

Review of residential  
charges in group  
homes for people  
with a disability

KEY FINDINGS REPORT

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VPSC

Victorian Public Sector Commission

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The key functions of the Commission are to:

- strengthen the efficiency, effectiveness and capability of the public sector in order to meet existing and emerging needs and deliver high quality services; and
- maintain and advocate for public sector professionalism and integrity.

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# Abbreviations

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Abbreviation	Description
The Act	The <i>Disability Act 2006</i>
CRA	Commonwealth Rent Assistance
CSO	Community Sector Organisation
DHHS	Department of Health and Human Services
DSP	Disability Support Pension
NDIA	National Disability Insurance Agency
NDIS	National Disability Insurance Scheme
SSA	State Services Authority
VCAT	Victorian Civil and Administrative Tribunal
VPSC	Victorian Public Sector Commission

# Glossary

Term	Description
<b>Accommodation</b>	House ownership costs (e.g. rates), leasing costs (e.g. rent), depreciation (i.e. decline in value of assets), maintenance (e.g. ad hoc repairs and cyclical maintenance) and capital works (e.g. major works to improve the suitability and condition of houses).
<b>Board</b>	Food.
<b>Board and lodging charge</b>	A charge that includes food (board), accommodation and other non-food housekeeping (lodging). Centrelink considers two-thirds of the board and lodging charge as rent for the purpose of assessing eligibility for Commonwealth Rent Assistance.
<b>Community housing</b>	Housing managed by not-for-profit registered housing agencies that is provided to people on low to moderate incomes. Community housing tenants pay rent at 30% of their income.
<b>Disability related costs</b>	Costs that residents incur in addition to their accommodation and housekeeping that are related to their disability (day program fees, transport, medical costs, continence costs, and aids and equipment in excess of Government subsidies and allowances).
<b>'Discretionary' income</b>	Income that residents have left over after paying their residential charge and disability related costs. Residents require discretionary income to pay for items such as clothing and personal care items.
<b>Group home</b>	Residential accommodation in which residents are provided with disability services and are supported by rostered staff provided by a Department of Health and Human Services funded disability service provider. Each home typically accommodates between 4 to 6 residents. Residential services are declared to be group homes under the <i>Disability Act 2006</i> , and admission for a resident to a group home is through the Disability Support Register.
<b>Housekeeping</b>	All of the 'services' that can be included in a residential charge. These are: food, utilities, communications (including telephone), bedding and linen, general household consumable supplies, communal furnishings and whitegoods, household equipment and utensils, and replacement of items following wear and tear or accidental damage.
<b>Minimum income</b>	An amount equivalent to the Disability Support Pension, pension supplement and Commonwealth Rent Assistance. This equates to \$955.30 per fortnight. Most residents of group homes receive this minimum income. Some residents may have additional income from other sources. A small number of residents may receive less because they are under 21 years of age; because they are eligible only for partial Commonwealth Rent Assistance (CRA) (because rent is below relevant thresholds); or because they are public housing tenants who are ineligible for CRA.
<b>Prescribed amount</b>	An amount equal to the sum of 75% of the Commonwealth Disability Support Pension and 100% of the Commonwealth Rent Assistance received by the person to whom the proposed residential charge relates.
<b>Public housing</b>	Housing owned and managed by the Victorian Director of Housing, that is provided to people on low to moderate incomes. Public housing tenants in Victoria pay rent at either 25% of their income, or a market rent (whichever is lower).

## Foreword

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In 2013 the former Department of Human Services (DHS) (now amalgamated into the Department of Health and Human Services – DHHS), announced that residential charges in DHHS group homes for people with a disability would be increased to 75 per cent of the Disability Support Pension (DSP) and 100 per cent of Commonwealth Rent Assistance (CRA).

A group of families of DHHS group home residents challenged the proposed increase at the Victorian Civil and Administrative Tribunal. In September 2013 DHHS withdrew the proposed increase to charges.

In October 2013 the former Minister for Disability Services and Reform, the Hon Mary Wooldridge MP announced that the Victorian Public Sector Commission (VPSC) would undertake a review into residential charges in group homes for people with a disability in Victoria (the review). The VPSC undertook this review between March and November 2014. This document provides a summary of key findings from the review.

The review of residential charges in group homes for people with a disability was the first independent review of residential charges in group homes since the introduction of the *Disability Act 2006* (the Act).

The review was focused on ten terms of reference related to: how residential charges are set; the extent to which charges meet accommodation and housekeeping costs; and how charges relate to the income and disability related costs facing residents.

The review focused on accommodation and housekeeping charging arrangements in both DHHS and in Community Sector Organisation (CSO) group homes. Consideration of support services within group homes, including staffing and care arrangements and funding for staff were outside the scope of the review.

The review based its findings on comprehensive research and analysis; a statewide community consultation process; and a survey of CSO costs and charges. There was significant interest in the review. In total, around 155 people attended the consultation meetings for residents, families and carers and around 91 attended the meetings for CSO service providers. In addition, the review received 30 submissions from individuals and organisations.

The review found that there are significant and complex issues regarding residential charging arrangements in group homes. In particular, there is a tension between the need for service providers to cover ever increasing costs, whilst also recognising that there is a limit to the amount that residents can contribute while continuing to pay for disability related costs and personal expenses from their modest incomes.

The key findings from the review are as follows:

- Residential charges across DHHS homes and many CSO homes do not cover the costs of accommodation and housekeeping. Consequently many service providers are running deficits, selling assets and under-investing in maintenance and capital improvement.
- Current residential charging arrangements will be unsustainable for DHHS when the Government transfers \$2.51 billion in disability funding committed to the National Disability Insurance Scheme (NDIS) (unless there is an additional budget appropriation).
- Most residents receive modest incomes and have a range of disability related costs to meet in addition to their accommodation and housekeeping charge. These disability costs are not borne to the same extent by the general community, and can be considerable for some residents.

