ACCPA

Aged & Community Care Providers Association

# ACCPA Federal Government Pre-Budget Submission 2023-2024

February 2023

## About ACCPA

The Aged & Community Care Providers Association (ACCPA) is the national industry association for aged care providers offering retirement living, seniors housing, residential care, home care, community care and related services.

ACCPA exists to unite aged care providers under a shared vision to enhance the wellbeing of older Australians through a high performing, trusted and sustainable aged care sector. We support our members to provide high quality care and services while amplifying their views and opinions through an authoritative and comprehensive voice to the government, community and media.

Our sector serves to make better the lives for older Australians, and so do we.

# Executive Summary - Investing in a changed future for aged care

Australia is on a journey to transform aged care so older Australians can live their best lives.

This is an investment of significant importance to the Australian people. It is an investment of funding, time, expertise and care. Government, providers, workers, families and carers will need to come together in true partnership with older Australians to deliver on the aspirations of aged care reform. Ultimately, it will be an investment in the confidence of the Australian people that our society will deliver quality care as we age.

ACCPA and our members are committed to engaging with this journey of reform in the context of the recommendations of the Royal Commission into Aged Care Quality and Safety.

There is broad sector support for implementing recommendations of the Royal Commission as a 'once-in-a-generation' opportunity to get this right. Providers have also seen decades of reform agendas not deliver on their promises. With this front-of-mind, both ACCPA and its members will work hard to play our part and do better by older Australians.

Providers work tirelessly to implement reform, but they also have much to share about what can work and how to avoid barriers to quality outcomes. They are at the nexus of the older person, their families/carers and government – they are pivotal to driving quality care but also informing it. They engage with the older person every day and know how changes will play out on the ground for consumers, families/carers as well as the broader sector.

As part of this Pre-Budget Submission, ACCPA and our members commit to a collaborative approach, working in partnership with government and the broader sector on a shared focus for solutions. ACCPA is confident the solutions proposed in this submission will deliver return on the investment all parties are making to aged care reform, and most importantly, to older Australians.

ACCPA proposes recommendations for Australian Government Budget consideration under six priorities:

1. Ensuring a long-term sustainable funding system
2. Funding to improve the lives of older people in Australia, across the whole country;

3. Delivering seamless aged care for older Australians in their communities, their homes and residential care if they need it;
4. Planning for aged care reform success;
5. Ensuring aged care for where you live, when you need it and how you need it; and
6. Solving the workforce crisis to ensure the best care.

The recommendations proposed are focused on what can be established or ‘seeded’ in the coming year, to achieve positive impact on the aged care experience for older Australians.

# ACCPA's Recommendations

**R1:** Explore consumer co-contributions for aged care, with the aims of both supporting those who can least afford it and supporting sustainable aged care.

**R2:** The immediate implementation of indexation (in line with CPI) for all forms of aged care, providing catch-up funding to where it would have been if the Royal Commission's recommended interim indexation (Recs 111 and 112) was implemented.

**R3:** From 1 July 2023, ongoing indexation to fully cover the Consumer Price Index (CPI) (currently at 7.8% in the 12 months to December 2022).

**R4:** As an immediate priority, address the backlog of processing for applications to the COVID-19 Aged Care Support Program as well as streamline the COVID-19 reimbursement for the new COVID-19 Grant that commenced on 1 January 2023, to both reduce the cost of grant administration to providers and to speed up payments to providers.

**R5:** Invest an additional $853M in home care package funding to clear the national queue across FY23-24, and ensure all home care package recipients are in receipt of a package at their approved level - prior to transition to the new in-home aged care program from July 2024.

**R6:** Expand the prototype home care assessment tool training and trial from April – June 2023 to include implementation of the resultant support plan among a sample of care-recipients and their service providers/care partners, prior to program commencement from July 2024.

**R7:** Fund consultation on the quality indicator data design and standardised collection commencing FY2023-24, including the design and rollout of a subsequent pilot from July 2024.

