Australian Government
Department of Health

Commonwealth Home Support Programme (CHSP) Extension – Negotiations, Transition Support and Remote Loadings

Overview

In October 2021, the Department of Health announced transition support options to help CHSP providers transition to payment in arrears. Further, in recognition of the cost of service delivery in remote and very remote regions, providers were advised they may request to receive a unit price loading if they predominately deliver services in Modified Monash Model (MMM) 6 and 7 regions.

2022-23 CHSP Contracts and Negotiations

Detailed information about the Grant Agreements and the National Unit Prices were provided in the CHSP – Payment in Arrears and Unit Pricing October update. As previously explained, there is only modest scope for CHSP providers to negotiate unit prices. Where a CHSP provider is already funded within the 2022-23 National Unit Price Range, there will be no option to negotiate, unless:

- They deliver majority of services **(51% or more)** in MMM 6 or 7.
- They have historically been delivering at a materially different unit price.
- They want to re-categorise a service into another service type to **correct historical anomalies**. In this instance, if they already deliver this service type, the unit price will match their 2022-23 unit price, and outputs would be calculated such that there is no change to the total value of the contract. Otherwise, if they are adding a new service type to their contract, Health will need to confirm the new unit price and outputs.

In order to ensure funding levels remain unchanged, the number of units (or outputs) for activities will also be adjusted in the following ways:

- **Provider is currently funded above the price range** - the funded unit price will be reduced to the top of the National Unit Price Range. Outputs will be increased to ensure there is no reduction in the overall value of the contract.
    - This may impact providers who have recently received growth funding where the unit prices were based on the Deloitte Access Economics data study. These prices were higher than the ACIL Allen Unit Price Ranges and are being brought into line with the new unit price ranges.
- **Provider is funded below the price range and underdelivering** - the funded price will be increased to the bottom of the unit price range, and outputs will be reduced.
- **Provider is funded below the price range and delivering close to agreed outputs** – these providers will receive additional funding and their unit price will be increased to the bottom of the unit price range.
- **MMM 6 and 7 loading** – providers who predominately deliver in these areas will be able to seek a change to their contract to provide a loading to the unit price range for a specific Aged Care Planning Region (ACPR). Outputs would then be reduced by an equivalent amount so that funding levels don't change.

Contractual obligations

Providers are responsible for sustainably managing their service delivery and number of clients. Providers are contracted to deliver a specific number of outputs. Compliance against the contract is taken seriously, however, Health understands localised factors may impact on the number of outputs a provider is able to deliver. That is, the prices being used for contracts are based on a nationally representative footprint, which is not necessarily representative of a provider's local footprint.

Compliance mechanisms will consider whether localised factors are an appropriate reason for under delivery against contracted outputs. This include things like higher recruitment/wage costs or atypical service delivery locations, such as proportionately lower service delivery in urban regions within an ACPR, compared to regional. Other events, such as natural disasters and the COVID-19 pandemic will also be considered.

Cross-subsidisation

In Addition, Health recognises some providers cross-subsidise to supplement their CHSP funding. Cross-subsidisation prevents Health from understanding the true cost of service delivery. Therefore, future consultation will be required to assess the impact of cross subsidisation on unit prices to better inform the new Support at Home Program.

Exiting the CHSP program

If a CHSP service provider is planning to exit the program at 30 June 2022 Health requests this advice be provided to the Community Grants Hub (CGH), in writing, by **18 December 2021**, noting this is a complex decision that may be subject to ongoing negotiations with the CGH.

MMM 6 and 7 Loadings

The MMM is how we define whether a location is a city, rural, remote or very remote.

Health has reviewed the rural loadings in the National Disability Insurance Scheme, the Bulk Billing Incentive, the Workforce Incentive Program and the Resource Utilisation and Classification Study to inform the application of a percent loading to CHSP unit prices.

Providers who deliver the majority of services (51% or more) in MMM 6 or 7 may be eligible to apply for a loading.

As part of the CHSP 2022-23 extension, all Assistance with Care and Housing (ACH) and Sector Support and Development (SSD) activities **will not** be eligible to apply for a MMM loading. This is because:

- All ACH activities will move to monthly payment in arrears and monthly reporting, however, consistent unit prices will not be applied. Therefore, ACH activities will not be eligible for a MMM loading.
- SSD funding will remain upfront quarterly payments and reporting will remain on a six-monthly schedule. Therefore, SSD activities will not be eligible for a MMM loading.