- There is significant variation in charges paid by residents in DHHS homes, and between residents in DHHS and CSO homes. On average, DHHS residents pay considerably lower residential charges than CSO residents. The differences in charges in DHHS group homes are largely unrelated to differences in the amenity of accommodation, or the range of housekeeping services provided.

These findings illustrate the complexity of issues regarding group home residential charging arrangements, which are neither straightforward nor easy to solve. Indeed if they were, there would have been no need for this review. The challenge for Government and CSOs is to find a way forward which achieves a balance between these issues.

I would like to thank service providers, family members, peak organisations and government bodies for taking the time to meet with us to share their views on residential charging arrangements. I would particularly like to thank the families of group home residents for being so open and frank about their situations, sharing often very personal stories, and providing us with detailed information about the financial circumstances of their relatives. All of these contributions have greatly assisted the review.

**Yehudi Blacher**

**Lead Reviewer – Review of residential charges in group homes for people with a disability**

## Summary of key findings

### Current charging arrangements are unsustainable

- DHHS group home residential charges do not cover the cost of accommodation, housekeeping, administration and transport. In 2014–15, total cost for DHHS accommodation, housekeeping, administration and transport is estimated at \$53.05 million. It is expected DHHS will generate \$28.02 million in revenue from residential charges for the 2014–15 year. As a result DHHS will have a shortfall of \$25.03 million (including unfunded liabilities) for group home accommodation, housekeeping, administration and transport.<sup>1</sup>
- Charges paid by almost two thirds of CSO residents don't meet accommodation and housekeeping costs. Most CSOs don't have access to other sustainable sources of income to manage this deficit.
- The Victorian Government has committed \$2.51 billion in cash and in-kind services to the Commonwealth National Disability Insurance Agency upon full roll out of the NDIS from 2019–20. This exceeds the \$1.7 billion currently allocated to disability services in Victoria.
- Unless there is an additional budget appropriation or additional income from other sources, as Victoria negotiates its cash and in-kind contribution to the NDIS, DHHS will need to consider the extent to which it is able to continue to: subsidise accommodation and housekeeping and associated administration; provide free transport; or provide financial assistance for disability related costs through a financial hardship program.
- In the absence of an additional budget appropriation, or an increase to residential charges, the future sustainability of both DHHS and CSO group home places is in doubt.

### There are limitations on resident income

- Most group home residents over the age of 21 years receive a modest income equal to or greater than the single adult rate of the Disability Support Pension (DSP), pension supplement and Commonwealth Rent Assistance (CRA).
- Many residents have a range of disability related costs which are not borne to the same extent by the general community. These costs include: continence aids, medical costs, disability transport services, and day service costs. These costs can be considerable for some residents.
- In addition to paying their residential charge and disability related costs, residents need to retain at least a modest discretionary income to pay for items such as clothing, shoes, personal items and community participation.

### Current charging arrangements are inequitable

- Entry to a group home is managed through the Disability Support Register (DSR). The policy for placement in a home is based on availability of a place to meet an individual's level of support needs, and compatibility with other residents in the home. Residents are placed in either a DHHS or CSO home depending on where a place becomes available.
- While it is arbitrary whether a resident is placed in a DHHS or a CSO home, and residents have limited choice regarding the home they are placed in, the residential charge related to the home has financial implications for the individual.
- There is significant variation in charges paid by group home residents. There is variation in: charges paid by residents across DHHS homes; charges paid by residents across CSO homes; and charges

<sup>1</sup> The \$25.03m shortfall includes \$14.48m in unfunded liabilities for cyclical maintenance and capital improvement as well as \$7.24m expenditure on transport services.

paid by residents across DHHS and CSO homes. Charges across both DHHS and CSO group homes range from \$335.48 to \$794.31 per fortnight.

- DHHS residents pay considerably less on average than CSO residents. The average DHHS charge is \$454 per fortnight. The average CSO charge is \$624 per fortnight.
- DHHS has six different policies for determining the charging amount in its group homes, including individualised rates for many residents on a board and lodging charge. The charge that applies is based on factors largely unrelated to the housekeeping services provided or amenity of accommodation.
- Residents placed in a DHHS home from April 2014 are required to pay 70 per cent of the DSP and 100 per cent of CRA (\$662.60 per fortnight). This is considerably higher than the average charge paid by other DHHS residents (\$454 per fortnight), including those already living in the same home.
- The difference in charges across DHHS homes; across CSO homes; and between DHHS homes and CSO homes is inequitable. In the main residents have the same income and limited choice regarding the home in which they are placed.

### **There are strengths and weaknesses in different charging models**

- Charging models which promote choice and control for residents; are efficient to administer; and enable providers to distinguish between support services, accommodation costs and housekeeping costs are likely to be most consistent with the directions of the NDIS.

### **Group home residents in other Australian jurisdictions pay higher residential charges than Victorian group home residents**

- Generally, residents that pay their group home provider for accommodation and housekeeping in other jurisdictions pay at least 70 per cent of minimum income for accommodation and housekeeping. This is higher than the average Victorian group home charges. The average DHHS charge is 48 per cent of minimum income and the average CSO charge is 65 per cent of minimum income.

### **The DHHS financial hardship policy is inconsistent with community living arrangements**

- The current financial hardship policy framework is premised on reducing or waiving the residential charge, so that residents can meet other expenses. This is inconsistent with how most people in the community manage their finances. Ordinarily, people meet living costs as a priority, and hardship programs assist with other extraordinary costs.
- Better collection of information about financial relief provided for disability related costs is needed to inform full implementation of the NDIS.