**R8:** Fund the design and testing of a centralised information repository for the implementation of support plan documentation across multiple providers with secure API linkages from provider client management systems into a central portal – prior to the July 2024 commencement of the new in-home aged care program.

**R9:** The new in-home aged care program is co-designed with a fit-for-purpose payment approach that is both funded and expedited for implementation across FY23-24.

**R10:** Fund an industry implementation reform plan that sets the aged care sector up for success.

**R11:** Fund additional costs for rural, regional and remote (RRR) providers associated with delivering services regionally to ensure equity of access and care for older people.

**R12:** Funding for the 215 minutes daily requirement of care should commence 12 months early, from October 2023, to better support providers to meet the target on time.

**R13:** Address the loss of aged care workers from the sector by supporting competitive pay approaches such as funding future pay increases and ensuring aged care nurses receive salaries commensurate with their counterparts in public hospitals.

**R14:** Fund the on-costs of the wage increase of the Work Value Case.

**R15:** Provide an extension to the working hours of Student Visa holders beyond 30 June 2023 until such time as the immigration of new aged care workers increases sufficiently to reduce the staffing shortage in our sector.

# 1. Ensuring a long-term sustainable funding system

***Your investment; our impact** – A well-funded aged care system that is equitable within and across generations, and accessible to those least able to pay, can be a key outcome of the re-design of the financing rules providers need to work to.*

The two Commissioners of the Royal Commission into Aged Care Quality and Safety, while both suggesting a form of aged care levy, had differing views on how it might be achieved. Neither recommendation was accepted by the former Coalition Government[1], nor did it form part of the election policy of the Labor Government.

While discussion about the introduction of a levy raises issues of intra-generational and inter-generational equity, a conversation is yet to happen with the Australian community on the potential role of consumer co-contributions – for aged care for those who can afford it, with a safety net in place for those who cannot.

Given the level of national debt and the projected growth of the proportion of the Federal Budget committed to aged care, taxpayer funds must be focused on protecting people who cannot afford to pay for aged care services, rather than protecting those who can.

Providers are heavily restricted on the amount they can charge residents, irrespective of their wealth, and those fees that can be charged are not reflective of actual costs. For example, the annual and lifetime caps on care contributions, currently $30,574.33 and $73,378.49, do not come close to covering the full cost of care which can be more than $100,000 per year. And, the number of people who can be asked to pay even these amounts is artificially supressed by the current means test which caps the value of the family home at $200,000, meaning that – for the purposes of asset testing – a $400,000 home is assessed the same as a mansion worth tens of millions of dollars. Similar issues exist with the basic daily fee, covering hotel costs, and accommodation pricing.

Critically, this imbalance means that taxpayer funds, rather than being directed to supporting those most in need and least able to pay for their services, are subsidising those who could afford to contribute more.

People accept that substantial additional funding is needed to ensure the sustainability of aged care and, more importantly, accept that aged care needs support to deliver on the promise of the Royal Commission. Yet user contributions have, for decades, been off the table. ACCPA believes that it is time for a national conversation to give the community an opportunity to decide whether that needs to change.

**R1: Explore consumer co-contributions for aged care, with the aims of both supporting those who can least afford it and supporting sustainable aged care.**

[1] Recommendation 138: Productivity Commission investigation into financing of the aged care system through an Aged Care Levy (Commissioner Pagone); and Recommendation 144: Introduce a new earmarked aged care improvement levy (Commissioner Briggs), *Australian Government response to the final report of the Royal Commission into Aged Care Quality and Safety*, May 2021, https://www.health.gov.au/resources/publications/australian-government-response-to-the-final-report-of-the-royal-commission-into-aged-care-quality-and-safety

# 2. Funding to improve the lives of older people in Australia, across the whole country

It is almost two years since the Royal Commission into Aged Care Quality and Safety published its eight-volume report with 148 recommendations. Since then, data continues to show increased financial stress for residential aged care, which impacts on the ability of providers to keep their doors open and provide residents with the care they need and deserve. The average operating results for residential aged care homes in all geographic sectors (according to StewartBrown's latest  sector report – September 2022), was an operating loss of $21.29 per bed day, compared to a $7.30 per bed per day loss in September 2021.

