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How consumer driven care
is reshaping the community
care sector



Executive summary

Service providers should ensure that they continue to clearly demonstrate their unique client value proposition whilst retaining a competitive operating model.

Now is a time of substantial upheaval for the community care sector, with significant regulatory reform being introduced through the National Disability Insurance Scheme (NDIS) and Consumer Directed Care (CDC). Through the introduction of a demand driven model of service delivery, the NDIS and CDC are expected to significantly transform the way by which disability and aged care services are delivered to Australians. Service providers will shift from receiving and managing an annual block of funds spread amongst all consumers to individualised budgets. This will ultimately provide customers with greater control and oversight of services delivered.

Overall expenditure on aged care and disability support is expected to dramatically increase from \$7.2 billion in 2012-13 to \$22.1 billion in 2019-20¹, increasing the total number of Home Care Packages from around 66,000 to around 100,000 by 2017. More than 40,000 additional packages are expected to be available over the following five year period, from 2017-18 to 2021-22².

CDC will be fully implemented by July 2015, with the Government looking to increase the number of Home Care Packages from 2017 onwards. The NDIS will commence full scheme roll-out from July 2016. Implementation will vary by state/territory i.e. roll out methods and targets are individually agreed with the Commonwealth.

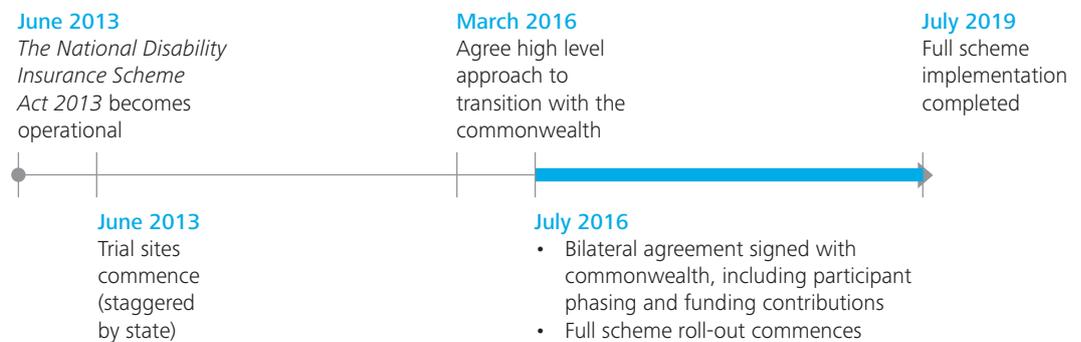


Figure 1: NDIS roll-out timeline

¹It should be noted that as NDIS is demand driven, there remains some uncertainty over the actual number of clients who will access the scheme by 2019-20 and hence, the projected cost of the scheme.

²Department of Social Services, <https://www.dss.gov.au/our-responsibilities/ageing-and-aged-care/aged-care-reform/home-care-packages>.

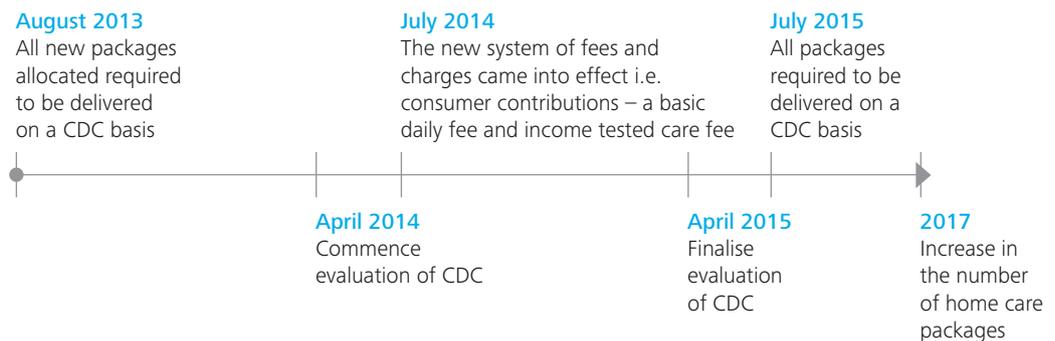


Figure 2: CDC roll-out time line

Deloitte interviewed a number of service providers in aged care, community care, and general healthcare to understand their views on how the upcoming changes will impact the industry. Our findings have been grouped into six broad themes that describe the changing landscape of community care.

1

Emphasis on customer-centricity

Consumers of disability and aged care services will have greater control over services received, with NDIS and CDC allowing them to make choices about the types of aged care and disability services they access and the delivery of those services, including who will deliver the services and when.

Consumer choice will drive behaviour for customers to consider personality and likeability in their buying behaviour. Customers will increasingly demand softer skills from support workers, in some cases, more so than formal qualifications or experience. Customer service skills such as communication and attentiveness to the needs of the individual will be highly valued by consumers and therefore service providers. Increasingly, consumers will demand access to a workforce with specific cultural, linguistic and technical skills. As a result, providers will need to compete and tailor support to meet the individual needs of their customer base.