### **The role of Government in residential charges needs consideration**

- DHHS' continued role in advising Government on the regulatory context for residential charges, and operating as the largest service provider subject to these regulations, is inconsistent with the principles of good public administration.
- The current regulatory framework allows residents to challenge increases to their residential charge (outside of increases related to indexation and the CRA). While this provides some protection for residents, it also creates a range of potential issues for both residents and providers. In particular it potentially:
  - creates a perverse incentive for new providers to set the charges higher than necessary to cover costs, in order to avoid challenges to potential future increases;

- limits challenges to charges to 'increases', rather than the basis of the charge; and
- restricts the capacity of providers to set charges based on costs.
- There is a lack of transparency around current charging arrangements including how charges are set.

# 1 Background

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## 1.1 Group homes in Victoria

Group homes for people with a disability provide 24-hour support to enable residents to live in the community. The typical group home accommodates between four and six residents.

In 2014–15, the Victorian Government provided funding of \$1.7 billion for disability services in Victoria. This funding covers the delivery of a range of disability services and supports such as residential services (including group homes), day services, respite services, individual support packages and grants for aids and equipment. In 2014–15 this funding provided for 5,112 places across approximately 1,000 group homes. DHHS and CSOs each provide approximately half of these places.

Entry to a group home is managed through the Disability Support Register. Residents are placed in either a DHHS or CSO home, depending on where a place becomes available.

Government funding provides for care and support within the group home, but does not cover general living costs of residents such as accommodation and housekeeping. There is an expectation that residents in group homes will contribute to these living costs, through a residential charge.

## 1.2 Review of residential charges

On 29 October 2013, the former Minister for Disability Services and Reform, announced that the then State Services Authority (now Victorian Public Sector Commission) would undertake a review of residential charges in group homes for people with a disability. The terms of reference for the review are outlined in Box 1.

As part of this announcement, the former Minister for Disability Services and Reform outlined that a board and lodging charge, which bundled separate rent and housekeeping charges into a single charge, would be implemented across the majority of DHHS managed homes on 1 April 2014.

## Box 1: Terms of Reference

To consider:

- The adequacy of current residential charging models, revenue streams for community sector organisations and the impact on the viability of disability residential services.
- Identification of variation in fee models and service expenditure by providers of disability residential services and opportunities to improve equity and fairness.
- Pricing models including consideration of full cost recovery (excluding support) rather than subsidisation for rent and house-keeping.
- The impact of other disability related costs on residents; for example, fees for day services and transport.
- Analysis of Commonwealth allowances residents may receive and their applicability to fee setting.
- The impact of fee structures on client outcomes and consideration of hardship principles and policy.
- Models used by other Australian jurisdictions for residential charges.
- Applicability of current fee structures for transition of residential services to the NDIS and proposed preferred alternative fee structure if indicated.
- Opportunities to standardise or streamline charging processes and reduce administrative burden for disability service providers, administrators and residents.
- The role of Government in fee setting for services such as disability residential services.

## 1.3 Review methodology

### Consultation process

The VPSC used a range of approaches to gather and analyse information and views related to the review's terms of reference:

- The VPSC held community meetings across metropolitan and regional Victoria between May and August 2014. The VPSC held 11 meetings for residents, families and advocates; 10 meetings for CSO service providers; and a number of separate meetings for DHHS staff. These meetings provided opportunities for families, residents, advocates and service providers to contribute their views on residential charging arrangements. In total, around 155 people attended the meetings for residents, families and carers, and around 91 attended the meetings for CSO service providers.
- A public call for submissions process was open from 23 April to 18 July 2014 to enable people with a disability, their families and carers, service providers and other organisations and individuals with an interest in residential charges in group homes to provide their views in writing. The review received 30 submissions from individuals and organisations.
- The VPSC undertook a series of site visits of group homes located across metropolitan Melbourne and regional Victoria between April and August 2014.
- The VPSC consulted with a range of organisations between April and August 2014. These included peak bodies; representatives from key Government agencies; and representatives from other states and territories.
- The review was supported by an Advisory Group consisting of senior Government and sector representatives and expert advisors.

## **Analysis of provider costs and charges**

The review received data from DHHS to determine the costs the department incurs for accommodation, housekeeping and transport, and revenue it receives from residential charges.

The review also undertook a survey of CSO service providers to understand the 'build' and range of CSO costs, charges and revenue for group home accommodation and housekeeping. The survey was distributed to agencies identified by DHHS as group home providers. Twenty three agencies completed the survey, a response rate of 38 per cent. These 23 agencies accommodated 65 per cent of residents in group homes operated by CSOs.

The review's analysis of DHHS and CSO costs and charges is based on best available data provided to the review between April and August 2014.

## **Analysis of resident income and disability related costs**

The review estimated average disability related costs and the range of disability related costs residents may incur. This involved considering out of pocket expenditure in excess of allowances and concessions provided by either the Commonwealth or DHHS (e.g. mobility allowance, continence payment scheme, discounted medication through the Pharmaceutical Benefit Scheme, and state-wide equipment program funding). The review considered disability related costs to residents based on the following information sources:

- a 2013 survey by DHHS of fees charged by day service providers;
- data provided by the State Trustees between April – August 2014 on costs incurred by individual residents (the State Trustees provided data for approximately 1,400 residents – 28 per cent of the total number of group home residents); and
- information provided by individuals who attended consultations and made submissions to the review between April – August 2014.

## 2 The extent to which residential charges meet costs

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### Terms of reference

- The adequacy of current residential charges revenue streams for community sector organisations and the impact on the viability of disability residential services.
- Analysis of Commonwealth allowances residents may receive and their applicability to fee setting.
- The impact of other disability related costs on residents; for example, fees for day services and transport.

