provider by DHS, enables comparison of outputs with the amount contracted. The price of each service type funded under HACC is set.
	Expenditure per target head of population	Per capita funding is monitored by DHS but not reported against in a consistent manner, as discussed in Part 4.

Source: Productivity Commission's *Report on Government Services 2009* and the Victorian Auditor-General's Office.

6.4 Limitations of the performance monitoring and reporting framework

6.4.1 Outcomes reporting

The current framework does not incorporate reporting of outcomes achieved, and performance data collected is limited to measuring outputs delivered. Although reporting on outcomes is difficult, it is recognised as an essential part of assessing whether the objectives of the program have been met.

Measuring the outcomes of the HACC program is complex for various reasons. There are numerous programs providing services to the HACC target population that are similar to the services funded through HACC. This makes it difficult to distinguish between outcomes achieved through HACC-funded services and those achieved through other programs.

The Commonwealth Government, in partnership with state and territory governments, is developing the Common Standards and a National Quality Reporting Framework, which will take a continuous quality improvement approach to reporting that is more outcome-focused. DHS is participating in this development.

6.4.2 Measuring unmet demand

DHS does not measure levels of unmet demand. This measure would enable a more accurate assessment of projected demand and the extent to which program objectives are being achieved.

Unmet demand refers to the extent to which demand for services to support older people requiring assistance with daily activities is not met. Unmet demand can be an important measurement of the effectiveness of the targeting of services. Low levels of unmet demand are an indicator of the effective allocation of services to meet clients needs, while high levels of unmet demand can either indicate a paucity of services or inefficiency in the allocation of those services or both resulting in a substantial section of the target population missing out.

6.4.3 Measuring equity at the individual level

The new HACC assessment framework being introduced in 2009 should provide a consistent and rigorous tool to determine individual needs and relative service access. Once this assessment approach is established, it will be possible to assess service equity in access at the individual service level.

This information should be linked to the planning process and reported. Combined with improved reporting on relative equity in funds distribution, this information will create a more comprehensive picture of the extent of relative equity within the state.

6.4.4 Reporting relative equity

Part 4 discussed the DHS measures used to report on progress towards relative funding equity and recommends regular reporting against the statewide per capita measure as the most relevant and appropriate measure for relative funding equity.

6.5 Conclusion

DHS's performance monitoring and reporting framework is comprehensive. It addresses areas of quality, service outputs and financial accountability and risk management. Monitoring and reporting information covers relevant areas in the measurement of equity, efficiency and effectiveness when compared to the Productivity Commissions Performance Indicators for Aged Care.

To enable a fuller assessment of the effectiveness and efficiency of the HACC Program the reporting framework needs to include reporting on outcomes, unmet demand, and the achievement of relative equity in service access and resources.

Recommendations

6.1 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
- relative equity in service access and funding.

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

- reducing the administrative burden on the reporting requirements of service providers
- 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.

Appendix A.
The Home and Community Care Program

The Home and Community Care Program

The Home and Community Care (HACC) Program funds a range of services to support older people and people with a disability to live independently in the community, including:

- home care, home maintenance
- personal care
- nursing services
- allied health
- planned activity groups
- respite care
- food services
- volunteer coordination
- social support, assessment and care management.

In 2006–07, HACC clients received very limited service, averaging 47 hours of service a year, or nearly one hour a week of support service. Approximately half the HAAC client group receive only one kind of HACC service, while about one-third received three or more services.

Domestic assistance (home help) was the most commonly used service (used by approximately 21 per cent of clients), followed by allied health (approximately 26 per cent of clients) and home nursing (approximately 25 per cent).

The Commonwealth–state HACC funds allocation process

The HACC Program is jointly funded by the Commonwealth and Victorian Governments on a 60/40 ratio, respectively. In Victoria, local government is a major provider of HACC services and contributes significant funding to the program. Service recipients also contribute through fees.

The national level

At the national level the Commonwealth Government Department of Health and Ageing distributes the Commonwealth's share of HACC funding and administration. Commonwealth funding is calculated using a formula based on the previous financial year's amount, indexed for inflation plus a growth allowance. The formula takes account of factors such as assumed levels of fees collected by providers and an equalisation strategy aimed at achieving equal per capita funding of the target population across states and territories.