This is despite the additional Basic Daily Fee supplement of $10 per bed day. This supplement to the Basic Daily Fee was also offset by reduced COVID-19 funding and other rising costs that are not reflected in the most recent indexation, which is well below Consumer Price Index (CPI). Home care and the Commonwealth Home Support Program (CHSP) also face additional cost pressures from changes to the Social, Community, Home Care and Disability Services Industry (SCHADS) Award, which commenced on 1 July 2022.

## 2.1 Indexation and independent pricing

***Your investment; our impact –*** *A sustainable sector is a stable sector and one that has the time and space to transform for the better of older Australians.*

ACCPA makes the following recommendations in regard to indexation and independent pricing:

**R2: The immediate implementation of indexation (in line with CPI) for all forms of aged care, providing catch-up funding to where it would have been if the Royal Commission's recommended interim indexation (Recs 111 and 112) was implemented.**

The Royal Commission understood that immediate change was necessary while reform processes were developed, given the decades of underfunding of aged care. The then government's failure to implement the Commission's recommendation hampers the progress of reform to this day, and the current government has an opportunity to fix it. This measure is needed to ensure that providers are not forced to cover wage increases by cutting into other costs while waiting for the new Independent Health and Aged Care Pricing Authority (IHACPA) to commence this year.

**R3: From 1 July 2023, ongoing indexation to fully cover CPI (currently at 7.8% in the 12 months to December 2022)**

The costing work currently being undertaken by IHACPA must take into consideration an appropriate indexation figure that addresses the real rise in costs currently being experienced by providers.

The need for appropriate indexation is compounded by many years[2] of low indexation, illustrated most recently by the 2022-23 indexation figure of 1.7% for subsidies paid by the government to providers to and support ageing Australians.[3] While providers grapple with the constraints of indexation not keeping pace with existing cost pressures, new costs continue to mount.

The government has proposed to the Fair Work Commission that 10% of the 15% interim increase awarded to direct care workers in Stage 1 of the Work Value Case should come into effect from 1 July 2023. The further 5% is proposed to be implemented from 1 July 2024.

Provisioning will also need to be made for fully funding any further wage increases arising from Stage 3 of the Work Value Case.

The Annual Wage Review decision is due to be handed down in June 2023, and the increase in award wages from this decision will be in addition to the interim increase from the Work Value Case. In 2022, the increase from the Annual Wage Review was 5.2% and 4.6%, depending on the level of wages of a classification. Provisioning should therefore be made for an award wage increase from the Annual Wage Review in 2023 of around 5%.

## 2.2 COVID-19 funding

***Your investment; our impact -*** *Help us do our job to protect vulnerable older Australians in a pandemic with the right supports, at the right time.*

There is an urgent need to review and fund in a sustainable way, the ongoing additional higher level of expenditure now required for preventative and outbreak management costs for all aged care service types. It is important that, in the costing studies IHACPA is currently undertaking, consideration is also given to the costs of preventative COVID-19 measures that providers are implementing.

Many providers have experienced significant delays in receiving payment from the government through their COVID-19 Grant Applications. For some, this amounts to many millions of dollars and for many providers this is creating additional financial stress.

**R4: As an immediate priority, address the backlog of processing for applications to the COVID-19 Aged Care Support Program as well as streamline the COVID-19 reimbursement for the new COVID-19 Grant that commenced on 1 January 2023, to both reduce the cost of grant administration to providers and to speed up payments to providers.**

[2] Royal Commission into Aged Care Quality and Safety, *Expenditure constraints and other budget measures,* Figure 8: Comparison of the Rates of Growth of Subsidy Levels and Provider Input Costs, p.9 https://agedcare.royalcommission.gov.au/system/files/2020-09/RCD.9999.0522.0001.pdf

[3] Inside Ageing, *Article: Aged care subsidy indexation figure announced as 1.7 per cent*, 29 June 2022, https://insideageing.com.au/aged-care-subsidy-indexation-figure-announced-as-1-7-per-cent/

# 3. Deliver seamless aged care for older Australians in their communities, their homes and residential care if they need it

***Your investment; our impact –*** *Getting home care design right will give providers the confidence to respond to the care expectations of Australians as they age, and in turn the confidence of Australians that the care will be there as and when they need it.*

Recommendations for funding investment in the FY2023-24 period to support in-home aged care build on the ACCPA submission to the *In Home Aged Care Program Discussion Paper*.