### Key findings

- DHHS group home residential charges do not cover the cost of accommodation, housekeeping, administration and transport. In 2014–15, total cost for DHHS accommodation, housekeeping, administration and transport is estimated at \$53.05 million. It is expected DHHS will generate \$28.02 million in revenue from residential charges for the 2014–15 year. As a result DHHS will have a shortfall of \$25.03 million (including unfunded liabilities) for group home accommodation, housekeeping, administration and transport.<sup>2</sup>
- Charges paid by almost two thirds of CSO residents don't meet accommodation and housekeeping costs. Most CSOs don't have access to other sustainable sources of income to manage this deficit.
- The Victorian Government has committed \$2.51 billion in cash and in-kind services to the Commonwealth National Disability Insurance Agency upon full roll out of the NDIS from 2019–20. This exceeds the \$1.7 billion currently allocated to disability services in Victoria.
- Unless there is an additional budget appropriation or additional income from other sources, as Victoria negotiates its cash and in-kind contribution to the NDIS, DHHS will need to consider the extent to which it is able to continue to: subsidise accommodation and housekeeping and associated administration; provide free transport; or provide financial assistance for disability related costs through a financial hardship program.
- In the absence of an additional budget appropriation, or an increase to residential charges, the future sustainability of both DHHS and CSO group home places is in doubt.
- Most group home residents over the age of 21 years receive a modest income equal to or greater than the single adult rate of the Disability Support Pension (DSP), pension supplement and Commonwealth Rent Assistance (CRA).
- Many residents have a range of disability related costs which are not borne to the same extent by the general community. These costs include: continence aids, medical costs, disability transport services, and day service costs. These costs can be considerable for some residents.
- In addition to paying their residential charge and disability related costs, residents need to retain at least a modest discretionary income to pay for items such as clothing, shoes, personal items and community participation.

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<sup>2</sup> The \$25.03m shortfall includes \$14.48m in unfunded liabilities for cyclical maintenance and capital improvement as well as \$7.24m expenditure on transport services.

## 2.1 Viability of charges in group homes

There is a \$25.03 million shortfall between revenue received from charges paid by DHHS group home residents and the costs of accommodation, housekeeping, administration and transport for those group homes (including unfunded liabilities).

The review estimated that in 2014–15, the total cost to DHHS of providing accommodation and housekeeping services to residents of group homes, including administration costs, will be \$45.82 million. In addition, the review noted that DHHS provides free transport services to its residents at a cost of \$7.24 million in 2014–15. This results in a total cost to DHHS of \$53.05 million in 2014–15 for group home accommodation, housekeeping, transport and administration.

For residents in DHHS group homes receiving only accommodation and housekeeping, the average per capita cost is \$19,775. For those residents also receiving transport, the average per capita cost is \$24,044.

DHHS generates \$28.02 million in revenue from the residential charge, and does not collect any fees from residents for transport.

Accordingly, in 2014–15, DHHS will have an estimated \$25.03 million deficit when accounting for unfunded maintenance and capital improvement liabilities (\$14.48 million), transport costs (\$7.24 million) and expenditure in excess of revenue from the residential charge. It appears that DHHS manages the shortfall in revenue by under-investing in group home maintenance and capital improvement, and by subsidising with funding from other sources.

The review's survey of costs and charges for accommodation and housekeeping in CSOs showed that at least 62 per cent of residents in group homes provided by CSOs pay residential charges and transport fees that do not fully cover the costs of accommodation, housekeeping and transport. The extent of this shortfall varies between CSOs.

Many of the CSOs that responded to the review's survey, or that participated in the review's service provider consultation meetings indicated that they are managing the shortfall between the costs for accommodation and housekeeping and revenue from residential charges by using cash reserves, selling assets and subsidising with funding from other sources. CSOs indicated that they are also managing the shortfall by under-investing in maintenance and capital improvement.

Continuation of the shortfall between costs and revenue for accommodation, housekeeping, administration and transport for both DHHS homes and CSO homes is likely to result over time in a reduction in the number of houses and places in the disability residential system.

## 2.2 Impact of the National Disability Insurance Scheme

In 2013 the Victorian Government committed \$2.51 billion in cash and in-kind services to the Commonwealth NDIS upon full roll out of the NDIS in 2019–20. This exceeds current funding of \$1.7 billion for disability services. Absent a budget appropriation or additional income being available to DHHS, upon transferring disability funding to the NDIS, DHHS will need to consider the extent to which it can sustain continued deficits for accommodation, housekeeping and transport services (and associated administration) for group home residents.

Some families and service providers who attended the review's consultation meetings were hopeful that full implementation of the NDIS would involve the provision of funding to assist group home providers with accommodation costs. The Productivity Commission report – *Disability Care and Support: Productivity Commission Inquiry Report, July 2011*, recommended that a 'user cost of capital' be included in NDIS support packages for individuals with high support needs to reflect higher capital costs for these individuals.

If a 'user cost of capital' is allocated to NDIS packages for individuals living in group homes, this would assist in meeting accommodation costs, and potentially assist in reducing the gap between costs for accommodation and revenue received for accommodation. At the time of the review, however, this user cost of capital had not been applied to packages for individuals living in supported accommodation in the Victorian trial of the NDIS.

## 2.3 Income of group home residents

Families of group home residents who attended the review's consultation meetings and made submissions to the review strongly argued that while it is absolutely right for residents to pay a residential charge, the charge should be set at an amount that enables their son, daughter, sister or brother to maintain a decent life and participate in the community.

An overwhelming number of families who contributed to the review argued that residential charges need to be set in a way that is cognisant of the income that residents receive; the types of disability related costs many residents incur; and the need to ensure that there is some income left for personal items (including clothing and shoes) and entertainment.

The review was advised by the State Trustees and families of group home residents that most group home residents are reliant on the Commonwealth pension and supplements as their source of income. The review estimated that most residents receive the single adult rate of the Disability Support Pension (DSP) and pension supplement, and Commonwealth Rent Assistance (CRA). As at June 2014 this equated to \$955.30 per fortnight. The groups of residents with lower incomes are:

- residents who are aged under 21 years (who receive a reduced rate of the DSP which starts at 70% of the adult rate and increases with age); and
- residents who are ineligible for the CRA (such as those who are public housing tenants).