The state level

The critical points in the HACC planning and funds allocation cycle at the state level are:

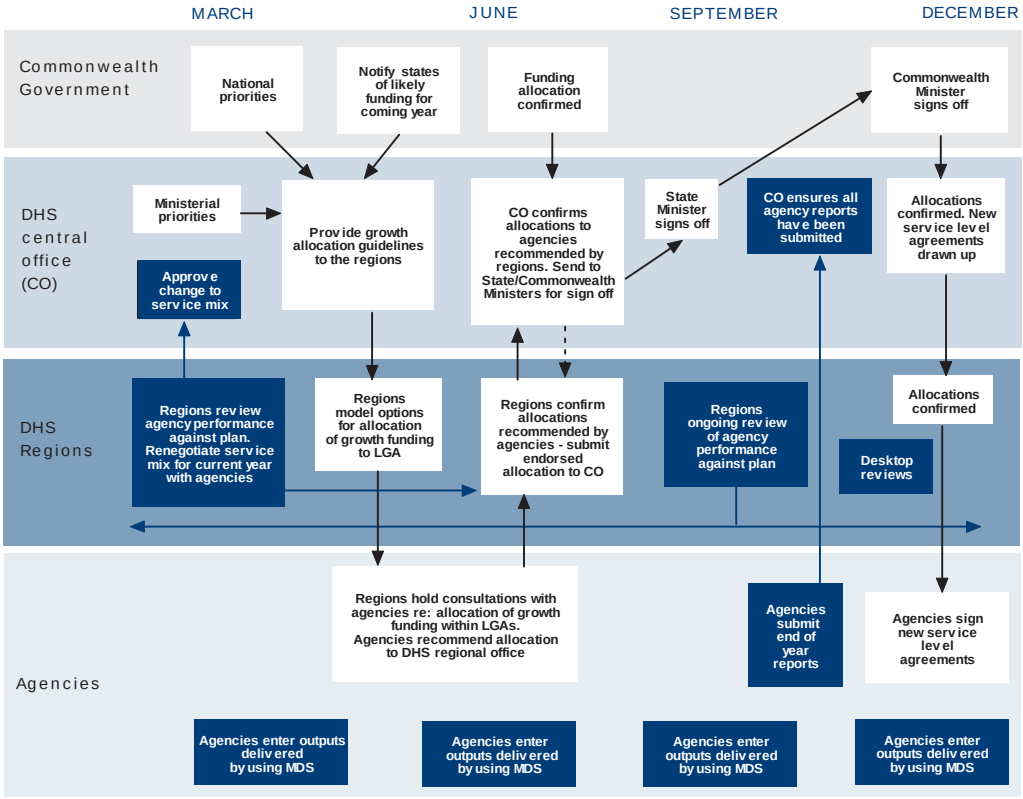
- determining the share of growth funding for allocation across the state to the DHS regions
- allocation of funds to HACC service provider agencies by DHS regions.

DHS prepares a triennial plan articulating priorities for the program. The most recent *Victorian HACC Program Expenditure Priorities Statement 2006–09* and the *Victorian Triennial Plan for HACC 2008–11 Directions and Expenditure Priorities in Victoria* are provided for further information in Appendix B. DHS regions reflect these priorities in their triennial plans and make resource allocation decisions to support these priorities in terms of the service mix agencies are contracted to provide.

DHS administers HACC funding by determining prices for services and then purchasing specific volumes of service units from agencies. These arrangements are formalised in service agreements between DHS and providers, which identify funding amounts, administrative requirements, service performance measures and targets, service standards and data collection requirements.

The HACC annual planning and funds allocation process is outlined in Figure A1.

Figure A1
HACC annual planning and funds allocation process



Source: Victorian Auditor-General's Office with data supplied by the Department of Human Services.

Appendix B.
Priorities for service expansion

The priorities for service expansion are outlined in the *Victorian HACC Program Expenditure Priorities Statement 2006–09* and the *Victorian Triennial Plan for HACC 2008–11 Directions and Expenditure Priorities in Victoria.*

The Victorian HACC Program Expenditure Priorities Statement 2006–09

Equity

The approach to equity published in the consultation paper proposed that regions should receive funding to maintain per capita funding (PCF) levels relative to growth in their Home and Community Care (HACC) population and also emphasised the need to move under-funded regions closer to equity, with clear regional benchmarks for PCF to be reached by the end of the triennium.

The regional benchmarks were based on indicative figures for both the distribution of funds in the base and the target population since final figures were not available at the time. During the consultation period, new population figures were released showing a higher rate of growth than predicted. PCF amounts have been adjusted accordingly and also include the full-year effect of 2005–06 growth funding.

