



Ageing  
Australia

# Pre-Budget Submission 2025-26

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## About Ageing Australia

Ageing Australia is the national peak body representing providers across the aged care sector, including retirement living, seniors housing, residential care, home care, community care and related services.

We represent the majority of service providers, working together to create a sector that empowers older Australians to age with dignity, care and respect.

We advocate for a sector that champions excellence, sustainability, and innovation, ensuring our members have the tools, resources, and guidance they need to deliver exceptional services.

We use our united voice to amplify our members' contributions and concerns to government, media, and the wider community.

We are committed to reshaping the future of ageing in Australia by fostering collaboration and driving meaningful change, making it a celebrated and fulfilling journey.

## A new era for aged care in Australia

A blueprint to support the transformation of the aged care sector to meet the needs of current and future generations.

The new Aged Care Act ('the new Act') is due to commence 1 July 2025, which will mark the start of a new era for aged care. Investment in aged care as part of the 2025-26 Federal Budget will be crucial to ensure the successful implementation of the new Act.

The following priority areas must be addressed to support the aged care reform journey, including:

1. Funding – ensuring aged care services are adequately funded to deliver quality care, and that they will be sustainable into the future.
2. Workforce – building the aged care workforce so that the aged care sector will be able to meet growing demand.
3. Reform – supporting implementation of the new Act and innovation.

The recommendations made in this submission have been informed by the challenges and opportunities identified by aged care providers across Australia. If adopted, these recommendations will ensure the aged care system is sustainable and equipped to meet the changing needs and preferences of Australia's ageing population.

## Summary of recommendations

### Funding – ensuring the sustainability of the aged care system in Australia

#### **R1 Fund quality and sustainable aged care services**

Support sustainable funding and optimise the implementation of the Aged Care Taskforce's recommendations by:

- Conducting the review of the Accommodation Supplement as soon as possible.
- Costing and funding high quality care, including new program administration and business costs, as per the definitions in the new Act.
- Ensuring residential aged care providers are adequately funded to meet the new requirements in the service list.

#### **R2 Adjust funding settings for the Commonwealth Home Support Programme (CHSP) to ensure the CHSP sector remains viable**

Revise the indexation arrangements for CHSP, as the 3.5% indexation from 1 July 2024 was insufficient to address provider wages costs.

#### **R3 Alleviate additional cost pressures on aged care from State-based taxes**

Invest \$391.5 million annually to re-introduce the Aged Care Payroll Tax Supplement paid to private residential care providers who, unlike not-for-profit providers, are not exempt from state government payroll taxes.

### Workforce – attracting and retaining aged care workers

#### **R4 Establish a taskforce to develop a National Aged Care Workforce Strategy**

\$0.5 million in 2025-26 to establish a National Aged Care Workforce Strategy Taskforce to undertake data collection, sector-specific projections, and identify strategies to address gaps in skills, staffing shortages, and changing care demands.

**R5 Boost the aged care workforce across Australia, particularly in regional areas**

Build a sustainable aged care workforce equipped to meet increasing future demand through:

- Establishing an Aged Care Worker Attraction Fund to attract workers to the aged care sector, especially in rural and remote areas.
- Investing in training and skills development opportunities for aged care workers.
- Increasing funding for the Aged Care Capital Assistance Program to support capital works for on-site accommodation for staff.

**R6 Improving access to migrant workers to build a sustainable workforce**

\$9 million over 3 years to establish:

- A sector-led migration advisory service for aged care providers to access and retain their migrant workers; and
- An International Workforce Council to support cross-sectoral collaboration and develop innovative solutions to improve the aged care sector's ability to access migrant workers.

**Reform – supporting the transformation of aged care in Australia**

**R7 Transition support to enable providers to implement the new Act**

This support should include:

- From the commencement of the Support at Home program, funding Care Management at 20% of the consumer's package value, for the first year to support transition and market stability.
- \$188 million for a transition supplement to support the aged care sector transition to the new Act. This supplement would help providers cover the costs associated with implementing the new Act.

**R8 Funding for providers to support Information and Communications Technology (ICT) change**

\$600 million to establish an ICT grant program for aged care providers to meet the obligations of the new Act, comprised of \$400 million for capital expenses (including system acquisition and upgrades) and \$200 million for operational expenses (including training and skilled staff).

