

# NORTH QLD REGIONAL AGED CARE FORUM

*AGED CARE TASKFORCE*



**Community Business  
Australia**



**StewartBrown**

Integrity + Quality + Clarity

# AGED CARE TASKFORCE

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# AGED CARE TASKFORCE

## Purpose

- The Aged Care Taskforce (Taskforce) is established as a time-limited body to provide expert advice to Government through the Minister for Aged Care. It is not a decision making or funding body.

## Objectives of the Taskforce

- The Taskforce will provide Government with **advice on funding arrangements for aged care** to ensure that the aged care system is fair and equitable for all Australians. The advice should support:
  - a stable policy path for the sector that encourages continuous improvement
  - high quality care and an innovative and vibrant aged care sector that is driven to respond to the needs of older Australians, and
  - a sustainable sector that can deliver consistent, high-quality care for generations of Australians.

## The Taskforce will provide Government with options for consideration and a recommended package of reforms that ensure that:

- **aged care providers are sustainably funded** and benefit from introducing innovative care delivery approaches that meet older Australian's preferences,
- aged care funding is affordable for the Commonwealth with arrangements that balance equity and fairness between older and working-aged Australians,
- older Australians can see the value of their contributions relative to other funding sources,
- there is a robust safety net that properly recognises financial capacity at different levels of income and/or life circumstances, and
- **contribution arrangements are efficient, simple to implement, and easily understood** by all Australians, particularly older people.

# AGED CARE TASKFORCE

## **Specifically, the Taskforce will provide advice on:**

- **funding and contribution approaches to support innovation in the delivery of care,**
- a fair and equitable approach to assessing the means of older people accessing residential and in-home aged care, including the scope of income and assets included in the assessment of means,
- issues and trade-offs for including and excluding different service types in the new in-home aged care program (the service list),
- **consumer contributions for in-home aged care,** and reforms that support a future transition to a single in-home aged care system, and
- **reforms to arrangements for pricing and funding hotel and accommodation costs in residential aged care,** including the phasing out of refundable accommodation deposits.

The Taskforce may be asked to consider other related issues in the course of their work.

The Taskforce will provide Government with options for consideration and a recommended package in December 2023. It will also provide interim advice in October 2023. Recommendations made by the Taskforce will be considered by Government.

# AGED CARE TASKFORCE RECOMMENDATIONS

**Recommendation 1:** Underpin the Support at Home Program with inclusion and exclusion principles and clearly defined service lists

**Recommendation 2:** Continue the significant role for government funding of aged care services. A specific tax or levy to fund aged care is not recommended

**Recommendation 3:** It is appropriate older people make a fair co-contribution to the cost of their aged care based on their means

**Recommendation 4:** Ensure a strong safety net for low means participants to meet aged care costs

**Recommendation 5:** Make aged care fees fairer, simpler and more transparent so people can understand the costs they will incur if they access aged care

**Recommendation 6:** Establish appropriate arrangements to allow older people and providers to smoothly transition to any new arrangements, including grandparenting arrangements for those already in residential aged care and phasing in for home care

**Recommendation 7:** Establish a fee-for-service model for Support at Home that ensures participants only pay a co-contribution for services received

**Recommendation 8:** Introduce Support at Home participant co-contributions that vary based on the type of service accessed

**Recommendation 9:** Continue to focus government funding in residential aged care on care costs, with a significant role for resident co-contributions in non-care components

**Recommendation 10:** Funding for daily living needs to cover the full cost of providing these services. It is recommended this be composed of the Basic Daily Fee and a supplement

# AGED CARE TASKFORCE RECOMMENDATIONS

**Recommendation 11:** Enable residents and their representative and providers to negotiate better or more daily living services for a higher fee, subject to at least:

- publishing prices and services
- only allowing agreement to higher fees for agreed services to be made after a participant has entered care
- a cooling off period and regular review opportunities to ensure the resident still wants the services and can still use them

**Recommendation 12:** Following an independent review in 2030, transition the sector by 2035 to no longer accept RADs as a form of payment for aged care accommodation and move to a rental only model, provided that the independent review finds there is improved financial sustainability, diversified and adequate sources of capital to meet future demand and residential aged care is affordable for consumers

**Recommendation 13:** Require providers to retain a portion of the RAD in the near-term to make an immediate improvement to sector financial sustainability. Base the amount on length of stay, with a cap on the number of years a RAD is subject to retention to protect residents who stay for a long time

**Recommendation 14:** Review the Accommodation Supplement, including improving incentives to meet the accommodation design principles

**Recommendation 15:** In addition to the other accommodation recommendations, develop a package of measures to improve accommodation funding, equity between residents and transparency in the near-term. This will help place accommodation income on a long-term sustainable footing and position the sector for the ultimate phase out of RADs

**Recommendation 16:** Establish appropriate safeguards and incentives to protect access to residential care for supported residents