As a result of these changes, the amount of funds required for population growth has increased. This means that the funds distribution method will respond to those regions experiencing population growth, particularly those local government areas in growth corridors.

The final amount of growth funds available for distribution in 2006–07, and subsequent regional funding allocations, is subject to state and federal budget decisions and to joint ministerial approval of the HACC Annual Plan in accordance with the HACC Agreement.

In response to feedback received and updated data, the equity approach has been refined, consistent with the basic principles published in the consultation paper. The revised approach increases the PCF benchmark for all metropolitan regions to the 2005–06 end of year statewide average ($523) and increases the rural benchmark to the 2005–06 end of year rural average ($598). These benchmarks are achievable by the end of the triennium.

The revised approach will continue to adhere to the basic principles in the consultation paper. That is:

- All regions will receive funding to maintain existing PCF levels, responding to population growth during the triennium.
- Additional funding will be provided to five under-funded regions (North and West Metropolitan Region, Southern Metropolitan Region, Eastern Metropolitan Region, Barwon-South Western Region and Gippsland Region) to move them to defined funding benchmarks over the triennium, thereby moving them closer to equity.
- The equity gap between metropolitan and rural regions will be narrowed.

Priority 1 (2006–09)

In 2006–09 'HACC Basic'[1] activities will be expanded within the overarching equity framework described above. Recommendations for funding will be informed by program redevelopments incorporating:

- a commitment to facilitating the national redevelopment agenda
- implementation of the assessment framework in response to the increasing focus, at both a national and state level, on the need for consistency, well marked access points and the impact of a more active model of service
- strategies to increase the HACC Program's effectiveness in maximising client independence through supporting the development of person-centred and capacity-building approaches to service delivery
- redevelopment of food services so that they are more targeted to respond to variation in clients' need for social support, as well as managing nutritional risk
- a research and development project during the first 18 months of the triennium leading to a funding strategy for respite and social support
- a commitment of up to five per cent of total regional growth funding, or approximately $875 000 in 2006–07, to expand planned activity groups.

Priority 2 (2006–09)

In 2006–09 Priority 2 should focus on enhancing access to HACC services, including planned activity groups.

- The quantity and quality of HACC basic services for people from culturally and linguistically diverse backgrounds should be increased. Work should continue to develop linkages and raise cultural awareness between mainstream, multi-cultural and ethno-specific organisations.
- Further time should be allowed to realise and evaluate the outcomes of strategies implemented between 2003–06, including the Culturally Equitable Gateways Strategy.

[1] HACC Basic activities are domestic assistance, personal care, assessment, client care coordination, property maintenance, delivered meals, nursing and allied health.

- Growth funds should be allocated to planned activity groups where there is evidence to support new services for new and emerging communities or to expand services for established communities that have a growing ageing population, within the parameters of the recommended funding commitment in Priority 1, up to 5 per cent of growth funding or approximately $875 000 in 2006-07.

Priority 3 (2006–09)

Priority 3 should focus on increasing and enhancing access to HACC services for Indigenous people. In 2006–09 Priority 3 will have two major themes:

- to continue progress against the 'Going Forward Together' strategy, with a particular focus on increasing the viability and capacity of Indigenous agencies to better meet the needs of their communities and to meet program accountability requirements
- to contribute to the DHS project 'Improving the way we consult with and fund Indigenous organisations'.

Victorian Triennial Plan for HACC 2008–11 Directions and Expenditure Priorities in Victoria

Victoria's Triennial Plan covers the following issues:

- **context**—brief overview of the HACC Program and 2006–09 priorities
- **needs analysis and building the evidence base**—outlining the factors that have influenced the development of the priorities for 2008–11, which include demographic trends in ageing and disability, the national policy context, and the progress made during the previous triennium on improving the situation of special needs groups
- **consultation**—provides an overview of responses received from peak bodies and other groups represented on the HACC Departmental Advisory Committee, regarding a consultation paper setting out proposed directions and priorities for 2008–11
- Commonwealth and Victorian reform and development directions and priorities arising from these
- Victoria's approach to the triennial plan and regional distribution of funds over three years.

Appendix C.

Planning relationships between HACC and related DHS-funded programs

Figure C1 offers an overview of the planning relationships between HACC and related DHS-funded programs.