Furthermore, families indicated that most residents are reliant on the Commonwealth pension and supplements for most of their life, and often don't have the capacity to work or generate income.

While many families indicated they support their relative living in a group home, some families advised that they are not able to provide financial support to their relative. Some service providers indicated that not all group home residents have family involved in their lives.

Several families suggested that where residents did have savings or access to additional income (for example through family support), this income should not be considered when setting charges. This was presented as a particular issue where families stated that they had 'gone without' in order to make these provisions for their relative.

## 2.4 Disability related costs

Like all people in the community, group home residents have a range of costs including: housing, utilities, food and clothing. In addition, families of group home residents who attended consultation meetings or made a submission to the review outlined that many group home residents have a range of 'disability related costs'. These costs are related to their disability, and are not borne to the same degree by members of the general community. These costs include day program fees, medical costs, continence aids and mobility aids and equipment. Some residents may face higher disability related costs than others, and for some residents the costs can be considerable.

In terms of transport, for example, some group home residents have higher transport costs than people in the wider community because they are not always able to walk or use low cost public transport to access services or community amenities.

While there are Commonwealth and State subsidies for many disability related costs, the review heard that these subsidies often don't meet the full costs incurred by residents.

## 2.5 Capacity to pay a higher charge

Families of group home residents who attended the review's consultation meetings and made submissions to the review indicated that significant increases to residential charges could be unaffordable for residents. Families with a relative in a group home with a higher than average residential charge indicated that their charge was already too high, and this was impacting on the financial situation of the family.

The review received overwhelming feedback from relatives of group home residents that the increase to residential charges proposed by the former Government in 2013 for DHHS homes (75 per cent of the DSP and 100 per cent of the CRA) would have been unaffordable for residents. They advised that this charging amount would have restricted the capacity of residents to meet disability related costs and participate in activities in the community.

## 3 Variation in residential charges

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### Term of reference

- Identification of variation in fee models and service expenditure by providers of disability residential services and opportunities to improve equity and fairness.

### Key findings

- Entry to a group home is managed through the Disability Support Register (DSR). The policy for placement in a home is based on availability of a place to meet an individual's level of support needs, and compatibility with other residents in the home. Residents are placed in either a DHHS or CSO home depending on where a place becomes available.
- While it is arbitrary whether a resident is placed in a DHHS or a CSO home, and residents have limited choice regarding the home they are placed in, the residential charge related to the home has financial implications for the individual.
- There is significant variation in charges paid by group home residents. There is variation in: charges paid by residents across DHHS homes; charges paid by residents across CSO homes; and charges paid by residents across DHHS and CSO homes. Charges across both DHHS and CSO group homes range from \$335.48 to \$794.31 per fortnight.
- DHHS residents pay considerably less on average than CSO residents. The average DHHS charge is \$454 per fortnight. The average CSO charge is \$624 per fortnight.
- DHHS has six different policies for determining the charging amount in its group homes, including individualised rates for many residents on a board and lodging charge. The charge that applies is based on factors largely unrelated to the housekeeping services provided or amenity of accommodation.
- Residents placed in a DHHS home from April 2014 are required to pay 70 per cent of the DSP and 100 per cent of CRA (\$662.60 per fortnight). This is considerably higher than the average charge paid by other DHHS residents (\$454 per fortnight), including those already living in the same home.
- The differences in charges across DHHS homes; across CSO homes; and between DHHS homes and CSO homes is inequitable. In the main residents have the same income and limited choice regarding the home in which they are placed.

### 3.1 Variation in charges

Entry to a group home is managed through the Disability Support Register (DSR). The policy for placement into a home is based on availability of a place and suitability of the place to meet an individual's level of support needs and compatibility with other residents in the home. Residents are placed in either a DHHS or CSO home, depending on where a place becomes available. In practice, due to the limited number of group home places in Victoria and the size of the waiting list, individuals tend to take the first place offered to them. It is arbitrary whether this place is either a DHHS managed home or a CSO managed home.

Families of group home residents indicated to the review that the residential charge for the home is generally not a consideration in whether to accept a place. Rather, the need for supported accommodation is the driving factor.

While there is limited choice in terms of the home an individual is placed in, the residential charge related to the home has financial implications for the individual.

The review identified considerable variation in the residential charges across group homes. There are differences in the charges paid across DHHS homes, across CSO homes, and between DHHS and CSO homes. Charges across both DHHS and CSO group homes range from \$335.48 to \$794.31 per fortnight. DHHS residents pay considerably less on average than CSO residents. The average DHHS charge is \$454 per fortnight. The average CSO charge is \$624 per fortnight. The average DHHS residential charge is 48 per cent of residents' minimum income<sup>3</sup>. The average CSO charge is 65 per cent of residents' minimum income.

DHHS has six different arrangements for levying residential charges in its group homes:

- Most DHS group home residents (74 per cent) pay the board and lodging charge that was introduced on 1 April 2014. This charge involves an *individualised* rate for each resident, based on the sum of separate amounts residents were paying for rent and housekeeping in November 2013. It also includes a cost of living increase and an amount equivalent to the CRA for which they became eligible when they moved to the board and lodging charge. The average board and lodging charge is \$457.66 per fortnight.
- Individuals who become a resident of a DHHS home after 1 April 2014 are required to pay 70 per cent of the DSP and 100 per cent of the CRA. This amounts to \$662.60 per fortnight.

The move to the new board and lodging charge on 1 April 2014 did not affect:

- residents in St Nicholas and Plenty Residential Services properties who pay a different board and lodging charge;
- residents in properties owned by the Director of Housing and leased to the Secretary who pay separate rent and housekeeping charges;
- residents in properties owned by the Director of Housing and leased directly to residents who also pay separate rent and housekeeping charges; and
- residents in properties owned by non-Government agencies or owned by the Director of Housing but leased to housing associations, who continue to pay DHHS only for housekeeping.