**R9 Pilot hospital in the home in retirement villages**

\$2.5 million to fund a three-month pilot of integration of hospital in the home in eight retirement villages.

## Priority area 1: Funding – ensuring the sustainability of the aged care system in Australia

Chronic underfunding in aged care has led to unsustainability across the sector. The majority of residential aged care homes are operating at a loss, while lack of clarity about the Support at Home program, including pricing for services, has created significant uncertainty for home care providers.<sup>1</sup>

The Aged Care Taskforce's recommendations,<sup>2</sup> which will largely be implemented through the new Act, have provided a way forward on aged care funding.

Our recommendations here support the implementation of the Aged Care Taskforce's recommendations and aim to ensure future funding arrangements are sustainable. They also support the provision of quality care and more timely access to home care services for the increasing number of older people who prefer to remain in their homes.

### Recommendation 1: Fund quality and sustainable aged care services

Support sustainable funding and optimise the implementation of the Aged Care Taskforce's recommendations by:

- Conducting the review of the Accommodation Supplement as soon as possible.
- Costing and funding high quality care, including new program administration and business costs, as per the definitions in the new Act.
- Ensuring residential aged care providers are adequately funded to meet the new requirements in the service list.

## BACKGROUND

The Aged Care Taskforce recommended a review of the Accommodation Supplement, including improving incentives to meet the accommodation design principles.<sup>3</sup> In response to this recommendation, the Government stated that it would commission an independent Accommodation Pricing Review and that this would include a review of the Accommodation Supplement.<sup>4</sup>

While neither the Aged Care Taskforce nor the Government specified a timeframe for this review, Ageing Australia urges the Government to commission this review as soon as possible. As noted by the Aged Care Taskforce, the current policy settings for the supplement have limited its effectiveness as an incentive for improving facilities. A key reason for this is because the Accommodation Supplement is indexed to the Consumer Price Index and, in recent years, has increased at a slower rate than the cost of construction. Over time, this has significantly reduced the value (in real terms) of the

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<sup>1</sup> StewartBrown *Aged Care Financial Performance Survey Report for June 2024*. <https://www.stewartbrown.com.au/news-articles/26-aged-care/301-2024-11-stewartbrown-aged-care-financial-performance-survey-june-2024>

<sup>2</sup> Aged Care Taskforce (2024). *Final report of the Aged Care Taskforce*. [https://www.health.gov.au/sites/default/files/2024-03/final-report-of-the-aged-care-taskforce\\_0.pdf](https://www.health.gov.au/sites/default/files/2024-03/final-report-of-the-aged-care-taskforce_0.pdf)

<sup>3</sup> Aged Care Taskforce (2024). *Final report of the Aged Care Taskforce*, recommendation 14, [https://www.health.gov.au/sites/default/files/2024-03/final-report-of-the-aged-care-taskforce\\_0.pdf](https://www.health.gov.au/sites/default/files/2024-03/final-report-of-the-aged-care-taskforce_0.pdf)

<sup>4</sup> Department of Health and Aged Care (2024). *Australian Government response to the Aged Care Taskforce*. <https://www.health.gov.au/resources/publications/australian-government-response-to-the-aged-care-taskforce?language=en>

Accommodation Supplement and, therefore, does not cover refurbishment costs. This must be urgently addressed to ensure that there are sufficient residential aged care places to meet growing demand. It will also provide much needed funding to support upgrades and refurbishments that meet older Australians' changing expectations and needs.

The new Act provides a definition of "high quality care", which includes an extensive list of services/requirements which should be prioritised as part of delivering high quality care. This includes, for example, tailoring care to the needs, aspirations and preferences of the individual, supporting the individual to participate in meaningful and respectful activities and bilingual aged care workers and interpreters being made available if required.<sup>5</sup> The sector is supportive of efforts to provide person centred and tailored care.

However, aged care providers are not funded to deliver to the listed requirements in the new Act. The Independent Health and Aged Care Pricing Authority (IHACPA) costing studies are based on the current cost of delivering services and therefore will not reflect the cost of delivering the new requirements articulated under the new Act. Further work by IHACPA is needed to determine the cost of delivering high quality care, in accordance with the provisions of the new Act.