Figure C1
Planning relationships between HACC and related DHS-funded programs

	Name of program	Budget $million 2008–09	Extent of overlap with HACC target population	Comments on planning issues
1	Aged Care Support for Carers Program (SCP), including Dementia	18	100% overlap	SCP should be integral to HACC regional planning process.
2	Aged Care Personal Alert Victoria (PAV)	9.5	100% overlap	PAV agency behaviour should be monitored to ensure that clients align to approx RREF LGA shares. Note HACC funds $1.9 million for HACC Response Services dealing with a subset of PAV clients.
3	Aged Care Victorian Eyecare Scheme	5.1	100% overlap	Monitor to ensure that clients align to approx RREF LGA shares.
4	Victorian Aids and Equipment program	29.6	Large overlap	Not obvious how planning is involved. Administered by Disability Services.
5	Aged Care Low Cost Accommodation Support, Community Connections, Older Persons High Rise, etc.	11.1	Large overlap	HACC is also putting $1.8 million into Community Connections, and $9.7 million into 20 projects about homelessness.
6	Aged Care Well for Life initiatives Well for Life–Older People in Public Housing		Some overlap	

Figure C1
Planning relationships between HACC and related DHS-funded programs – continued

	Name of program	Budget $million 2008–09	Extent of overlap with HACC target population	Comments on planning issues
7	Primary and Community Health		Large overlap	Community health services are the major outlets for HACC-funded allied health services worth $44 million.
8	Neighbourhood Renewal http://www.neighbourhoodrenewal.vic.gov.au/		Some overlap	Some Neighbourhood Renewal projects deal with adult literacy and social support for older people.
9	Aged Care Public sector residential aged care	275	Large overlap	Planning issue mostly for non-metro Victoria.
10	State Disability Services		Large overlap	Thirty per cent of HACC clients are under 65 and, therefore, likely to fall within Disability Services target population. Demand for HACC respite and personal care may be strongly affected by local availability of Disability Services-funded services.
11	Ambulatory and Continuing Care (post-acute, sub-acute, rehab)		Large overlap	Referral patterns from Post Acute Care providers, etc., affect demand for HACC.
12	Aged Care Assessment Program	38	100% overlap	Aged Care Assessment Team referral patterns generate demand for HACC.
13	Public housing		Large overlap re older tenants and tenants with disabilities	Concentrations of public tenants may affect pattern of demand for HACC.

Source: DHS Internal working document, *DHS programs related to HACC regional planning*, 27 August 2008.

Figure C2 provides an overview of the planning relationships between HACC and related Commonwealth-funded programs.

Figure C2
Planning relationships between HACC and related Commonwealth-funded programs

Service	Purpose
Aged Care Access Initiative	This initiative aims to improve access to primary care (GP and allied health services) for residents of Commonwealth-funded aged care facilities.
Aged Care Assessment Program (ACAP)	The Commonwealth Government provides grants to state and territory governments specifically to operate Aged Care Assessment Teams (ACATs)—known as Aged Care Assessment Services in Victoria. The core objective of the ACAP is to comprehensively assess the needs of frail older people and to facilitate access to available care services appropriate to their needs.
Commonwealth Carelink Centres	Commonwealth Carelink Centres are information centres for older people, people with disabilities and those who provide care and services. Centres provide free and confidential information on community aged care, disability and other support services available locally, interstate or anywhere within Australia.
Community Aged Care Packages (CACP)	An alternative to low-level residential aged care for older people living in the community. Services provided are principally to meet a care recipient's daily needs, including personal assistance—bathing and dressing, domestic assistance—housework and shopping, or help participating in social activities.
Extended Aged Care at Home (EACH)	Extended Aged Care at Home (EACH) packages provide for the complex care needs of older people. The types of services that may be provided as part of an EACH package include: • registered nursing care • care by an allied health professional • personal care • transport to appointments • social support • home help • assistance with oxygen and/or enteral feeding.
National respite for carers program (NRCP)	To assist relatives and friends caring for people at home who are unable to care for themselves because of disability or frailty. Community-based respite services are delivered to carers and the people they care for in a variety of settings, including homes, day centre, host families and residential overnight cottages.
Veteran's Home Care (VHC)	Provides low level care services, such as domestic assistance, personal care, safety-related home and garden maintenance and respite care, to veterans and war widow/widowers.

Source: Victorian Auditor-General's Office.

Appendix D.
Statewide initiatives and regional strategies

Statewide initiatives

‘No wrong door’ principle

A number of service delivery initiatives guided by the ‘no wrong door’ principle, have been implemented to address interrelationships with aligned programs. This principle guides service practice to ensure that if people go to an agency that may not service their needs directly, they will receive guidance on engaging with a service that does. Primary Care Partnerships and Access Point demonstration sites were established to implement the ‘no wrong door’ approach.