**Recommendation 17:** Consider the appropriateness of the current remoteness classification system

**Recommendation 18:** Continue block funding in thin markets where appropriate and necessary. Consider any other supports necessary to ensure access to care in under serviced markets

# AGED CARE TASKFORCE RECOMMENDATIONS

**Recommendation 19:** Consider ways to encourage providers to develop and scale innovative care models, invest in technology, and conduct research into best practices, including through:

- the recommendations outlined in this report to improve the viability of the aged care sector
- tasking the Aged Care Quality and Safety Commission with supporting innovation by identifying innovative practices and promoting these across the sector

**Recommendation 20:** Raise awareness of existing financial products that enable older people to utilise their wealth in retirement and provide confidence they can afford future aged care costs

**Recommendation 21:** Task the Behavioural Economics Team of the Australian Government (BETA) to provide advice on how to encourage people to consider their future aged care needs at an appropriate stage of life

**Recommendation 22:** Review and streamline financial reporting to government where possible to ensure reporting is genuinely enhancing transparency

**Recommendation 23:** Improve communications between the Independent Health and Aged Care Pricing Authority (IHACPA) and providers and participants regarding its pricing advice and decisions, and task IHACPA with:

- a review of its pricing in rural and remote areas
- costing of the supplement for everyday living



# AGED CARE TASKFORCE

## Minister Butler's Comment

- The new rights-based *Aged Care Act* is a once-in-a-generation reform that will put older people at the centre of the aged care system and ensure those who access Government-funded aged care services are treated with respect and have the quality of life they deserve
- It will also support the Government's response to the *Aged Care Taskforce*

Aged Care Reform Priorities (<https://www.health.gov.au/our-work/aged-care-reforms/priorities>)

## 2024–25 Budget: Reinforcing the foundations that underpin quality aged care

Older people, their families and carers will benefit from a quality aged care system, with faster access to in-home care, a strong workforce and better links between aged care and health systems.

The [new Aged Care Act](#) will put older people at the centre of aged care. It will also support the government's response to the [Aged Care Taskforce](#). These reforms are crucial to create a sustainable sector that delivers high quality care.

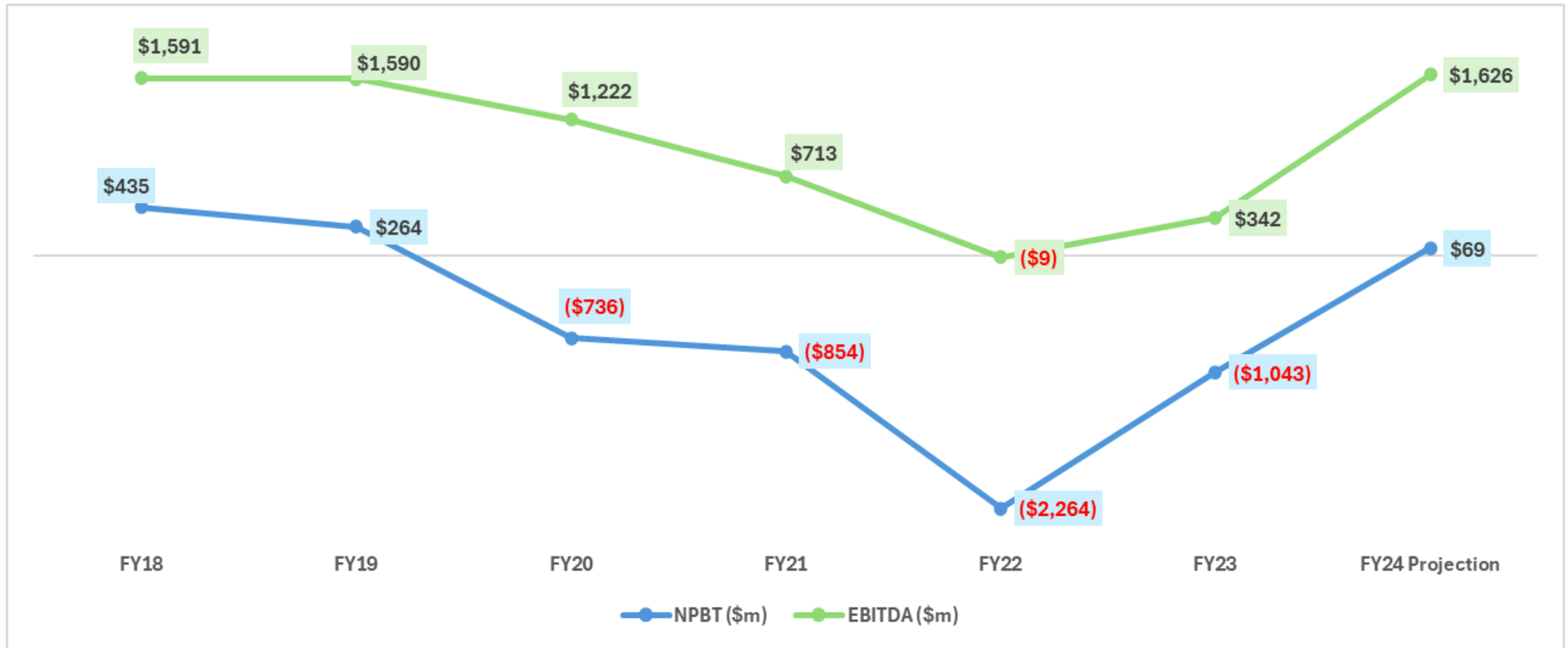
We are continuing to consult with older people, their families and carers, aged care providers and worker, and across the aged care sector to ensure there is broad support for reforms to improve the standard of aged care.