Sometimes there are differences in the charges paid by DHHS residents living within the same home.

There is also considerable variation in the residential charges applied by different CSOs. While most CSOs tend to have a common charging policy for all their residents, some providers apply different charges to different homes. CSOs have a broad and varied range of charges.

## 3.2 Basis for variation in charges

In general, the variation in charges paid is related neither to differences in housekeeping services provided to residents, the amenity of accommodation nor the provision of transport. In some cases, variation in DHHS residential charges may reflect historical expenditure on food and household items. The availability or absence of a group home bus does not appear to be related to higher or lower residential charges. Two thirds of DHHS group homes have a bus and one third of DHHS group homes do not. Those DHHS residents with access to transport do not pay a fee for this service, and those DHHS residents without access to transport do not receive discounts.

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<sup>3</sup> Minimum income – an amount equivalent to the Disability Support Pension, pension supplement and Commonwealth Rent Assistance. This equates to \$955.30 per fortnight. Most residents of group homes receive this minimum income. Some residents may have additional income from other sources. A small number of residents may receive less because they are under 21 years of age; because they are eligible only for partial CRA (because rent is below relevant thresholds); or because they are public housing tenants who are ineligible for CRA.

About two thirds of the group home residents living in CSO group homes that responded to the review's survey receive transport from their group home provider, with around half of these residents contributing to the cost of this transport.

### 3.3 Families view variation as unfair

Families of group home residents who participated in community consultations expressed limited knowledge of the variation in residential charges and charging arrangements across the system. When the variation in charges was raised for discussion at community consultation meetings, the majority of families suggested that it would be fairer for all residents to pay the same amount, especially for accommodation and utilities, for the following reasons:

- most residents have a similar level of income; and
- residents don't have considerable choice about which group home they are placed in.

Many families suggested that rather than considering a model where residents pay different amounts for accommodation based on the type and amenity of the house they reside in, housing across the group home system should be improved so that all residents enjoy better facilities.

Only a small number of families suggested that individuals with disabilities that result in higher accommodation or housekeeping costs (such as modifications to houses or additional heating or cooling) should pay higher charges. These families expressed concern that standardised charges could mean that some residents cross-subsidised the costs incurred by others.

## 4 Alternative charging models and amounts

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### Terms of reference

- Applicability of current fee structures for transition of residential services to the NDIS and proposed preferred alternative fee structure if indicated.
- Models used by other Australian jurisdictions for residential charges.
- Pricing models including consideration of full cost recovery (excluding support) rather than subsidisation for rent and house-keeping.
- Opportunities to standardise or streamline charging processes and reduce administrative burden for disability service providers, administrators and residents.

### Key findings

- Charging models which promote choice and control for residents; are efficient to administer; and enable providers to distinguish between support services, accommodation costs and housekeeping costs are likely to be most consistent with the directions of the NDIS.
- Group home residents in other Australian jurisdictions pay higher residential charges than Victorian group home residents.
- Generally, residents that pay their group home provider for accommodation and housekeeping in other jurisdictions pay at least 70 per cent of minimum income for accommodation and housekeeping. This is higher than the average Victorian group home charges. The average DHHS charge is 48 per cent of minimum income and the average CSO charge is 65 per cent of minimum income.

### 4.1 Residential charging models

There are two charging models that are used in most group homes in Victoria and in most other states and territories:

- **board and lodging:** a charge that includes food (board); and accommodation and other non-food housekeeping (lodging).
- **separate rent and housekeeping charges:** a rent charge to cover accommodation costs (e.g. rates, maintenance, capital improvement); and a housekeeping charge to cover items such as food, utilities, communications, bedding and linen, household consumables, communal furnishings and whitegoods, household equipment and utensils and replacement of these items. In some cases only a rent charge is applied and housekeeping is dealt with at the household level.

In addition, South Australia has a **lodging** charge for some group homes that includes accommodation and some housekeeping services, but excludes food.

At the time of the review, a board and lodging charge was the most common charging model across both DHHS and CSO group homes in Victoria and in most other Australian jurisdictions.

The review found that there are a range of potential strengths and weaknesses of different charging models.

## Board and lodging charging model

A board and lodging model, if set as a common charge for all residents in group homes delivered by the provider, can be an efficient way of setting charges. However, a fixed board and lodging charge can reduce choice and flexibility for residents around housekeeping expenditure from month to month, and has the potential to result in cross subsidisation between residents. Board and lodging charges also have the potential to reduce transparency around the cost of accommodation and housekeeping.

## Separate rent and housekeeping charges model

Separate rent and housekeeping charges can also be efficient for group home providers to administer, if they are set at common amounts for all residents. Likewise, a common rent charge, with housekeeping budgets and expenditure left to households could be managed efficiently if households establish effective processes for determining and administering the weekly, monthly or annual housekeeping budgets. However, if individualised housekeeping budgets are set for each group home operated by the provider; or if housekeeping expenditure is left to individual households and not managed effectively, then there could be considerable administrative costs to the group home provider (and in turn residents).

Applying a rent charge, with housekeeping left to households provides the opportunity for resident choice and control over housekeeping expenditure. It provides households with the capacity to move their expenditure up or down in response to household preferences.

## Lodging charging model

A lodging charging model bundles accommodation and most housekeeping costs, but excludes food. As with the other models described above, if a lodging charge is set at a common amount for all residents it can be efficient for group home providers to administer. Furthermore, if households establish effective processes for the administration and expenditure of the food budget, administration of this model can be efficient.

A lodging charging model allows choice and flexibility around food budgets, whilst establishing a fixed amount for other housekeeping services and accommodation.

## 4.2 DHHS' board and lodging model

As outlined above, in April 2014 DHHS introduced a new board and lodging charging model for most of its residents. Prior to April 2014 residents paid separate charges for accommodation and housekeeping, with the housekeeping charge varying between homes based on costs (particularly food) determined by the household.