As a result of implementation of the new reforms, administrative and business costs in delivering services will also increase. For example, 13% of the expectations under the Strengthened Quality Standards are new,<sup>6</sup> and therefore they will result in additional regulation and administrative requirements. To ensure this does not put further financial pressure on the sector, it is critical that the Government adequately fund aged care providers to cover such additional costs. While technology has the potential to create efficiencies (e.g. streamlining reporting), there is significant variation in digital maturity across the sector and many providers are experiencing financial viability challenges. Consequently, it is unlikely that providers will be able to harness the opportunities technology offers without financial support. This issue is discussed further under Recommendation 8.

The Department of Health and Aged Care has recently conducted two rounds of consultation on the residential care service list. As noted in Ageing Australia's submissions to these consultations, this service list includes several new requirements with potentially significant cost implications for providers,<sup>7</sup> including sourcing new furniture items (e.g. recliner chairs, adjustable beds) and/or recruiting additional staff. If such requirements are included in the final version of the service list, it will be critical that residential aged care providers receive additional funding to ensure they can meet the new requirements.

## Recommendation 2: Adjust funding settings for CHSP to ensure the CHSP sector remains viable

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<sup>5</sup> *Aged Care Act 2024* (Cth), section 20.

<sup>6</sup> Department of Health and Aged Care (2024). *What's different in the strengthened Quality Standards*. <https://www.health.gov.au/our-work/strengthening-aged-care-quality-standards/whats-different>

<sup>7</sup> ACCPA (2024). *Submission to the New Aged Care Act Rules consultation – Release 1 – Service list*. <https://ageingaustralia.asn.au/wp-content/uploads/2024/10/20241030-ACCPA-Submission-to-New-Aged-Care-Act-Rules-consultation-%E2%80%93-Release-1-%E2%80%93-Service-list-FINAL.pdf>

Revise the indexation arrangements for CHSP, as the 3.5% indexation from 1 July 2024 was insufficient to address provider wages costs.

## BACKGROUND

The indexation of 3.5% for CHSP from 1 July 2024 was insufficient to address provider wages costs, such as 3.75% for the Annual Wage Review 2024 and additional 0.5% superannuation. This situation is compounded for those providers who pay above award wages and whose costs were not covered in the 2023 Federal Budget wages measure to address Work Value Case Stage 2. CHSP providers are actively assessing their ability to continue providing services under current program settings – at a time when demand is increasing.

While Ageing Australia has welcomed the Government's decision to provide CHSP meals providers with a 10% cost-of-living top-up of their 2024–25 funding to alleviate cost pressures,<sup>8</sup> the cost-of-living increase has also impacted other services and needs to be addressed as part of 2025-26 CHSP pricing.

### Recommendation 3: Alleviate additional cost pressures on aged care from State-based taxes

Invest \$391.5 million annually to re-introduce the Aged Care Payroll Tax Supplement paid to private residential care providers who, unlike not-for-profit providers, are not exempt from state government payroll taxes.

## BACKGROUND

The decision to cease the Aged Care Payroll Tax Supplement from 1 January 2015<sup>9</sup> has contributed to a reduction in financial viability, eroding capacity for providers to deliver frontline care services to older Australians. The loss of the supplement, combined with increased state payroll tax, continues to adversely impact a sector experiencing sustained and significant financial challenges – contributing to a severe lack of investment in new capital for the refurbishment of older stock and new facility builds.

