



1 June 2022

The Hon Mark Butler MP
Minister for Health & Aged Care
PO Box 6022
House of Representatives
Parliament House
Canberra ACT 2600

By email: Mark.Butler.MP@aph.gov.au

Dear Minister

We write on behalf of Catholic aged care providers to congratulate you on your appointment as Minister for Health and Aged Care in the Albanese Government and to assure you of Catholic Health Australia's support for the implementation of Labor's aged care election platform and other Royal Commission reforms to ensure older Australians receive the aged care they deserve.

We also appreciate that meeting the Australian community's expectations about the quality of aged care services is a joint responsibility of government and the aged care sector, and we look forward to working with you and the Albanese Government to ensure that the community's expectations are met.

In the first instance, we seek your agreement to membership by Catholic Health Australia of the new National Aged Care Advisory Council. Catholic Health Australia is Australia's largest non-government grouping of health and aged care providers and has played a constructive role in helping guide the implementation of aged care reform through its membership of previous iterations of advisory bodies. We would welcome the opportunity to continue this role.

We would also welcome the opportunity to meet with you to discuss the Government's plans and the matters canvassed below.

[Workforce pressures](#)

We fully support the priority that the Albanese Government has given to addressing the current and future workforce pressures facing the aged care sector. This includes achieving fairer remuneration for the aged care workforce which reflects the value of their work to the community, training the workforce of the future, securing a workforce for more remote and smaller communities and to meet special needs including dementia and palliative care. Policies to improve the affordability of childcare services will no doubt help but, for at least the short to medium term, streamlined access to overseas trained workers will be required if the minimum staffing levels recommended by the Royal Commission are to be achieved.

[Legislating Royal Commission Aged Care Reform](#)

An immediate priority will be to legislate the amendments to the *Aged Care Act* contained in the *Aged Care and Other Legislation Amendment (Royal Commission Response No 2) Bill* which lapsed when Parliament was prorogued. There was substantive Parliamentary support for the Bill and its early passage will allow essential reform measures stemming from the Royal Commission to ensure the viability and quality of

aged care services to be progressed. These include important transparency and accountability measures, independent costing and pricing arrangements for aged care services and a fit for purpose classification and funding system for residential aged care.

New Support at Home Program

There are of course other reforms stemming from the Royal Commission for which further development work is required, the most prominent of which being the design of a new support at home program. It will be crucial that the new program supports the choice of older people to remain living in their own home for as long as possible with the support of their preferred service provider, is affordable to the older person and the community, and there is policy and system congruency with the funding and regulatory arrangements applying in residential aged care.

Financial Pressures in Residential Aged Care

In the short term, and certainly until the setting of prices for residential aged care is informed by independent and transparent costing reviews undertaken by the Independent Health and Aged Care Pricing Authority, we are concerned about the financial viability of the residential aged care sector and the risks it poses for the delivery of services.

Despite the \$10 per resident per day Basic Daily Fee Supplement payable from 1 July 2021, StewartBrown's survey of financial performance shows that the financial results for the first six months of 2021-22 have continued to deteriorate. More than 60% of aged care homes are operating at a loss, with an average deficit of \$11.34 per resident per day. As well, many aged care homes have been incurring successive and unsustainable annual losses in recent years.

As identified by the Royal Commission and the former Aged Care Financing Authority, a primary contributor to these poor financial results has been the indexation formula under the Aged Care Funding Instrument (ACFI) which ensures that care funding does not keep up with movements in the Wage Price Index. The ACFI indexation arrangements will continue to apply for 2022-23 pending the introduction of prices based on independent costing reviews, and hence can be expected to result in a continuation of the current financial pressures. These pressures are being exacerbated by the substantial COVID-19 infection prevention costs that residential aged care providers are incurring as COVID has spread across the nation. Prior to 2021-22, providers received financial support to help defray these costs. Such support is now only available for direct costs associated with managing actual outbreaks.

It is acknowledged that residential aged care providers will receive additional care funding in 2022-23 but this funding is targeted at meeting the additional costs of introducing minimum care staffing minutes, and will not address the pre-existing financial pressures. A priority therefore should be to provide relief to the current financial pressures facing the residential care sector pending the introduction of the new pricing arrangements, currently scheduled to apply from 2023-24.

Financial Sustainability

While Australia's response to the Aged Care Royal Commission involves much needed and substantial reform, there is considerable uncertainty about the financial sustainability of the reforms because they will add considerably to the cost of future aged care services which was already set to increase substantially due to Australia's ageing demographic.

The 2021 Intergenerational Report (IGR) projected that aged care costs based on policies flowing from the previous Government's response to the Royal Commission will nearly double as a share of the economy by 2060-61, from 1.2% currently to 2.1% of GDP.

Arguably, however, the IGR's projection is an under-estimate of future aged care costs as it does not factor in the full future structural costs of aged care for the Federal Budget. For example, the 2021 IGR does not model the cost of the new independent and transparent pricing arrangements which will replace indexation arrangements that did not reflect movements in costs, nor the cost of the new support at home

program. Future operating costs for the sector will include the cost of a larger and better skilled and remunerated aged care workforce (including the outcome of the current wages claim); the additional costs of the substantially more robust quality regulatory, compliance and reporting framework to improve transparency and accountability; stronger governance requirements to improve leadership and accountability as the whole of the sector transitions away from a cottage industry; and the cost of community expectations of higher quality care.

The IGR projections also do not factor in the cost of a human rights driven universal entitlement to receive high quality and safe care through a system that provides demand-driven access to aged care based on assessed need, a right which the previous Government accepted in principle.

The Royal Commissioners clearly anticipated this outcome when they each recommended policies to secure a future income stream for the Federal Budget to meet the increased costs flowing from their recommendations. However, the Morrison Government did not tackle the future funding requirements of the reformed aged care system beyond the forward estimates. Instead, the Government ‘parked’ consideration of the future sustainability of the aged care sector. Moreover, increased aged care funding during the forward estimates period was allocated against the backdrop of unsustainable record Government deficits.

Faced with these circumstances, Catholic Health Australia is concerned, particularly given ageist tendencies in contemporary societies, that aged care will relive the past as identified by the Royal Commission i.e. “..... a history of the Australian Government’s involvement in aged care – up to, including and after the introduction of the current Aged Care Act in 1997 – which was focused on restraining expenditure, rather than the rights of older people to the care that they need”.

A priority for the Albanese Government must therefore be to address reforms which will help secure the resourcing necessary to support a quality aged care system into the future. Inter alia, this should include consideration of measures to increase contributions by those who can afford to contribute to the cost of the higher quality services that are envisaged under the aged care reforms.

We would welcome the opportunity to meet with you and your staff to expand on the above and other matters affecting aged care, and look forward to your favourable response regarding Catholic Health Australia’s membership of the National Aged Care Advisory Council. You can contact us at the following email patg@cha.org.au.

We have written in similar terms to the Minister for Aged Care, Anika Wells MP.

Yours sincerely,



The Hon John Watkins AM
Chair
Catholic Health Australia



Pat Garcia
Chief Executive Officer
Catholic Health Australia