**R5: Invest an additional $853M in home care package funding to clear the national queue across FY23-24, and ensure all home care package recipients are in receipt of a package at their approved level – prior to transition to the new in-home aged care program from July 2024.**

Current funding commitments for the release of additional home care packages from the national queue are only confirmed up until June 2023, and wait times for older Australians to receive a home care package (HCP) at the approved level have remained between 3-6 months across the 2022 calendar year.

ACCPA estimates an additional 20,000 HCPs will need to be released across FY2023-24 at a cost of $853M. This includes upward adjustment of annual HCP subsidisation to implement indexation/wage increases (see R1 and R2). Any investment in home care packages is likely to be offset through reduced costs in residential aged care, as people will be in their communities and homes for longer, at a reduced overall cost – improving the lives of people, honouring their right to choose to stay in their home and supporting efficiency in aged care.

This allocation of funds is a critical step to support home care package recipients' transition to the new in-home aged care program from July 2024, by ensuring that their new support plans reflect approved service levels matched to need. It will also prevent an unnecessary demand for reassessment in the new program of recipients on an interim HCP caught up in the transition.

**R6: Expand the prototype home care assessment tool training and trial from April – June 2023 to include implementation of the resultant support plan among a sample of care-recipients and their service providers/care partners, prior to program commencement from July 2024.**

Funding of the trial will be subject to government approval of the final program design with Treasury costings required for the expansion.

The expansion will aim to pre-emptively identify any issues of concern for resolution/risk mitigation in finalising the operation of in-home support plan implementation, prior to transitioning approximately one million existing care recipients from July 2024.

**R7: Fund consultation on the quality indicator data design and standardised collection commencing FY2023-24, including the design and rollout of a subsequent pilot from July 2024.**

The funding required will be subject to government approval of the final program design with Treasury costings in response.

Funding will support additional consultation on quality indicator development and implementation for home care, following finalisation of the in-home aged care program design in 2023. Consideration will need to be given to the attribution and application, of both process and outcome quality indicators, to match support plan approvals and implementation across service categories and service types.

**R8: Fund the design and testing of a centralised information repository for the implementation of support plan documentation across multiple providers with secure API linkages from provider client management systems into a central portal - prior to July 2024 commencement of the new in-home aged care program.**

As with Recommendation 7 above, funding required will be subject to government approval of the final program design with Treasury costings required in response.

Funding should aim to facilitate the co-design of a fit-for-purpose centralised information management repository, expedited across FY23-24, including engagement of providers and their software vendors to ensure sufficient lead time prior to commencement. Considerations of information requirements, communications and delegation access will need to be factored into the design process.

**R9: The new in-home aged care program is co-designed with a fit-for-purpose payment approach that is both funded and expedited for implementation across FY23-24.**

Funding should aim to facilitate the engagement of providers and their software vendors to ensure sufficient lead time prior to commencement. The adequacy of provider and software vendor lead times in implementing an alternate payment approach for application within the context of existing ICT and B2G infrastructure systems will be important, as will consultation with providers in confirming design parameters.

# 4. Planning for aged care reform success

***Your investment; our impact –*** *Change doesn’t just end with the decision to change – change takes ongoing commitment, planning and strategic effort. Providers are ready for change, let’s help them land it.*

It is fundamental for government to work in partnership with the sector to set aged care up for success - by funding an industry reform implementation plan.

Aged care reforms, in response to the Royal Commission into Aged Care Quality and Safety, are a ‘once in a generation’ opportunity to improve Australia’s aged care system.