The Royal Commission into Aged Care Quality and Safety (Royal Commission) recommended that a new Pricing Authority should be established with the objective of ensuring the efficient and effective use of public funding and private user contributions in the provision of high quality and safe aged care services.<sup>10</sup> The Royal Commission

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<sup>8</sup> The Hon Anika Wells MP (2024). *\$37 million boost for aged care meals services*, media release, 3 December. <https://www.health.gov.au/ministers/the-hon-anika-wells-mp/media/37-million-boost-for-aged-care-meals-services>

<sup>9</sup> Department of Parliamentary Services (2014). *Budget Review 2014–15*, [https://parlinfo.aph.gov.au/parlInfo/download/library/prspub/3221329/upload\\_binary/3221329.pdf;fileType=application%2Fpdf#search=%22library/prspub/3221329%22](https://parlinfo.aph.gov.au/parlInfo/download/library/prspub/3221329/upload_binary/3221329.pdf;fileType=application%2Fpdf#search=%22library/prspub/3221329%22)

<sup>10</sup> Royal Commission into Aged Care Quality and Safety (2021). *Aged Care Royal Commission Final Report: Recommendations*, recommendation 115, <https://www.royalcommission.gov.au/system/files/2021-03/final-report-recommendations.pdf>

further stated that the Pricing Authority should take into account the principles of competitive neutrality.<sup>11</sup>

This recommendation has not been adopted by the Government, with the Government instead having instructed IHACPA that, 'the Commonwealth will not pay providers specifically for the effect of state payroll taxes'. Consequently, the datasets used by IHACPA to develop its pricing advice do not include payroll tax. This is concerning, as it means the distortions and inefficiencies which flow from a failure to address the differential input-tax treatments of for-profit and not-for-profit aged care providers are not taken into account.

Reinstating the Aged Care Payroll Tax Supplement would align with Royal Commission recommendations, as well as the statement of expectations issued by the Minister for Health and Aged Care to IHACPA in November 2022. This Statement indicated that the National Efficient Price for residential aged care should be 'based on funding the actual cost of care' and should cover 'all costs and revenues for items in the Schedule of Specified Care and Services'.<sup>12</sup>

## Priority area 2: Workforce – attracting and retaining aged care workers

The aged care sector in Australia continues to face significant workforce shortages. This issue will become increasingly critical in the coming years, as demand for aged care services grows due to older people's increasingly complex care needs and an ageing population.

In 2024-25, the Department of Health and Aged Care estimated that there would be a shortage of approximately 5,900 registered nurses in residential aged care in 2024-25.<sup>13</sup> An undersupply of around 17,550 nurses for the aged care sector by 2035 has also been forecast.<sup>14</sup>

While Ageing Australia welcomes the Government's investment to support increased wages for many aged care workers through the Aged Care Work Value Case, shortages continue in positions that are crucial for meeting mandated workforce responsibilities.

Our recommendations will alleviate these shortages by supporting the attraction and retention of aged care workers, particularly in regional areas. They will also improve

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<sup>11</sup> Royal Commission into Aged Care Quality and Safety (2021). *Aged Care Royal Commission Final Report: Recommendations*, recommendation 115,

<https://www.royalcommission.gov.au/system/files/2021-03/final-report-recommendations.pdf>

<sup>12</sup> Minister Butler MP (2022). *Expectations Setting Paper: Aged Care Pricing*,

[https://www.ihacpa.gov.au/sites/default/files/2022-11/expectations\\_setting\\_paper\\_aged\\_care\\_pricing\\_the\\_hon\\_mark\\_butler\\_mp\\_minister\\_for\\_health\\_and\\_aged\\_care\\_-\\_22\\_august\\_2022.pdf](https://www.ihacpa.gov.au/sites/default/files/2022-11/expectations_setting_paper_aged_care_pricing_the_hon_mark_butler_mp_minister_for_health_and_aged_care_-_22_august_2022.pdf)

<sup>13</sup> Correspondence from Blair Comley PSM to Senator Ruston dated 3 June 2024.

[https://www.aph.gov.au/-/media/Estimates/ca/bud2425/Health\\_and\\_Aged\\_Care/02\\_AddInfo\\_SecretaryComley\\_ResponseToSenatorRuston.pdf?la=en&hash=88102A06F35190F406C43119D97D28ACA7577BFA](https://www.aph.gov.au/-/media/Estimates/ca/bud2425/Health_and_Aged_Care/02_AddInfo_SecretaryComley_ResponseToSenatorRuston.pdf?la=en&hash=88102A06F35190F406C43119D97D28ACA7577BFA)

<sup>14</sup> Department of Health and Aged Care (2024). *Nursing Supply and Demand Study – 2023-2035*. <https://hwd.health.gov.au/resources/primary/nursing-supply-and-demand-study-2023-2035.pdf>



providers' ability to navigate the migration system to access migrant workers, who play a key role in Australia's aged care system.