# AGED CARE SECTOR FINANCIAL SUSTAINABILITY

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# RESIDENTIAL CARE - SECTOR FINANCIAL PERFORMANCE TREND (\$M)



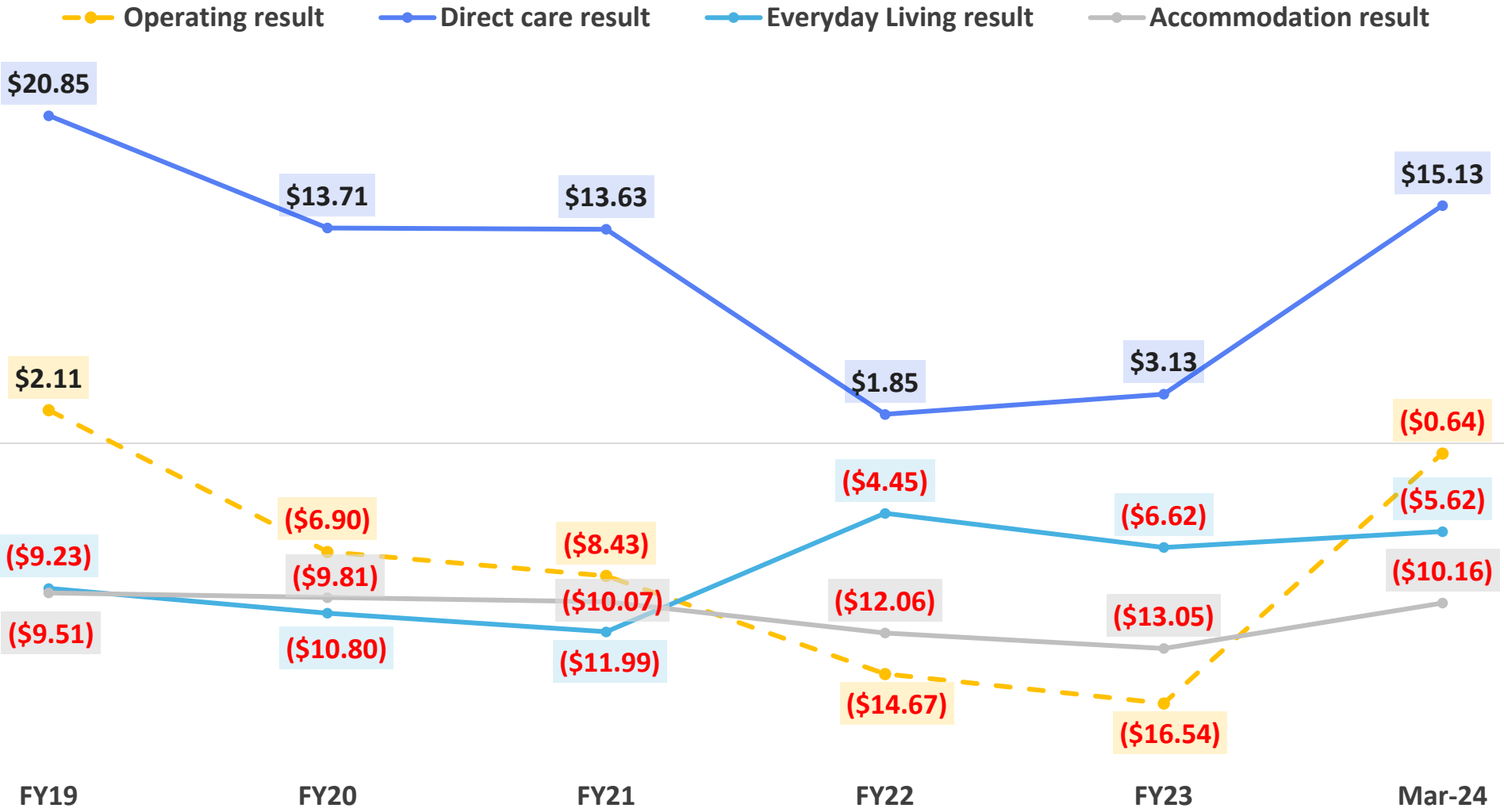
Residential Aged Care Sector aggregate financial performance (all facilities)

**NPBT:** Net Profit Before Tax

**EBITDA:** Earnings Before Interest, Tax, Depreciation, amortisation

**Source:** FY18 to FY22 Department of Health and Aged Care; FY23 StewartBrown estimate; FY24 StewartBrown Projected based on Mar-24 YTD financials.