Government budgets to date have considered the necessary funding for managing reform by government departments (for example with additional funding for consultation and ICT systems). However, this same approach has not been taken in relation to supporting aged care providers manage change strategically and effectively in order to implement reforms.

Providers report that there are already increasing costs for the implementation of reform measures. While some reforms have been costed through Departmental Impact Analyses, not all were subject to this requirement.  There has also been a failure to look holistically at how the sector can reasonably manage business as usual demands while also putting in place radical transformation (such as business to government ICT, or increased governance and strategic planning capacity).

The pace of reform should also allow appropriate time to genuinely engage with consumers, where they are likely to be impacted, and at a pace which maintains confidence in the reform agenda. Short timeframes, such as those currently being experienced, risk the failure of reform, and a worsening of outcomes rather than the improvement we all want to see.

**R10: Fund an industry implementation reform plan that sets the aged care sector up for success.**

A properly supported reform plan will ensure that the fast pace of reform can be matched by the preparedness of the sector to implement change. This plan should be developed in partnership with the sector, as a matter of urgency, and include funding for possible approaches to invest in transformation of the sector.

ACCPA notes that the Independent Aged Care Quality and Safety Commission Capability Review will hand its recommendations to the government in March 2023. It is critical that any directions for possible changes to the regulatory system consider the impact and potential cost impost on providers, and the direct impact this has on consumers, in terms of implementation and ongoing costs.

Resource consideration for any recommendations adopted by the Australian Government for the Aged Care Quality and Safety Commission Capability Review should also include the potential impost on aged care providers.

Importantly, a mechanism to evaluate and fund areas of unmet need such as the allied health needs identified by the Royal Commission (Rec 38) is also required. This involves a commitment to a multidisciplinary workforce by putting in place an allied health needs assessment and funding model by July 2024.

# 5. Aged care for where you live, when you need it and how you need it

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| ***Your investment; our impact –*** *Delivering innovative and tailored approaches for thin markets is vital to the survival of aged care in regional and specialist communities. Communities and providers are committed to the fight, they just need the backing.* |

There are significant challenges for providers of residential aged care facilities in rural and remote regions. Many of these services are facing very real challenges spanning viability and sustainability pressures resulting from:

- inadequate funding and indexation;
- workforce pressures;
- access to services challenges; and
- higher costs of maintenance due to distance and contractor availability

It is also highly important that these providers have the capacity and capability to provide culturally appropriate care and services to Aboriginal and Torres Strait Islander people in locations where it is needed.

In the most recent report by StewartBrown, Aged Care Financial Performance Survey: 70 per cent of aged care homes in rural and remote regions operated at a loss from July - September 2022. To avoid home closures and reduced service delivery – especially in regional areas of Australia – the report's authors suggest the government offer providers a funding sustainability package "to ensure current viability and allow for necessary funding reforms to be properly implemented."

**R11: Fund additional costs for rural, regional and remote (RRR) providers associated with delivering services regionally to ensure equity of access and care for older people.**

There is an urgent need for investment in capital works and accommodation programs to house aged care workers and to support the attraction of workers to the regions – in partnership with State and Territory governments.

ACCPA members are also reporting challenges with how the Modified Monash Model (MMM) is applied (e.g. Mildura, Victoria is not recognised in the AN-ACC regional weightings due to its MMM categorisation despite its regional remoteness). ACCPA is aware of some members finding their categorisation has changed, and therefore their access to sufficient funding.

With respect to home care, it is imperative that transportation, capital and operational costs to service home care clients in regional, remote and very remote Australia are recognised.