Primary Care Partnerships

Primary Care Partnerships (PCPs), which received funding in the 2006–09 triennium, involve a number of agencies agreeing on how they will coordinate their services. A key feature of PCPs is service coordination reform, which aims to place consumers at the centre of service delivery. This helps to ensure that they have access to the services they need, opportunities for early intervention and health promotion, and improved health outcomes. More than 800 agencies have come together in 31 PCPs across Victoria, and many Home and Community Care (HACC) funded agencies, particularly councils and community health services, are core members of PCPs. The continued focus on service coordination through PCPs is expected to lead to progressive improvement in client referrals, and uptake of key DHS services.

Access Point demonstration sites

Demonstration Access Points build on the PCP initiative in seeking to integrate information on different programs for clients. Two Access Points have been established in Victoria as part of this national demonstration initiative. Officials working in the Access Points provide information and referrals to various Commonwealth and state services that they may be eligible for. Pending a review of the pilot program, Access Points will be rolled out across the state.

Regional strategies

At the regional level, the Department of Human Services (DHS) has employed a number of strategies to inform their understanding of interrelationships between HACC and related programs in terms of service delivery. This information is then able to feed into the HACC planning process, albeit informally in some instances. Five identified information gathering and sharing strategies, and a selection of examples from case study regions, are as follows:

- DHS offices have developed overarching administrative structures to ensure coordination of planning across HACC and aligned programs, including aged care, community housing and Indigenous affairs.
    - Example: Loddon Mallee Region (LMR) will soon appoint a Strategy and Planning Officer to coordinate funding plans across all areas of the regional office.
- Cross-program reference groups have been established to facilitate sharing of information across similar programs. Many regions rely on their discussions with individual service providers to gather information on related programs, including Commonwealth-funded programs.
    - Examples: the LMR Koori Cross Program Reference Group, and the Bendigo-Loddon Primary Care Partnership Ageing Reference Group. At a statewide level, the subcommittees established under the Departmental Advisory Committee enable the sharing of information across programs. In particular, the Access and Equity Subcommittee addresses ideas across programs and provides information back to DHS.
- Client satisfaction surveys have been conducted regularly on the HACC Program and this provides an avenue for clients and recipients of HACC services to elaborate on the way HACC and HACC-like services are delivered.
- Regional networks of service delivery agencies have been established and encouraged by DHS as a means for agencies to discuss needs and planning priorities. DHS representatives attend these meetings, which informs their understanding of total service provision to HACC clients.
    - Examples: In Southern Metropolitan Region (SMR), DHS has a number of strategies to develop and sustain partnerships and to enhance sharing of local knowledge. These strategies include regular monthly/bi-monthly meetings with planning groups, network, committees and reference groups within the SMR. Active participation in these forums helps the SMR understanding the competing demands and service delivery issues faced by community service organisations as well as enabling regular updates on DHS initiatives and timely responses to concerns raised by service providers.
    - In Gippsland, as part of the planning process, service providers meet informally to discuss funding allocations within their local government area (LGA) before meeting with DHS. This maximises the efficiency and effectiveness of service arrangements. All agencies are aware of the funding that other agencies are receiving, including programs other than HACC.

- Program reviews that consider the impact of different service delivery allocation mechanisms have been carried out on an ad hoc basis. These provide detailed information regarding services delivered, and may highlight areas of changing or unmet demand.
  - Example: the Mildura Rural City Review of Food Services 2005–06, which identified different program imperatives operating in food services in the region. The review recommended a more collaborative approach to a single entry referral process, assessment and provision of delivered meals in the Mildura LGA.

Appendix E.
The new HACC Assessment Framework

The Victorian Home and Community Care (HACC) Assessment Framework sets out the revised program policy for assessment as a HACC-funded activity. It details the requirements for the delivery of 'living at home assessments', which include home-based holistic assessment of need and service-specific assessments as key components.

The framework also describes related processes, such as 'client care coordination and supported access'. Both of these processes are critical adjuncts to assessment for specific client groups. Client care coordination is provided for a subset of HACC clients with complex needs or circumstance who require a service response from more than one agency, including inter-agency care planning. Supported access describes the role that ethno-specific, multicultural and Aboriginal organisations play in supporting clients to access mainstream services.