MMM loadings - Frequently Asked Questions

1. **What is the maximum percent loading that can be applied?**

   The loading is capped at 40%.

2. **If a provider is already within the unit price range and has fully delivered (100%), or over delivered, can they apply for the MMM loading?**
   These providers should discuss their specific situation with the CGH. The provider may not be able to apply for the MMM loading as they are currently delivering services at that unit price. Any changes to the unit price will result in a further reduction of outputs. This may result in the provider continuing to overdeliver or there may be a risk of reducing the number of services delivered in those regions.

3. **If a provider is already within the range and has previously delivered between 70% and 90% of their contracted outputs, and they have reasons/evidence to warrant a further unit price review, what loading would best match their service delivery?**The CGH and the provider will need to assess this together to determine the loading which best matches the provider's service delivery.
   The loading should be based on the percentage of services not delivered. For example:
   - If the provider delivered 70% of their outputs, they would receive a loading of 30%.
   - If they delivered 90% of their outputs, they would receive a 10% loading.

4. **If a provider seeks a 40% loading and they have reasons/evidence to warrant a further unit price review, how is the 40% offset?**
   The outputs would be reduced in the ACPR containing MMM 6 and/or 7 regions by an equivalent amount to offset the loading.

5. **How will a loading impact my targeted outputs?**
   Once a loading is determined (0%, 10%, 20%, 30% or 40%) an equivalent amount of outputs across that ACPR will be reduced to offset the loading.

6. **How will this change the indicative contract I have already received?**
   At the activity level, the average unit price and total outputs will need to be updated depending on the load applied. If a provider receives approval to have a rural loading, they will receive their contract extension offer detailing the new average unit price and total outputs (at the activity level).

7. **Will the MMM loading change the total value of my contract?**
   No. The total value of the contract does not change but the new unit price may be above the national unit price range and the outputs may be reduced.

8. **Can I receive a higher loading for MMM 7 compared to MMM 6?**
   No. Given the complexities of applying a MMM loading, providers will receive a combined loading for MMM 6 and 7 for a particular ACPR.

9. **I deliver services in MMM 3 to 5, why can't I get a loading?**
   Health recognises the cost of service delivery in remote and very remote areas can be higher compared to metropolitan, regional and rural areas. Aligning providers with nationally consistent unit prices is an important step to transitioning to the new Support at Home Program in 2023-24.

There was limited evidence that underlying costs for MMM 3-5 was significantly higher than MMM 1 and 2 when looking at unit prices nationally. However, as detailed above, compliance mechanisms will consider whether localised factors are an appropriate reason for under delivery against contracted outputs.

Provider Journey - negotiating a MMM 6 and 7 loading

1. If a provider meets the eligibility criteria for the MMM loading, they should contact the CGH to negotiate their indicative service offer. In some instances, the CGH may reach out to providers meeting eligibility criteria to negotiate their indicative service offer, however this will be in limited circumstances and the onus to negotiate a MMM loading remains with the provider.
2. Providers should discuss the percent loading they wish to have applied. The CGH will compare the reasons/evidence against performance information/data.
3. The CGH will provide Health with a recommendation using the existing framework for negotiations of the indicative offers.
4. Health assesses (approves or rejects) the request for the MMM loading and new unit price.
5. If approved, the provider will receive their funding agreement extension offer detailing the new unit price and outputs (at the activity level).

Transition Support

Health acknowledges that some providers may require assistance to manage the cashflow impact of transitioning to payment in arrears. In the recent CHSP readiness survey, nearly 78% of respondents indicated the biggest barrier to transitioning to payment in arrears was the financial/cash flow impact.

As a result, Health will provide targeted assistance through a staged process:

- **Initial Support** – all providers will receive a one month upfront payment in July.
- **Rollover Support** – Upon request, providers (excluding providers exclusively funded to deliver SSD) will be allowed to rollover unspent funds up to a maximum of one month's worth of funding from 2021-22 to 2022-23. Requests are due 30 May 2022.
- **Transition Support Funding**– if providers have minimal or no projected underspends, they may apply through a grant round to receive targeted transition funding to sustain cashflow. Approved grantees will receive funding through a separate, and simplified grant process. The upcoming grant round will be advertised on GrantConnect in early 2022.