**Specifically, ACCPA recommends the following funding to support care for residents and home care recipients in regional, rural and remote Australia:**

1. **Expand funding for the current program to support capital works for aged care providers;**

2. **Fund a national project to work with State and Territory governments to partner on accommodation to house aged care workers in the regions;**
3. **Increase of the viability supplement; and**
4. **Provide specific grants for home care providers to address transportation costs both under the current model and the new Support at Home program.**

# 6. Solving the workforce crisis to ensure the best care

***Your investment; our impact –** Australia needs its care economy to thrive and providers are well-placed to drive outcomes for gender equity.*

As Minister for Aged Care Anika Wells said last year[4]: *"The care economy is undervalued. We do not value care workers in our country, and until they feel that value, we are not going to get enough people into the sector."* Solving the workforce crisis is critical for the care of older Australians**.** Shifts are currently going unfilled, older Australians are being turned away in both home and residential care, and demand for staff is growing strongly. In residential care, registered nurse (RN) levels need to increase by more than 40% by October 2023.[5] Demand for home care workers is also growing rapidly with the number of home care packages almost doubling from 2020 to 2023,[6] in the context of record low unemployment.

Furthermore, migration has always been an important source of labour for aged care. Overall, as of February 2021, people born outside of Australia made up about 40 per cent of the care workforce.[7] ACCPA are advocating for the development specific migration solutions to boost the workforce supply in aged care, including:

- the introduction of a UK-style health and care worker visa;
- an Australian Government-sponsored recruitment campaign; and
- industry labour agreements.

To solve the workforce crisis in aged care, we need to work together. Aged care providers, unions, health professionals, and government need to work alongside older people, their families and carers to fulfill every older Australian's right to high quality care.

## 6.1 Improving conditions

Improving conditions will help improve quality and fairness and attract more staff.

Increased staffing levels in residential care (in line with the government's commitments) will help relieve pressure, reduce burnout, and improve quality.

However, a clear plan is needed to account for the fact that workers may not be initially available and that it takes time to recruit and ramp up the workforce. This issue was identified by our sector in consultation with the government and funding for the 200 care minute requirement was introduced 12 months before the requirement commences in October 2023. The 200 care minute requirement increases to 215 minutes from October 2024, yet currently, funding for this significant change commences at the same time. ACCPA believes that this funding should commence from October 2023, following the same model used for the 200 care minute requirement.

[4] Australian Financial Review: 22/8/22
[5] Providers currently average about 28 minutes, this will need to increase to 40 minutes (43%) by October 2023 and 44 minutes (64%) by October 2024 under proposed staffing targets.
[6] There is roughly a 93% increase in home care package numbers from 142,436 in June 2022 to 275,600 in June 2023.
[7] National Skills Commission, Care Workforce Labour Market Study, October 2022, https://www.nationalskillscommission.gov.au/reports/care-workforce-labour-market-study

**R12: Funding for the 215 minutes daily requirement of care to commence 12 months early, from October 2023, to better support providers to meet the target on time.**

The ability for providers to offer competitive pay to their employees is essential, to support providers that are competing across many sectors for the same potential workers. While the Work Value Case will increase wages for some classifications of aged care workers, this process does not fix the underlying problem and further, funded, increases will be necessary. For example, aged care nurses are paid substantially less than those working in our public hospital systems.

**R13: Address the loss of aged care workers from the sector by supporting competitive pay approaches such as funding future pay increases and ensuring aged care nurses receive salaries commensurate with their counterparts in public hospitals.**

With the government supporting the recent Fair Work Commission's case offering some (but not all) workers in aged care increased pay during 2023 and 2024, it is imperative that the on-costs of this wage increase (e.g. superannuation, leave, loadings, payroll taxes, and workers compensation premiums) be recognised and fully funded by the government.

**R14: Fund the on-costs of the wage increase of the Work Value Case.**

## 6.2 Unlocking additional workers

The Government announced the relaxation of working hour restrictions on student visas in January 2022 to address workforce shortages. The Government has now announced the cessation of this highly useful measure as of 30 June 2023. This unfortunately occurs three months before the new increased minutes of care commences on 1 October, which will likely add further strain to those providers employing staff under the changes.

**R15: Provide an extension to the working hours of Student Visa holders beyond 30 June 2023 until such time as the immigration of new aged care workers increases sufficiently to reduce the staffing shortage in our sector.**