The goal of the HACC Assessment Framework is to support and build good practice in delivering 'living at home assessments' and to support designated HACC Assessment Services to build alliances with other key providers of assessment such as Aged Care Assessment Services, Community Health and agencies providing supported access.[1]

Accessing services in Victoria

People seeking HACC services in Victoria can enter the system and get a service response through any HACC-funded organisation in the first instance ('the no wrong door policy') and/or be directed to organisations that can meet any other identified needs. This approach to access will remain a feature of the HACC program and the community care sector more generally as a result of the Primary Care Partnerships and the implementation of service coordination.

[1] *New Framework for Assessment in the Home and Community Care Program*, Department of Human Services, Melbourne, June 2007.

The high-level objective for access points is that they should be marketed and visible points where people can go if they are seeking services but do not know what is available or what they may be able to get access to. From Victoria's perspective this fundamental objective for access points complements the work that has been done in implementing the Primary Care Partnerships—*Better Access to Services Policy and Operational Framework.* In Victoria the primary goal of access points is to improve navigation of the service system for frail older people, younger people with disabilities, their carers, families and friends and service providers.

Assessment framework implementation

Development of a new HACC assessment framework began in 2005–06 to facilitate increasing focus at both national and state level on:

- establishing well-marked access points for HACC and other Department of Human Services (DHS) services (this is consistent with the objectives of the 'demonstration access points' initiative)
- more consistent assessment of clients across the spectrum of services
- the promotion of a more active model of service, which looks to develop people-centred, timely and flexible interventions that prioritise capacity building and restorative care to maintain or promote a client's capacity to live as independently as possible.

The framework is based on recommendations from the *Strategic Directions in Assessment Victorian Home and Community Care Program, Final Report* (Howe and Warren, 2005). Development was guided by the HACC Assessment Reference Group and by submissions received on the draft assessment framework, which was released for consultation in September 2006.

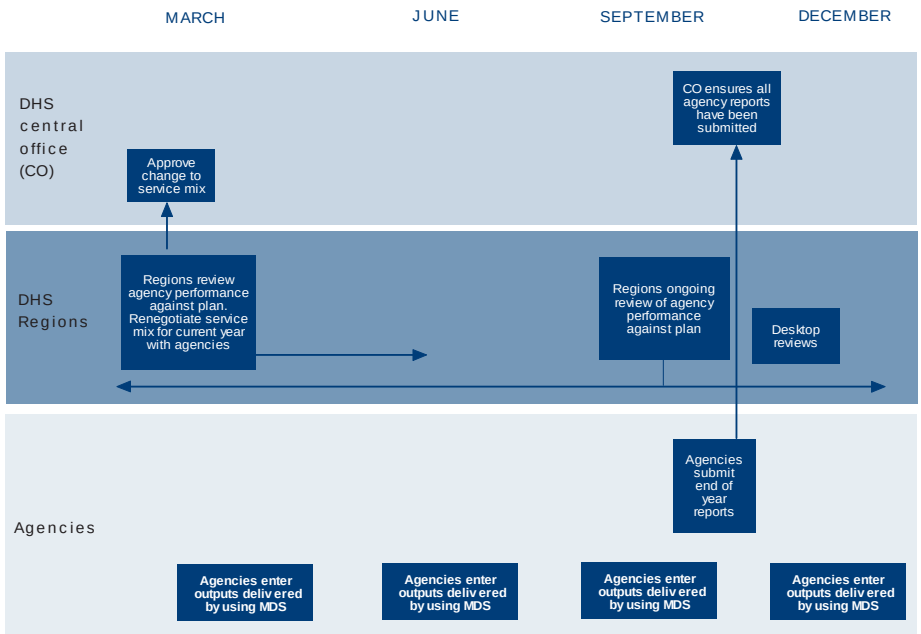
The assessment framework has been delayed in its implementation but is expected to be rolled out in 2009. One service delivery agency has been identified for each local government area. The assessment team will develop recommended action plans for each client, which may involve HACC, other DHS, or Commonwealth-funded program activities.

Appendix F.
Performance monitoring and reporting

DHS's performance monitoring and reporting framework

Figure F1 shows the monitoring and reporting cycle for the delivery of HACC services.

Figure F1
HACC monitoring and reporting cycle



Source: Victorian Auditor-General's Office with data supplied by the Department of Human Services.

Quality of service delivery

The HACC National Service Standards were introduced in 1991 to provide agencies with a common reference point for internal quality controls. Each agency that provides HACC services is required to undergo an assessment against the HACC National Standards Instrument (NSI) triennially. This process 'rates' agencies with a score out of 20. Agencies with a low score are targeted for follow up action.