# RESIDENTIAL CARE - FINANCIAL PERFORMANCE TREND (\$ PBD)



# IMPACT OF TASKFORCE RECOMMENDATIONS

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# FINANCIAL IMPACT OF TASKFORCE RESIDENTIAL RECOMMENDATIONS

## Recommendation 10: Funding Everyday Living services to cover the full cost

Everyday living cost	\$80 per day
Basic Daily Fee (all residents)	\$61 per day (85% of single pension) ( <i>excludes additional services</i> )
Everyday living supplement	\$19 per day *
* Supported residents	\$19 per day paid by taxpayer subsidy
* Non-supported residents	\$19 per day paid by resident
Benefit (additional revenue)	\$8.06 per bed day (average additional revenue)
Annualised sector benefit	<b>\$568.9 million pa</b> (after phasing in period)

## Recommendation 13: Retention of a percentage of RAD (2% pa over maximum 5 years)

Accommodation (RAD) price \$400k	\$8,000 pa (\$21.92 per day)
Accommodation (RAD) price \$550k	\$11,000 pa (\$30.13 per day)
Accommodation (RAD) price \$650k	\$13,000 pa (\$35.62 per day)
Accommodation (RAD) price \$750k	\$15,000 pa (\$41.10 per day)
Benefit (additional revenue)	\$10.97 per day (average additional revenue)
Annualised sector benefit	<b>\$774.6 million pa</b> (after phasing in period)

## Recommendation 14: Increase Accommodation Supplement

Accommodation price \$450k	\$98.63 per day
Current maximum accommodation supplement	\$66.94 per day
Benefit (additional revenue)	\$12.04 per day (average additional revenue)
Annualised sector benefit	<b>\$850.22 million pa</b> (after phasing in period)

## Maintain MPIR (Weighted Average Cost of Capital) at minimum 8% pa

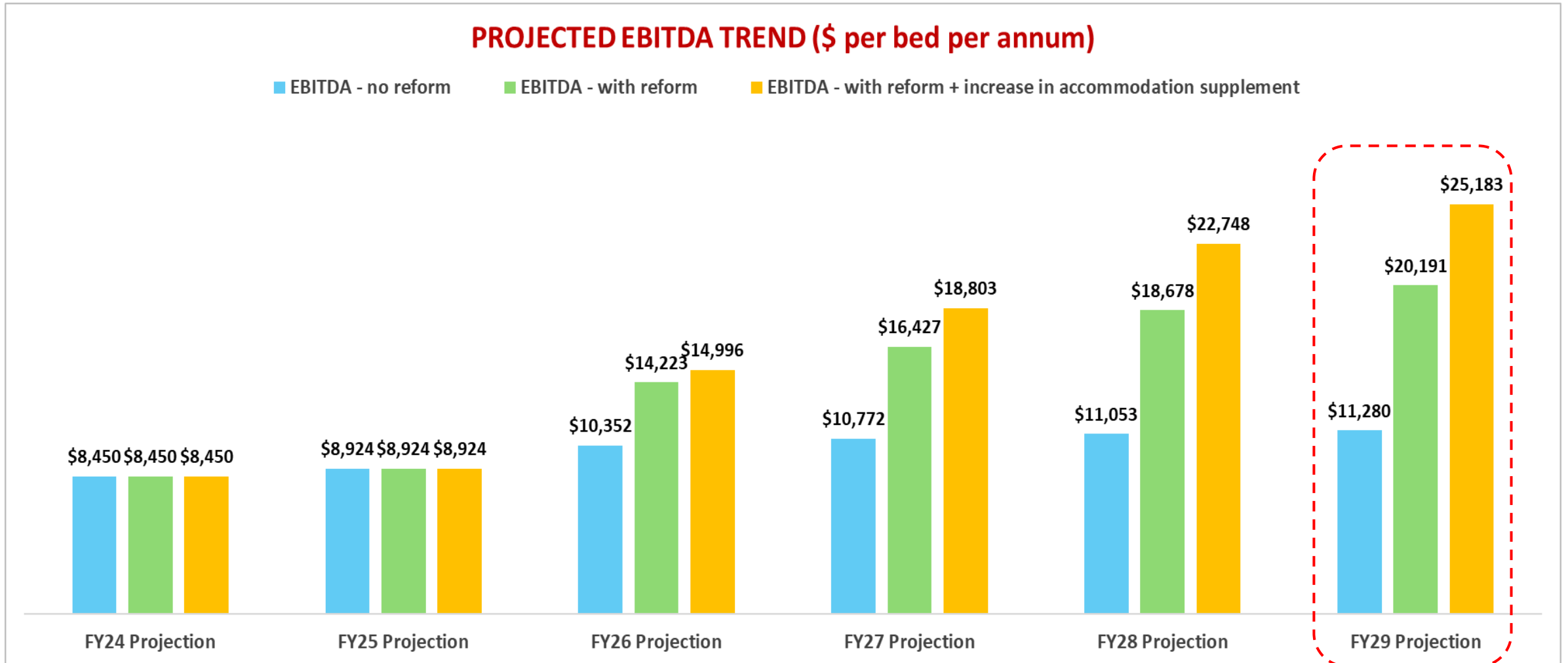
Annualised sector benefit	<b>\$578.9 million pa</b> (after phasing in period)
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Increase Cap on Accommodation Prices between \$750K and \$810K - effects Retention and DAPs (Recommendation #15)