The review received considerable feedback from families of DHHS group home residents regarding the April 2014 board and lodging charge.

Families expressed an overwhelming view that the board and lodging model limits choice and creates an 'institutional style of living' for residents. Families stated that charging models where households pay directly for their household expenditure (particularly food) were more consistent with the intention of community living, and promoted choice for households. It was outlined that 'bundling' costs into a single charge undermines this choice and was more akin to aged care services where 'all in one' charges apply.

Some families also questioned the transparency of 'bundled' charging models, such as board and lodging charges, and indicated that it was difficult to understand how residents' money was being spent. Families raised concerns that under a board and lodging charge, DHHS might seek to substitute existing more expensive household products (particularly food) with cheaper household products.

There was also overwhelming feedback that DHHS should have been more consultative and communicated more effectively with residents and their representatives about the shift to a board and lodging charge.

Families of group home residents provided examples of practices that they considered support choice and transparency in setting and expending household budgets. They outlined arrangements for regular house meetings where residents and their family members discussed accommodation and housekeeping expenses. They also suggested that there needed to be more consultative processes for setting housekeeping charges at the household level.

### 4.3 Group home charging amount

#### Comparison with similar housing arrangements

The review was asked to consider models used by other Australian jurisdictions for residential charges. While acknowledging that there are some differences in the type of accommodation and housekeeping services included in residential charges in other jurisdictions, the review found that group home residents in other Australian states and territories tend to pay higher charges than group home residents in Victoria.

Generally, residents that pay their group home provider for accommodation and housekeeping in Government and CSO managed homes in other jurisdictions pay at least 70 per cent of minimum income for accommodation and housekeeping. This is higher than the average Victorian group home charges (average DHHS charge is 48 per cent of minimum income and average CSO charge is 65 per cent of minimum income). Some Australian jurisdictions manage only the accommodation side of group homes, leaving residents and their administrators to organise housekeeping at the local level.

The review also considered how the accommodation charge paid by group home residents relates to the charge for accommodation paid by similar low income groups in social and community housing. Victorian public housing tenants (who are not eligible for CRA) are required to pay 25 per cent of their income as rent. Victorian community housing tenants (who are generally eligible for CRA) are required to pay 30 per cent of their income as rent.

Prior to the introduction of the DHHS Board and Lodging charge in April 2014, residents in DHHS homes paid around 15 per cent of the DSP as their accommodation charge. A separate housekeeping charge was based on the amount the household determined to pay for housekeeping items, including food. This suggests that in November 2013, DHHS group home residents paid significantly less for accommodation than public and community housing tenants. Since the April 2014 introduction of a board and lodging charge, it is no longer possible to distinguish the proportion of the residential charge attributed to rent.

#### Alternative pricing amounts

Achieving a residential charging structure that is affordable for residents and provides for a more sustainable service system is a difficult challenge. It is a challenge that needs to be addressed as residents and providers plan for the transition to the full roll out of the NDIS.

Current charging arrangements are unsustainable for service providers, and an increase in charges could assist with the sustainability of group home places. Increased charges are likely to be required for group homes once disability funding is transferred to the NDIS unless there is a Government budget appropriation to support the living costs of group home residents or the NDIS builds a user 'cost of capital' into residents' support packages. However, any increase in charges will impact on the discretionary income of residents.

It may therefore be beneficial to implement increases (if required) gradually, to ensure residents have time to adjust their expenses. In particular, it would be unfair on residents to impose a sudden increase to residential charges when state funding is transferred to the NDIS.

In addition to considerations around likely increases to charges, the review found that there are opportunities to improve the efficiency of DHHS housekeeping and accommodation costs, in particular the cost of administration.

## 5 Financial hardship policies and procedures

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### Term of reference

- The impact of fee structures on client outcomes and consideration of hardship principles and policy.

### Key findings

- The current financial hardship policy framework is premised on reducing or waiving the residential charge, so that residents can meet other expenses. This is inconsistent with how most people in the community manage their finances. Ordinarily, people meet living costs as a priority, and hardship programs assist with other extraordinary costs.
- Better collection of information about financial relief provided for disability related costs is needed to inform full implementation of the NDIS.

### 5.1 Application of the financial hardship guidelines

DHHS requires that all DHHS funded disability service providers comply with the *Undue financial hardship guidelines for disability service providers* (the financial hardship guidelines). The financial hardship guidelines state that service providers should reduce or waive residential charges for residents who are experiencing hardship.

The review identified that prior to April 2014 there was limited application of the guidelines by DHHS homes. The review found that DHHS tended to meet specific disability related costs for particular residents based on local decisions, rather than a formal application process to reduce or waive the residential charge.

The review's survey identified that CSOs provided financial support to a relatively small number of residents over the last five years.

Families who attended the consultation meetings and made submissions to the review provided the following views on the financial hardship policies and procedures:

- the process of applying for financial hardship is traumatic and time consuming, that hardship panels are made up solely of public servants, and that policies and eligibility criteria are not transparent;
- financial hardship procedures often involve making judgements about which expenses are essential and which are discretionary; and
- the process of applying for financial hardship for continence aids was humiliating, particularly given that they are a basic need, and there is limited discretion in meeting these costs.

### 5.2 Premise of the financial hardship guidelines

The financial hardship guidelines apply to the payment of fees across a number of types of disability services. There is no hierarchy in the financial hardship guidelines in terms of which expenses should be met first.

Generally, people living in the community meet their rent, utility and food costs first, then pay for other items. The premise of the financial hardship guidelines is at odds with this. It is based on living costs (the residential charge) being reduced or waived to assist residents with other cost pressures. Ordinarily, people meet living costs as a priority, and hardship programs assist with other extraordinary costs.