In addition to the assessment process, from early 2005, DHS's central office instituted a series of annual regional quality forums, focusing on quality issues, action plan completion and follow up work.

Service output

The primary mechanism for agency reporting occurs through submission of data to the national HACC Minimum Data Set (MDS) and use of the Funded Agency Channel (FAC).

As part of MDS reporting requirements, agencies record the units of services delivered by inputting data each quarter. The outputs reported in MDS are reconciled with the amount of services the agency has been contracted to deliver. A common dataset in MDS allows direct comparison across and within regions and enables DHS to address performance issues during the funding year.

FAC is DHS's primary information, communication and business tool for use with funded agencies. It provides easy access to information and resources to support funded agency business and provides agency specific information and transactions within a secure environment.

DHS transfers data from the MDS into FAC after each quarterly reporting deadline. This allows both DHS and HACC agencies to monitor performance in terms of services delivered. FAC users can generate reports at a statewide level, such as the total amount of nursing hours provided or meals on wheels delivered across the state. Each of the three regions visited during the audit had also developed a performance monitoring spreadsheet to reconcile the number of service delivered with the amount contracted for and track individual performance.

Financial performance and acquittal

As part of statewide monitoring and reporting, agencies are required to submit end of year reports to the department. This includes an annual report and information on block-funded programs, listing achievement against the original intent of the services delivered.

The annual reporting requirements also include a number of smaller reports, including:

- **Flexible Service Response**—which reports on funding for services that do not have a unit cost and do not fit the 'typical' HACC service. For example, this may include funding for Aboriginal and Torres Strait Islander (ATSI) agencies to provide services for their communities, such as providing transport for an ATSI client to attend a funeral, which is a culturally significant event.
- **Financial Accountability Record**—that records the income provided to an agency from DHS and the agency expenditure against this. All agencies complete the same template.
- **Service System Response**—which reports on funding for infrastructure or services to improve the system. This may include funding for an Aboriginal liaison officer and for staff training.
- **Fees report**—a one-page document declaring that fees have been used in accordance with DHS policy.

Risk management

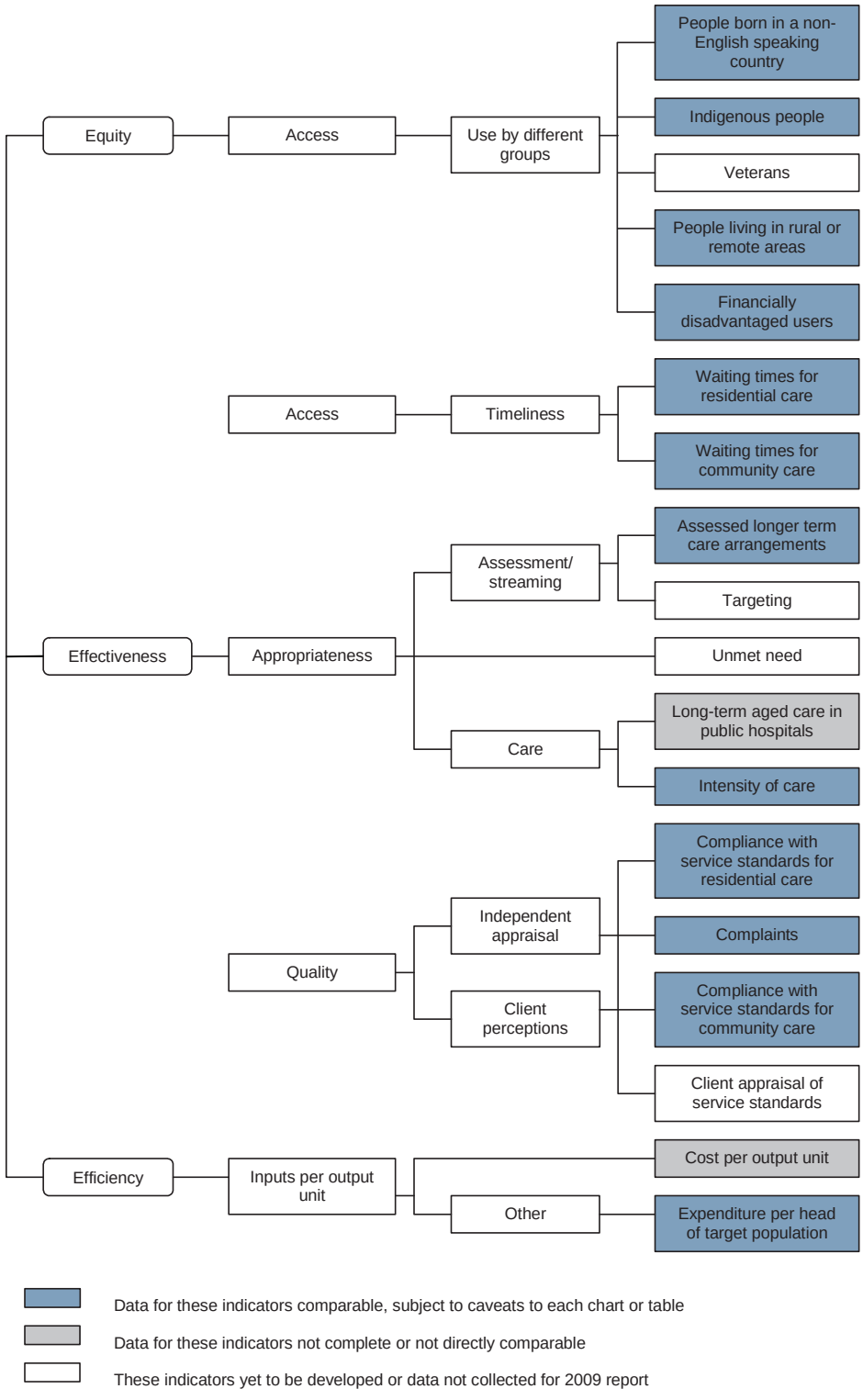
The desktop review is DHS's primary tool in managing risk associated with the delivery of HACC services at the agency level. It includes regular assessment of numerous risk factors including financial viability, quality assessments, clientele served, complaints received and complaint handling mechanisms.