# RESIDENTIAL CARE - FINANCIAL PERFORMANCE PROJECTION TREND

## PROJECTED EBITDA TREND (\$ per bed per annum)

■ EBITDA - no reform    
 ■ EBITDA - with reform    
 ■ EBITDA - with reform + increase in accommodation supplement



Residential Aged Care Sector aggregate financial performance (all facilities)

**EBITDA - no reform:** EBITDA based on current funding settings

**EBITDA - with reform:** EBITDA with reforms (*recommendations #10 and #13*)

**EBITDA - with reform plus increased accommodation supplement:** EBITDA with reforms (*recommendations #10, #13 and #14*)

# ADDITIONAL DAILY CONTRIBUTIONS FROM RESIDENT PERSPECTIVE

	Current		Proposed		
	Supported	Non-Supported	Supported	Non-Supported	
<b>Direct Care</b>					
AN-ACC (taxpayer subsidy)	100%	96%	100%	96%	
Means-Tested Care Fee <i>(no change to current funding)</i>	0%	4%	0%	4%	
<b>Everyday Living (\$ per day)</b>					
Basic Daily Fee	\$ 61	\$ 61	\$ 61	\$ 61	
Supplement (taxpayer subsidy)	\$ 11	\$ 11	\$ 19	\$ -	
Supplement (resident) <i>(increases revenue to \$80 per day)</i>	\$ -	\$ -	\$ -	\$ 19	
<b>Accommodation (\$ per day)</b>					
Supplement (taxpayer subsidy)	\$ 67	\$ -	\$ 67	\$ -	*
Daily Accommodation Payment (DAP)	\$ -	\$ 126	\$ -	\$ 126	**
Refundable Accommodation Deposit (RAD)	\$ -	\$ 57	\$ -	\$ 57	***
RAD 2% additional retention	\$ -	\$ -	\$ -	\$ 30	****

\* Accommodation supplement to be reviewed (Taskforce recommendation #14)

\*\* Accommodation price \$550k x 8.36% / 365 days

\*\*\* Accommodation price \$550k x 4.75% term deposit rate x 79% (after tax rate) / 365 days (opportunity cost)

\*\*\*\* Accommodation price \$550k x 3% / 365 days



# HOME CARE - CONSUMER CONTRIBUTIONS

## LOW

	Clinical care	Independence and safety	Everyday Living (up to cap)
Full pensioners	Free	Free	5%
Part pensioners	Free	5%	10%
Self-funded retirees	Free	10%	20%

## MEDIUM

	Clinical care	Independence and safety	Everyday Living (up to cap)
Full pensioners	Free	5%	10%
Part pensioners	Free	10%	20%
Self-funded retirees	Free	20%	40%

## HIGH

	Clinical care	Independence and safety	Everyday Living (up to cap)
Full pensioners	Free	10%	20%
Part pensioners	Free	15%	40%
Self-funded retirees	10%	30%	60%

### Approximate Percentage of Funding by Service List

Clinical Care	10.3%
Independence and Safety	76.9%
Everyday Living	12.8%

## Service List 1: Clinical Care

**Definition:** Specialised clinical services for an older person to maintain or regain functional capacities in support of independent and safe living. To be delivered by a qualified professional within the scope of their practice or by an aged care worker under supervision.

## Service List 2: Independence and Safety

**Definition:** Support delivered to older people to help them manage instrumental activities of daily living that they cannot complete independently and safely due to disability or age-related decline or functional impairment. This would be delivered via a variety of professions, such as aged care workers.

## Service List 3: Everyday Living

**Definition:** Support to assist older people to keep their home in a livable state in order to enable them to stay independent in their homes.

The following table provides estimates of the amount of annual consumer contributions from the proposed contributions options. The estimates include a low, medium and high option to present members with a range of contribution levels based on the pension status and the type of service. It is estimated that the current consumer contribution frameworks in the CHSP and HCP will generate approximately \$498 million in 2025/26.