Customer-centricity will likely lead to longer service hours, shorter service requests and a level of unpredictability in service demand never experience before. Providers will be challenged to allocate and roster their workforce using traditional methods due to the increased complexity of individual client service requirement and current award constraints. Consumer directed service models will also be more labour intensive than group or centre-based models and therefore require a larger workforce to deliver.



Key Quotes from Interviewed Service Providers:

There is a real opportunity for niche providers with unique services to differentiate.

There will be a demand for external niche service providers working with residential facilities as customers increasingly choose their own specialists.

Disability service providers have a bright future but need a strong value proposition.

Around 20-50% more support workers were required to deliver to the existing user base.
– NDIS trial site observation

2

Increased competition amongst existing providers to attract customers

Providers will likely cherry-pick certain services that are more profitable and may use these to cross-subsidise less profitable services. Private providers may enter and selectively provide the more profitable services and turn away challenging non-profitable cases. Regional and remote locations are still considered too expensive to service by private providers.

Existing smaller providers are likely to struggle to adapt to the new individualised funding business model, some will exit as a result. Providers will need to manage the volatility of attracting individual customers compared to previously receiving a block-fund.

New South Wales and Queensland have already announced that they will sell key assets such as the Home Care Service of NSW and that they will transition departmentally delivered disability accommodation support and respite services to the non-government sector.



Key Quotes from Interviewed Service Providers:

The disability sector demonstrated increasingly competitive behaviour, setting up shop fronts within the vicinity of the NDIA to secure customers

– *NDIS trial site observation*

3

Forecast higher customer demand leading to workforce shortages. The sector will compete with other rapidly expanding industries such as aged care and health for nurses and personal care workers

Health Workforce Australia estimates that the short-term supply of nurses is stable, although by 2025 there will be a significant shortfall. Based on a high demand scenario, it is estimated that this could be as large as 193,122 nurses by 2025 across Australia³.

Increased competition for a highly skilled workforce and a tightening labour market is likely to drive up the average hourly wage of nurses and personal care workers as service providers compete to attract and retain staff with the requisite skill sets, demanded by increasingly discerning consumers of aged care and disability services.

Community care providers may increasingly leverage their carer workforce as a more cost effective alternative to their more highly trained resources i.e. nurses, especially for customers with less complex needs.



Key Quotes from Interviewed Service Providers:

The aged care sector needs to offer a premium hourly rate to the hospital sector to secure enough enrolled nurses.

Service providers will need to ensure that their workforce is increasingly competitive and person-centric.

Structural changes will be required to retain workforce i.e. higher wages, career options and pathways, learning and development.

³Health Workforce Australia, Health Workforce 2025, Volume 1

4

NDIA has under-priced activities and services

The NDIA has recognised pricing still requires alignment and will review prior to full implementation. The NDS has stated that it is concerned that pricing support below the real cost of delivery will reduce choice of the available providers for participants and lower service quality.

We believe that the NDIA will likely increase prices to ensure a competitive environment that can service the end customer but there are likely to be some services and assets that will receive more favourable funding than others.

5

Providers will need to re-configure their existing processes and systems

Providers will be required to manage individual flow of funds instead of an annual pooled fund. This means moving into an activity based costing approach to provide transparency to its customers such as itemised invoices.

For many of the existing providers, business processes will need to be reviewed, cost structures assessed, transparency assured and cash flow effectively managed.

6

Ability to sub-contract services to a registered or un-registered provider

The view of the providers we interviewed was that they could sub-contract as required. The onus was on them to ensure appropriate checks were undertaken and appropriate care was provided. In their view, obtaining approval was not difficult. Concerns were raised on the level of administration that would be added to their business model of having to undertake procurement processes to identify potential subcontractors and they were seeking additional funding to support these costs. The extreme case of this would be where a consumer selected individual providers for each service and the health provider with the allocated package funding needed to subcontract all of these service providers.



References

- Interviews with service providers, nurses and carers
- Health Workforce Australia, Health Workforce 2025, Volume 1
- Department of Social Services, Aged Care Reform
- National Commission of Audit, the National Disability Insurance Scheme
- Australian Institute of Health and Welfare
- National Disability Services
- NDIS trial site observations

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Deloitte
550 Bourke Street
Melbourne, Victoria
Australia
Tel: +61 39671 7000
www.deloitte.com.au

Contacts



Lynne Pezzullo

Partner, Life Sciences & Health Care
Deloitte Access Economics
+61 2 6175 2061
lpezzullo@deloitte.com.au



Jovita Gartlan

Partner, M&A Consulting Services
Strategy & Operations
+61 3 9671 6262
jgartlan@deloitte.com.au



Vincent Woo

Director, M&A Consulting Services
Strategy & Operations
+61 3 9671 6227
viwoo@deloitte.com.au

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