### **5.3 Information about financial hardship**

Prior to the release of revised financial hardship guidelines in 2014, Victoria did not collect information on the nature of financial hardship experienced by residents and the purpose and quantum of financial relief provided.

Following full roll out of the NDIS in 2019–20, the Commonwealth Government will have primary responsibility for funding disability services. More detailed evidence around the financial pressures facing group home residents would be useful to inform full implementation of the NDIS in 2019–20.

## 6 Role of Government in residential charges

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### Term of reference

- The role of Government in fee setting for services such as disability residential services.

### Key findings

- DHHS' continued role in advising Government on the regulatory context for residential charges, and operating as the largest service provider subject to these regulations, is inconsistent with the principles of good public administration.
- The current regulatory framework allows residents to challenge increases to their residential charge (outside of increases related to indexation and the CRA). While this provides some protection for residents, it also creates a range of potential issues for residents and providers. In particular, it potentially:
  - creates a perverse incentive for new providers to set the charges higher than necessary to cover costs, in order to avoid challenges to potential future increases;
  - limits challenges to charges to 'increases', rather than the basis of the charge; and
  - restricts the capacity of providers to set charges based on costs.
- There is a lack of transparency around current charging arrangements including how charges are set.

### 6.1 DHHS' combined role in policy and administration of group homes

DHHS is currently responsible for advising Government on the regulation of residential charges, and is the largest service provider subject to these regulations. This combined role is inconsistent with the principles of good public administration which, in principle, should separate the role of regulation from that of service delivery.

### 6.2 Regulatory framework for setting charges

A resident of a group home may apply to VCAT for a review of a decision to increase a residential charge, or the amount of a decrease in the residential charge to compensate for reduced services.

In December 2013, the former Government amended the Act such that VCAT must dismiss an application to review a decision to increase a residential charge if the proposed charge does not exceed the relevant 'prescribed amount' and relates only to CRA and/or indexation of the DSP. These amendments did not remove VCAT's jurisdiction to review any increases other than indexation of the DSP or introduction of CRA.

The Act specifies that VCAT must have regard to the following in making a determination as to whether a residential charge increase is excessive:

- the amount paid by other residents in the same premises;

- the amount payable by residents of similar group homes in similar locations;
- the state of repair and general condition of the premises and the room;
- the number, amount and timing of increases in the preceding 24 months;
- any changes in the condition of the room or the service items;
- any variation in the cost of providing the service items;
- any improvements to the room made by or on behalf of the resident; and
- guidelines issued by the DHHS Secretary with respect to residential charges.

While these regulatory provisions provide protection to residents in relation to increases to the charges, the review found that there are also limitations to these provisions for residents, including the following:

- The potential for residents to challenge *increases* to charges (aside from indexation and Commonwealth Rent Assistance) risks a perverse incentive for providers to set charges higher than necessary to cover costs, to avoid having to increase charges over time. This may become an issue if new group home providers emerge following full roll out of the NDIS.
- There is no provision for residents to challenge the basis of the charge, only particular increases. Again, this potentially creates a perverse incentive for providers to set the charges above the costs of providing accommodation and housekeeping.

For providers, the regulations contain the following issues:

- VCAT is not required to consider the cost of accommodation and housekeeping when making a determination.
- Given that it is only increases to the charge, rather than the basis of the charge, that can be challenged, providers that have set their charges low for many years will potentially have difficulty in increasing charges to reflect the costs and accommodation and housekeeping.

### 6.3 Transparency

Families of group home residents who participated in community consultations or made submissions to the review consistently raised the issue of a lack of transparency in residential charging arrangements and dissatisfaction with communication about the charges.

Families indicated that they were unaware of the costs of providing accommodation and housekeeping and the extent to which residential charges met (or didn't meet) these costs. Some families were very concerned that the introduction of DHHS' board and lodging model in April 2014 led to an increase in the charge, even though this increase had no impact on residents discretionary income.<sup>4</sup>

It is clear that a lack of transparency and poor communication about charging arrangements over many years has led to a situation where families of group home residents are unaware that there are different charges across the sector; that charges often don't meet expenses incurred by providers for accommodation and housekeeping; and the level of subsidy provided to some group homes and residents.

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<sup>4</sup> DHHS residential charges were increased by the amount of CRA for which the residents became newly eligible, as well as a cost of living increase that reflected increases to the DSP.

## 7 Conclusion

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The review's findings illustrate the complexity of issues regarding group home residential charging arrangements.

The current charges paid by many residents are insufficient to cover the costs of accommodation, housekeeping and transport. The significant shortfall between costs and revenue may be difficult for providers to continue to sustain into the future, and could lead to a reduction in the number of group home places. In the absence of an additional budget appropriation or additional income being available to DHHS, upon transferring disability funding to the NDIS, DHHS will need to consider the extent to which it can sustain continued operating deficits for accommodation, housekeeping and transport services (and associated administration) for group home residents.

However, it is also clear that most group home residents receive a modest income, and have disability related costs to meet in addition to their residential charge. Any potential increase to charges would need to consider the limitations of resident income.

There are significant and largely unjustified variations in residential charges within and between DHHS and CSO group homes. This means that there are significant inequities and little choice in the amount residents are paying. It is difficult to justify the \$170 discrepancy between average DHHS and CSO fortnightly residential charges.

Other issues regarding the administration of group home residential charges also include:

- the financial hardship program, including inadequate data to inform the NDIA on key disability costs facing residents;
- the extent to which the current legislative framework provides protection for residents and providers; and
- lack of transparency in how charges are set.

These are complex issues. This is no single solution that will address all of them. The challenge is to find a balance between sustainability for service providers and affordability and fairness for residents.

This review provides an important first step in better understanding the nature of group home charges in both DHHS and CSO homes. This information will assist Government, CSOs and families of group home residents to engage in discussions around changes to group home charges as group homes transition to the NDIS.