	25/26 (\$m)	26/27 (\$m)	27/28 (\$m)	28/29 (\$m)	29/30 (\$m)
Current level	498.2m	520.5m	545.2m	570.5m	598.2m
Low option	327.6m	344.4m	361.2m	378.4m	396.3m
Medium option	965.7m	1,014.7m	1,063.9m	1,114.4m	1,167.0m
High option	1,759.4m	1,848.8m	1,938.4m	2,030.4m	2,126.1m

# FINANCIAL IMPACT OF TASKFORCE HOME CARE (HCP) RECOMMENDATIONS

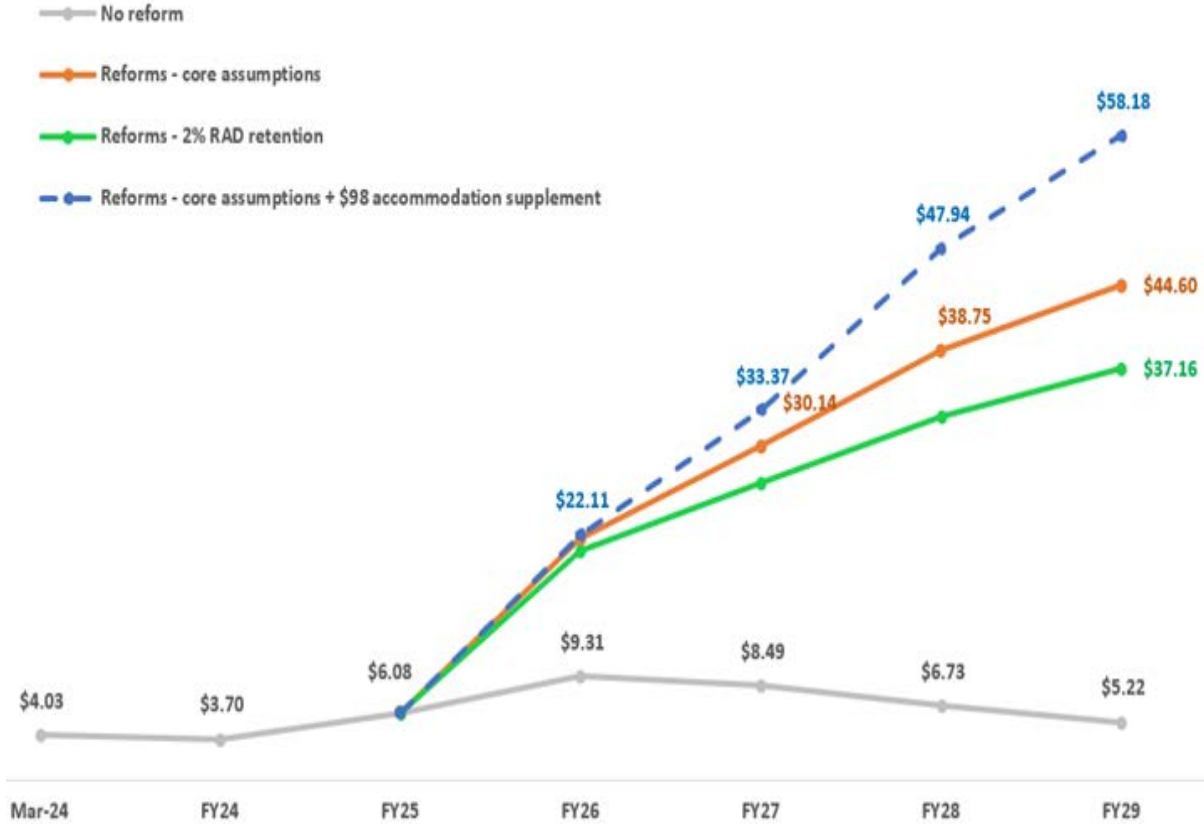
HCP Funding Level	BDCF	Participants
Level 1	\$11.22	14,985
Level 2	\$11.87	112,247
Level 3	\$12.20	88,618
Level 4	\$12.53	57,456
		<b>273,306</b>
Basic Daily Care Fee (BDCF)	\$12.08	
Current BDCF ( <i>2% of HCP funding</i> )	\$1.54	
Difference (BDCF not recouped)	<b>\$10.54</b>	\$ per day
Annualised increased BDCF	<b>\$1,051,646,118</b>	\$ per annum