Stages for transition support

Initial Support – One Month upfront payment

All CHSP providers will transition from upfront quarterly payments to fixed monthly payments in arrears based on 1/12 of the total value of the grant agreement. To help manage the transition and associated cashflow impacts, providers will be paid the July 2022 monthly payment in advance. The August 2022 payment will then be made at the start of September 2022.

Eligibility Criteria for initial support

- Providers must have signed their grant agreement for the 2022-23 CHSP Extension.
- By default, all providers will receive the July 2022 monthly payment in advance, requiring no action from providers.

Rollover support

In addition, to support providers, Health has agreed to allow all providers (excluding providers exclusively delivering SSD) that have signed their grant agreement for the 2022-23 CHSP Extension to rollover unspent funds from 2021-22 to 2022-23 capped at one month's worth of funding for that particular provider. It is intended that this one-off payment to sustain cashflow, is in addition to the grant funding. Any remaining unspent funds will need to be acquitted.

Providers must email the CGH to request to rollover their unspent funds by **30 May 2022** outlining their projected underspend.

Eligibility Criteria for Rollover Support

- Providers must have signed their grant agreement for the 2022-23 CHSP Extension.
- Providers must email the CGH requesting to rollover their projected underspend by 30 May 2022.
- If requested, providers will be allowed to rollover unspent funds up to the value of one months' worth of their annual CHSP funding amount.

If an organisation receives funding through Transition Support Funding and subsequently has an underspend by 30 June 2023, they will not be able to rollover that funding, and it will be recovered post 30 June 2023.

Steps to apply for Rollover Support

1. Providers must email the CGH by 30 May 2022 requesting to roll over their projected underspend (equivalent to one months' worth of their annual CHSP funding amount).
    a. The provider must attach proof from an accountant or financial officer that demonstrates a projected underspend.
2. CGH will approve a provider's request to rollover their projected underspend.
    a. The provider will receive a confirmation letter outlining the total amount approved to roll over from 2021-22 to 2022-23.
3. The amount that can be rolled over from 2021-22 is capped at one month's worth of funding for that particular provider. For example, a provider that is funded $120,000 (GST Excl) in 2021-22 will be allowed to roll over $10,000 (GST Excl) – which is equivalent to one months' funding (indexation will not be applied).
4. If an organisation has minimal or no projected underspends to rollover, they may seek approval to receive funding through Transition Support Funding instead (outlined below).
5. Requests to rollover unspent funds close **30 May 2022**.

Transition Support Funding

In early 2022 Health will be opening a grant opportunity for Transition Support funding to support smaller providers with low cash reserves. The grant opportunity, including Grant Opportunity Guidelines, will be published on GrantConnect. All applicants will be considered on a case by case basis. Successful applicants will receive funding through a simplified grant process.

Eligibility Criteria for Transition Support Funding

For a provider to be eligible for Transition Support Funding they must:

- Have signed their grant agreement for the 2022-23 CHSP Extension.
- Receive less than $625,000 (GST Excl) in CHSP funding per annum.
- In their application include the following:
  - Advice from an accountant or financial officer confirming the organisation has 0-1 months cash reserve for CHSP services (as a proportion of their grant agreement); or
  - Advice from an accountant or financial officer, confirming the organisation is unable to fund the months of August and/or September 2022 through other financing mechanisms.
  - Acknowledgement the organisation understands the transition support funding is only to assist with the transition to payment in arrears.

The eligibility criteria **excludes** the following:

- Organisations that have not signed their grant agreement for the 2022-23 CHSP Extension.
- Organisations receiving more than $625,000 (GST Excl) CHSP funding per annum;
- Organisations who already receive payments in arrears through other government funded programs (e.g. National Disability Insurance Scheme or Home Care packages); and
- Organisations only delivering SSD as they are not transitioning to payment in arrears.