#### Recommendation 4: Establish a taskforce to develop a National Aged Care Workforce Strategy

\$0.5 million in 2025-26 to establish a National Aged Care Workforce Strategy Taskforce to undertake data collection, sector-specific projections, and identify strategies to address gaps in skills, staffing shortages, and changing care demands.

## BACKGROUND

Australia's population is ageing, with the percentage of older Australians (aged 65 and over) expected to increase from 16% of the total population in 2020 to between 21-23% by 2066<sup>15</sup> – increasing demand for aged care services. It is therefore imperative that there is an effective, coordinated strategy in place to build the aged care workforce in Australia.

A National Aged Care Workforce Strategy (Workforce Strategy) should be developed to ensure that there will be sufficient aged care workers to meet future demand and that they will be equipped with the knowledge, skills and experience needed to meet the changing care needs of older Australians. The Workforce Strategy should be aligned with, and build on, other relevant strategies. For example, the National Dementia Action Plan 2024-2034<sup>16</sup> and the National Nursing Workforce Strategy, which are expected to be finalised soon.

Achieving a sustainable workforce is a complex and systemic issue in aged care. To achieve the best possible outcomes, a taskforce should be established to inform the development of the Workforce Strategy. This taskforce should include a wide range of sector stakeholders and experts and be supported by government agencies involved in workforce matters such as aged care, migration, education and training.

#### Recommendation 5: Boost the aged care workforce across Australia, particularly in regional areas

Build a sustainable aged care workforce equipped to meet increasing future demand through:

- Establishing an Aged Care Worker Attraction Fund to attract workers to the aged care sector, especially in rural and remote areas.
- Investing in training and skills development opportunities for aged care workers.
- Increasing funding for the Aged Care Capital Assistance Program to support capital works for on-site accommodation for staff.

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<sup>15</sup> Australian Institute of Health and Welfare (2024). *Older Australians* (web report). <https://www.aihw.gov.au/reports/older-people/older-australians/contents/demographic-profile>

<sup>16</sup> Action 7 of the [National Dementia Action Plan 2024-2034](#) is to build the capability of the workforce to care for and support people living with dementia.

## BACKGROUND

While workforce shortages affect the entire sector, they are particularly acute in rural, regional and remote areas. Providers in such areas report that lack of housing is a significant barrier to recruiting permanent staff. Consequently, many services in rural and remote areas use costly agency staff to meet the 24/7 registered nurse and care minutes requirements, which is compromising their financial viability. We are also aware of examples of providers who have started to provide accommodation for their employees (e.g. converting independent living units to provide staff accommodation).

Competition with other sectors, including health and disability, is another common barrier to recruitment and retention of staff. Anecdotal feedback from our members suggests recent increases in award wages for some aged care workers may have improved their ability to attract and retain staff. However, providers also continue to report that there are a range of factors which make working in aged care less appealing compared to other sectors, including significant compliance and reporting requirements, and the scale and pace of reform in aged care.

Establishing an Aged Care Worker Attraction Fund would enable holistic approaches to attraction and retention of workers to the aged care sector, with a particular focus on initiatives to boost the workforce in rural, regional and remote areas. Such initiatives could include measures such as signing bonuses and/or relocation assistance. Increasing the aged care workforce in these areas would help to ensure that all older people have access to quality aged care services, regardless of where they live. It would also reduce providers' reliance on agency staff, thereby improving continuity of care for residents and reducing financial strain for the sector.

There is also a need to invest in training and skills development opportunities to ensure the aged care workforce has the skills, knowledge and experience required to provide quality aged care. Aged care placements should be a mandatory part of nurse training to enhance exposure to and provide experience within the sector. Providing clearer pathways and increased visibility for school-based aged care traineeships would also help to promote early entry and support to enter the aged care workforce. Implementing a mentorship and supervision program, similar to the GP supervision subsidy in General Practice, would also facilitate experienced staff nearing retirement mentoring new aged care workers, fostering workforce growth and continuity.