# REGIONAL IMPACT OF TASKFORCE RECOMMENDATIONS

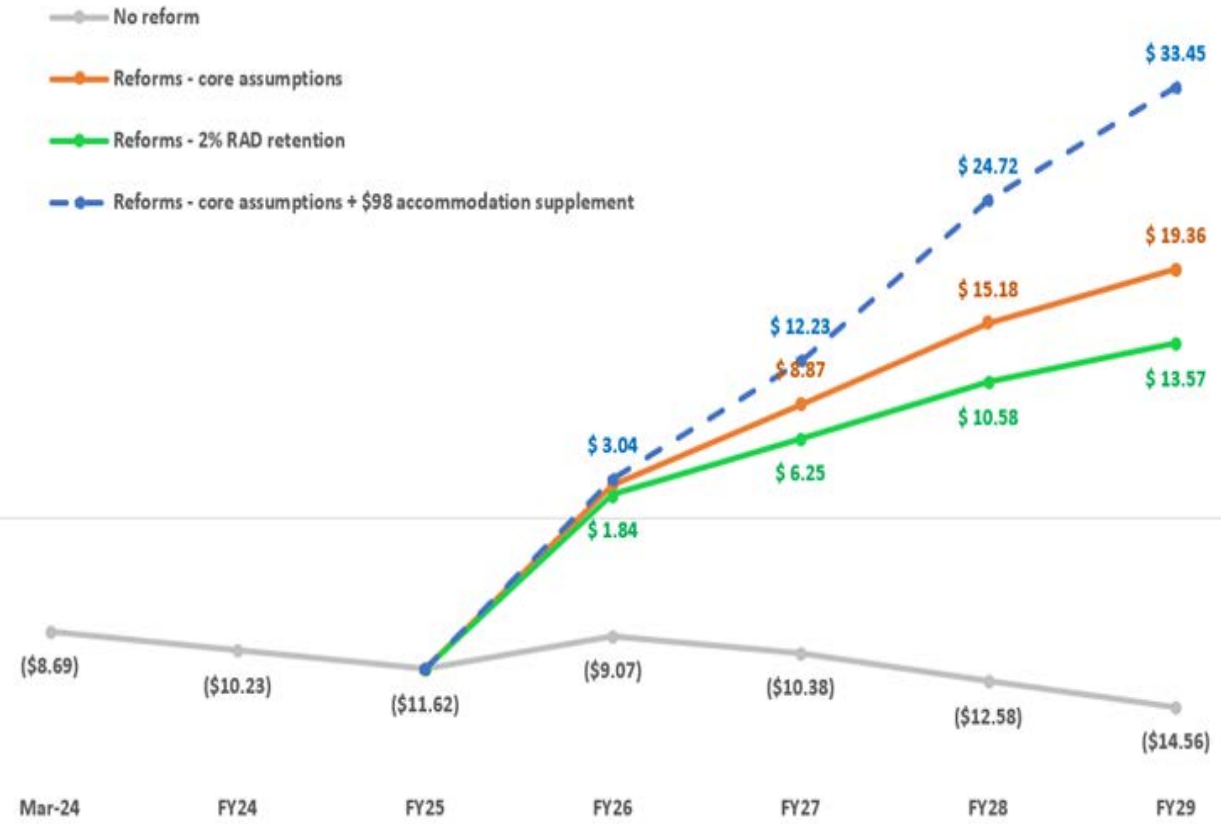
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# FINANCIAL IMPACT OF TASKFORCE RECOMMENDATIONS BY REGION (MMM)

MMM1 (Major City) - Operating result forecast (\$ per bed day)



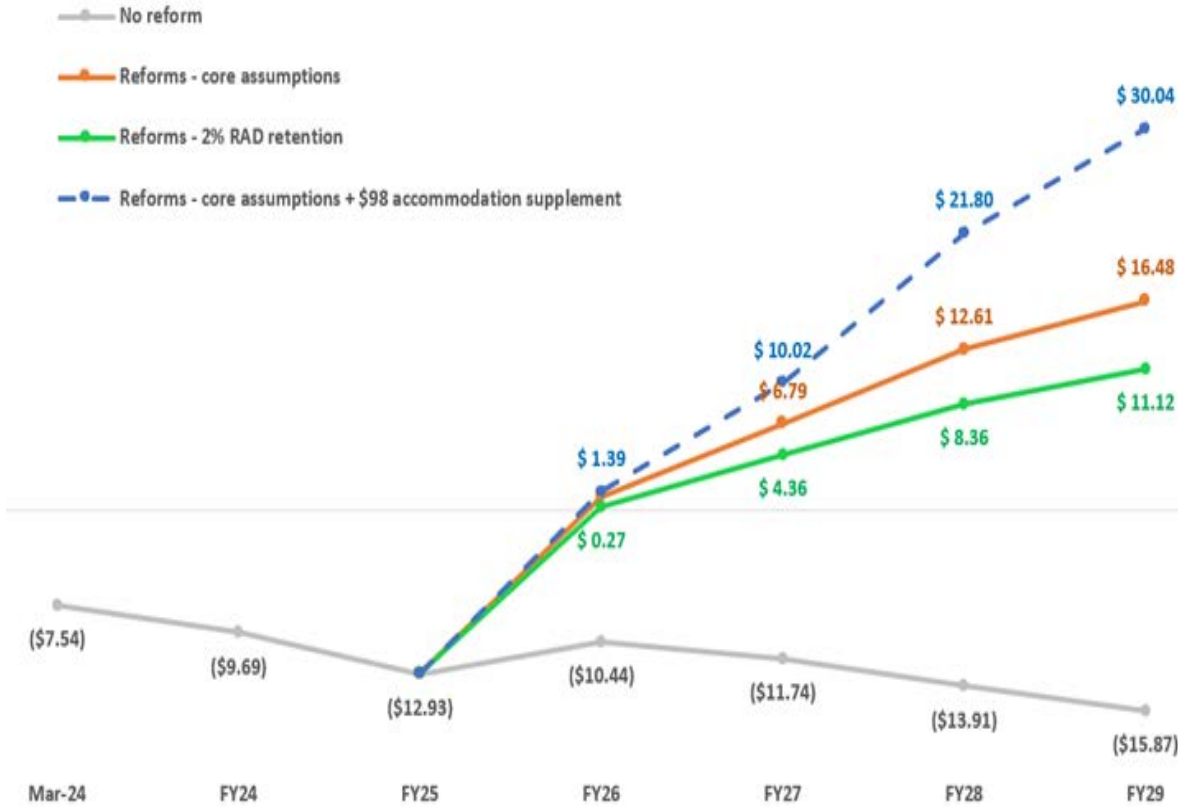
MMM2 (Inner Regional) - Operating result forecast (\$ per bed day)