Steps to apply for Transition Support Funding

1. In early 2022 the upcoming grant round will be advertised on GrantConnect. This will include the eligibility criteria, how and when to apply, and how much funding is available.
2. Applicants will have four weeks to apply once the grant round is advertised on GrantConnect.
3. Applications will be assessed against stated eligibility criteria.
4. If approved, the provider will receive a letter outlining the total amount of Transition Support funding they will receive for 2022-23.
5. A new one-off grant agreement (without acquittal) will be prepared for the providers consideration.

Further Information

Health aims to regularly update providers on the changes to CHSP. All CHSP providers will be able to access these updates under CHSP news. Alternatively, please direct any enquiries to CHSPextension@health.gov.au.

(Updated January 2022)

Attachment A: CHSP Extension 2022-23 Modified Monash Model (MMM) loading worked example

Provider A – Domestic Assistance

Provider A is located in Mataranka, Northern Territory which has a Modified Monash Model (MMM) classification of 7 in the Aged Care Planning Region (ACPR) of Katherine. Provider A delivers all of their services to clients who are in MMM 7 regions within the ACPRs of Katherine, Barkly and Darwin.

Provider A has received their indicative service offer for the 2022-23 CHSP Extension and contacts the Community Grants Hub (CGH) to discuss a MMM loading that best matches their service delivery.

To assess their eligibility for a MMM loading the CGH reviews Provider A's service delivery performance for the previous financial years from 2018-19 to 2020-21. In 2020-21 Provider A was funded **$199,984** (GST Excl) to deliver **3,448** hours of domestic assistance at an average unit price of **$58 per hour**.

Provider A is already funded within the 2022-23 CHSP National Unit Price Range for domestic assistance (**$48-$61**).

Using the DEX performance data, the CGH can see that the provider delivered 3,103 hours of domestic assistance (90% of their target) in 2020-21. The CGH recommends a 10% loading may be appropriate as this aligns with their ability to meet target outputs and ensures reduction in service delivery is minimised. The provider agrees to a 10% loading and requests it be applied to their grant agreement.

New unit prices and number of services

By applying a 10% MMM loading to all services delivered in the ACPRs of Katherine, Barkly and Darwin, Provider A will still be funded **$199,984** (GST Excl) for 2022-23 but will have the following changes applied to their Activity Work Plan (AWP) and grant agreement:

- **AWP**: Provider A, previously funded to deliver **3,448 hours** of domestic assistance will now be funded to deliver **3,134 hours** of domestic assistance across the ACPRs of Katherine (**909 hours**), Barkly (**909 hours**) and Darwin (**1,316 hours**). The revised outputs now better reflect the amount of services delivered and Provider A will still be funded at **$199,984** (GST Excl) for 2022-23.
- **Grant agreement**: Provider A will now be funded to deliver **3,134 hours** of domestic assistance at a new average unit price of **$63.80 per hour**. Provider A will still be funded at **$199,984** (GST Excl) for 2022-23.

This new unit price will bring Provider A's average unit price above the 2022-23 CHSP National Unit Price Range for domestic assistance.

How the MMM loading is applied to the AWP and Grant Agreement

Before loading

Activity Work Plan

ACPR	Financial Year	Type of Units	Number of units	Amount (excl GST)	Funded Unit Price
Katherine	2022-23	Hours	1,000.00	$58,000.00	$58.00
Barkly	2022-23	Hours	1,000.00	$58,000.00	$58.00
Darwin	2022-23	Hours	1,448.00	$83,984.00	$58.00
		Total	**3,448.00**	**$199,984.00**	

Payment in the Grant Agreement

Service type	Financial Year	Type of Units	Number of units	Amount	Funded Unit Price
Domestic Assistance	2022-23	Hours	**3,448.00**	**$199,984.00**	$ 58.00

After loading

Activity Work Plan

ACPR	Financial Year	Type of Units	Number of units	Amount	Funded Unit Price
Katherine	2022-23	Hours	909	$58,000.00	$63.80
Barkly	2022-23	Hours	909	$58,000.00	$63.80
Darwin	2022-23	Hours	1,316	$83,984.00	$63.80
		Total	**3,134**	**$199,984.00**	

Payment in the Grant Agreement

Service type	Financial Year	Type of Units	Number of units	Amount	Funded Unit Price
Domestic Assistance	2022-23	Hours	**3,134**	**$199,984.00**	$63.80