

Introduction of Consumer Directed Care for Home Care Packages

Accounting implications

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Background

The Australian Government provides funding to approved Aged Care Providers (Providers) to deliver Home Care Packages (HCP) - a coordinated package of care and support that assists elderly consumers to remain at home. To access a package of care, consumers are assessed for entitlement and connected with Providers, who develop a care plan outlining the care and support for the consumer, which is then delivered, monitored and re-assessed regularly.

“With the increase in choice and control, the consumer will have the capacity to be more engaged in the planning and delivery of their care and support”

From 1 July 2015, all Home Care Packages are required to be delivered on a Consumer Directed Care (CDC) basis. Under the CDC model of care, the funding in respect of a consumer is linked to that consumer for the purposes of decisions about how the funding is utilised. This approach affords greater transparency, flexibility and control for the consumer. With the increase in choice and control, the consumer will have the capacity to be more engaged in the planning and delivery of their care and support, which may include choice in the type of services they receive, how they receive the service, who delivers the service, and when the services are received.

As part of HCP via CDC, the guidelines require Providers to:

- develop an annualised budget with the consumer
- provide monthly income and expenditure statements to the consumer to show how the funds are spent
- carry over unexpended funds into future financial accounting periods.

Providers also have the option of including a 'contingency' in the consumer statements of no more than 10 percent of the total annual budget package to make provision for emergencies, unplanned events or increased care needs in the future, but this is not a requirement.



“Under CDC, revenue is recognised as and when the services specified by the consumer are delivered”

Timing

From 1 July 2015, all HCPs must be delivered on a CDC basis. This includes the existing 59,000 HCPs which will need to convert to a CDC model of care, as well as HCPs allocated in the last Aged Care Approvals Round (ACAR) which were required to be CDC upon activation.

Key accounting issues

In simple terms, under the current (non CDC) system, funding is paid monthly by the Australian Government based on the number of days a client is allocated to a licenced HCP. Income is recognised in a Provider’s accounts on a monthly basis, according to the number of days in a month a client ‘utilised’ a HCP place.

This approach is based on the assumption that service was provided, and obligations under the contract were discharged, in proportion to the number of days a client ‘utilised’ a HCP place.

Under the new CDC system, decisions about the use of funding is ‘consumer driven’ and this results in a different approach in the way revenue is recognised. Under this model, funding is provided by the Government in the same way as currently – based on the number of

days a client is allocated to a licenced HCP. The obligations associated with fulfilling a CDC outcome are only completed when the goods or services have been provided, recognising that decisions about the goods and services to be provided are at the direction of the consumer, not the Provider.

When should revenue be recognised?

The expected funding receivable for each consumer represents an advance commitment on the performance of the services, resulting in the Provider initially having an unfulfilled obligation to deliver the related service to the individual consumer. On initial recognition, the Provider will recognise a liability in the form of deferred revenue (unspent funds).

Revenue is subsequently recognised as and when the services specified by the consumer are delivered. This will generally be set out in the monthly income and expenditure statement provided to the consumers, as this is the point the Provider has satisfied their obligations. Any unspent funds at the end of the period continues to be recognised as deferred revenue until utilised (including any funds set aside for contingency).



With increased consumer control over the services provided under the HCP, Providers must also consider any impacts on the revenue recognition of the administrative fee. Where consumers are obtaining Provider services as significant one off events, the revenue recognition pattern of the administrative fee may need to reflect this pattern of consumption of services.

What happens when consumers leave?

When a consumer leaves a particular Provider, the Provider has discretion to determine what happens with any unspent funds. The application of this discretion will form the Provider's practice for unspent funds and drive the accounting for such unspent funds. Practices the Provider could apply include, but are not limited to:

holding for 28 days and made available if consumers return within this timeframe, or transferring to the consumer's new home care provider, or retaining to support service delivery for other consumers or infrastructure purposes.

The Provider should have a clear and stated practice on how to treat these funds. The Provider's practice will determine the accounting for any unspent funds.

How should consumers' unspent funds be treated?

If the unspent funds are retained by the provider from consumers who change providers or enter residential care, revenue can be recognised at the point when the Provider concludes, based on all the evidence, that the likelihood of the consumer requiring the Provider to fulfil its performance obligations is remote.

Examples

Note: These examples assume cash receipts and payments within the relevant month/ year and any relevant GST impacts are ignored.

Provider A delivers a Home Care Package to Consumer X. Under the current guidelines (up to 30 June 2015) Provider A receives \$12,000 per year from the Government to fund the package. The Provider delivers the following services each month evenly throughout the year:

Service	Notional value per year
20 hours of care services per month	\$6,000
Cleaning services once a fortnight	\$2,400
Administration	\$2,400
Case management	\$1,200
Total	\$12,000

As the service obligation is delivered evenly throughout the year the monthly revenue from the Government was recognised in full each month throughout the year as follows:

Dr Cash	\$1,000	Cr Revenue	\$1,000
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Under the new CDC system, Provider A still receives \$12,000 per year from the Government to fund the package. However Consumer X now wants to change how the package is delivered as shown in the table opposite.

In this example the overall value of the goods and services received by the consumer is unchanged, however the timing of when those goods and services are delivered has changed. Revenue relating to the delivery of the wheelchair will be recognised when an irrevocable commitment for the wheelchair is made. The administration and case management fee would be recognised in proportion with the services and goods delivered throughout the year. Assuming the care and cleaning services were delivered evenly throughout the year the accounting entries would be:

Service	Value
15 hours of care services per month	\$4,800
Cleaning services once a fortnight	\$2,400
Administration	\$2,400
Case management*	\$1,200
Wheelchair delivered in month 12**	\$1,200
Total	\$12,000

*Assumption in this example that the case management is delivered evenly throughout the year

**Assessment will need to be made by each provider as to whether they are the principle or agent for purchased/sub-contracted items

Months 1 to 11		Month 12	
Dr Cash	\$1,000	Dr Cash	\$1,000
Cr Revenue	\$900	Dr Deferred revenue	\$1,100
Cr Deferred revenue	\$100	Cr Revenue	\$2,100

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