A desktop review may indicate that closer monitoring of an agency is necessary, which may in turn lead to a full service review and an accompanying action plan for the agency.

Appendix G.
Productivity Commission's Performance Indicators for Aged Care Services

Figure G1 illustrates the performance indicators used by the Productivity Commission in their review of government service provision for aged care services in 2009.

Figure G1
Performance Indicators for Aged Care Services



Source: Productivity Commission (2009).

VAGO notes that national Home and Community Care (HACC) officials have agreed to develop a set of seven key performance indicators (KPIs), which may replace the current review of government service provision framework. These KPIs are to be used in state and territory annual HACC business reports to the Commonwealth. The seven KPIs are:

- number of clients as a percentage of the HACC target population
- percentage of Aboriginal and Torres Strait Islander clients as a proportion of this group in the total population
- percentage of culturally and linguistically diverse clients as a proportion of this group within the target population
- percentage of agencies who received a rating of 'good' or higher over the three-year reporting cycle, as determined through appraisal against the HACC National Service Standards
- percentage of agencies providing data to the HACC Minimum Data Set
- percentage of agencies that have supplied acquittal
- average unit costs for service types.

Auditor-General's reports

Reports tabled during 2008–09

Report title	Date tabled
Managing Complaints Against Ticket Inspectors (2008–09:1)	July 2008
Records Management Checklist: A Tool to Improve Records Management (2008–09:2)	July 2008
Investing Smarter in Public Sector ICT: Turning Principles into Practice (2008–09:3)	July 2008
Private Practice Arrangements in Health Services (2008–09:4)	October 2008
Working with Children Check (2008–09:5)	October 2008
CASES21 (2008–09:6)	October 2008
School Buildings: Planning, Maintenance and Renewal (2008–09:7)	November 2008
Managing Acute Patient Flows (2008–09:8)	November 2008
Biosecurity Incidents: Planning and Risk Management for Livestock Diseases (2008–09:9)	November 2008
Enforcement of Planning Permits (2008-09:10)	November 2008
Auditor-General's Report on the Annual Financial Report of the State of Victoria, 2007–08 (2008–09:11)	November 2008
Local Government: Results of the 2007–08 Audits (2008–09:12)	November 2008
Management of the Multi-Purpose Taxi Program (2008–09:13)	December 2008
Results of Audits for Entities with 30 June 2008 Balance Dates (2008–09:14)	December 2008
Preparedness to Respond to Terrorism Incidents: Essential services and critical infrastructure (2008–09:15)	January 2009
Literacy and Numeracy Achievement (2008–09:16)	February 2009
Administration of the *Flora and Fauna Guarantee Act 1988* (2008–09:17)	April 2009
Access to Public Hospitals: Measuring Performance (2008–09:18)	April 2009
Management of School Funds (2008–09:19)	May 2009
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