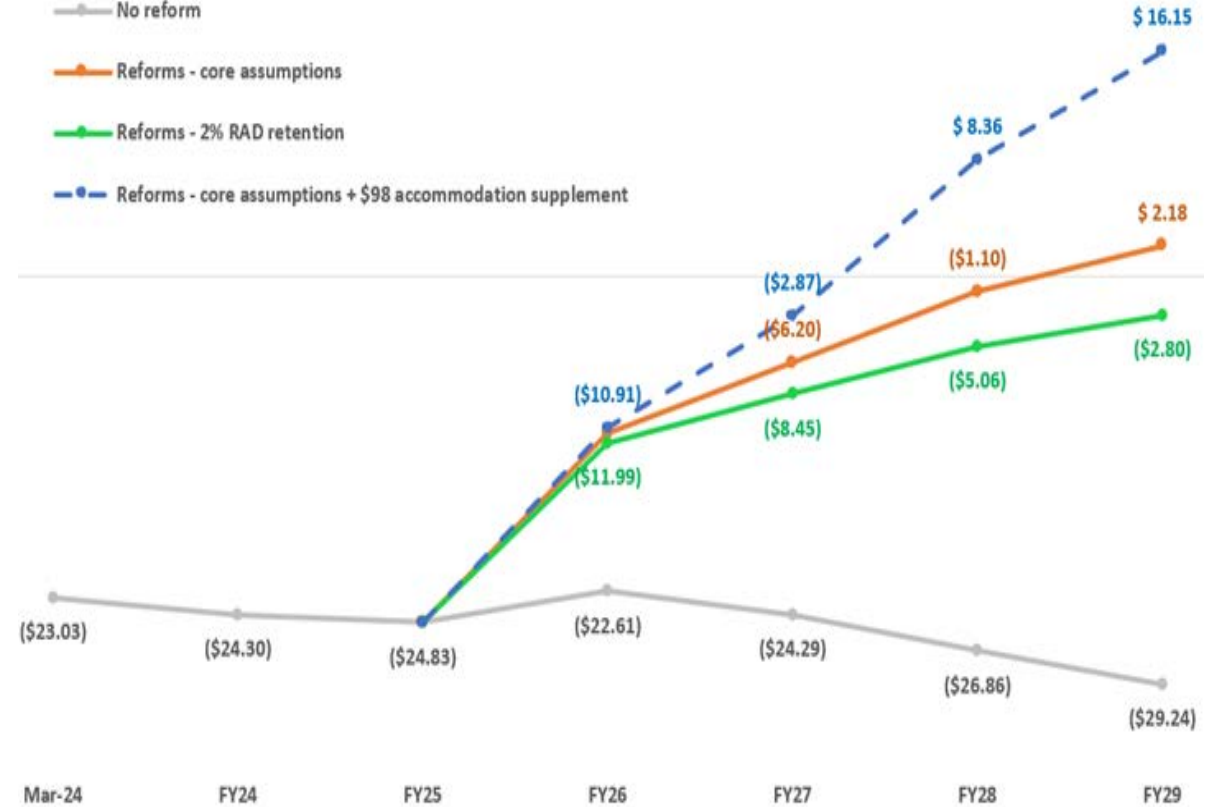


# FINANCIAL IMPACT OF TASKFORCE RECOMMENDATIONS BY REGION (MMM)

MMM3 (Inner Regional) - Operating result forecast (\$ per bed day)



MMM4 (Inner Regional) - Operating result forecast (\$ per bed day)



# FINANCIAL IMPACT OF TASKFORCE RECOMMENDATIONS BY REGION (MMM)

MMM5 (Outer Regional) - Operating result forecast (\$ per bed day)