The Aged Care Capital Assistance Program (ACCAP) plays a critical role in enabling aged care providers in thin markets to build and upgrade aged care homes, and staff accommodation, in areas affected by housing shortages. The results of the ACCAP grant rounds to date show there is extremely high demand to support capital works. While \$250 million in funding was allocated for 52 projects in the most recent round, 397 applications sought over \$1.7 billion.<sup>17</sup>

### Recommendation 6: Improving access to migrant workers to build a sustainable workforce

\$9 million over 3 years to establish:

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<sup>17</sup> Department of Health and Aged Care (2024). *Aged Care Capital Assistance Program (ACCAP) – Residential-based Aged Care Services Grant Opportunity (GO6989) results*, <https://www.health.gov.au/news/aged-care-capital-assistance-program-accap-residential-based-aged-care-services-grant-opportunity-go6989-results>

- A sector-led migration advisory service for aged care providers to access and retain their migrant workers; and
- An International Workforce Council to support cross-sectoral collaboration and develop innovative solutions to improve the aged care sector's ability to access migrant workers.

## BACKGROUND

Approximately 30% of the aged care workforce is made up of migrant workers.<sup>18</sup> Due to competition and high demand, driven by care minutes and 24/7 registered nurse requirements, providers have a strong interest in accessing migrant workers. A survey of Ageing Australia members conducted in 2024 found that 42% of providers were likely to increase their migrant workforce in the next 12 months.<sup>19</sup>

Despite this high level of interest, providers report difficulties accessing workers under the current migration arrangements. Ageing Australia's *State of the Sector: Aged Care 2024* report found that just 36% of providers had been able to access the workers they required.<sup>20</sup> The report also found that larger providers were more than twice as likely to have accessed workers under an Aged Care Industry Labour Agreement, when compared to small and very small providers.<sup>21</sup>

Providers find the migration system complex and onerous to navigate. Although some providers have been able to engage external migration services for support, this approach incurs significant costs. Our members also report that it is difficult to attract migrant workers to regional, rural or remote locations.<sup>22</sup> Financial viability issues are another common barrier, which limit providers' ability to offer a sufficiently attractive salary to prospective employees.<sup>23</sup>

The migration advisory service would be available to any approved provider and their worker/s, and would consist of an online platform to connect key stakeholders and house tools, information, training and resources.

Additionally, establishing an International Workforce Council (Council) would provide a platform for collaboration between migration agents, recruitment agencies, training providers, aged care providers, and policy influencers. Through sharing insights and developing innovative solutions, the Council could help to increase workforce supply, ensure workers have the necessary skills and training to work in aged care and support ethical and effective recruitment pathways that would reduce reliance on temporary solutions.

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<sup>18</sup> Committee for Economic Development of Australia (2021). *Duty of Care: Meeting the Aged Care Workforce Challenge Report*, p.27. <https://www.ceda.com.au/Admin/getmedia/29cf7e90-afe9-4c92-bf4b-7abc385078f8/Aged-Care-Workforce-2021-FINAL.pdf>

<sup>19</sup> ACCPA (2024). *State of the Sector: Aged Care 2024 Report*. <https://ageingaustralia.asn.au/state-of-the-sector-aged-care-2024/>

<sup>20</sup> ACCPA (2024). *State of the Sector: Aged Care 2024 Report*. <https://ageingaustralia.asn.au/state-of-the-sector-aged-care-2024/>

<sup>21</sup> ACCPA (2024). *State of the Sector: Aged Care 2024 Report*. <https://ageingaustralia.asn.au/state-of-the-sector-aged-care-2024/>

<sup>22</sup> ACCPA (2024). *State of the Sector: Aged Care 2024 Report*. <https://ageingaustralia.asn.au/state-of-the-sector-aged-care-2024/>

<sup>23</sup> ACCPA (2024). *State of the Sector: Aged Care 2024 Report*. <https://ageingaustralia.asn.au/state-of-the-sector-aged-care-2024/>

## Priority area 3: Reform – supporting the transformation of aged care in Australia

The aged care sector has experienced rapid reform in the years following the Royal Commission. Reform will continue at pace in 2025, with the new Act due to come into effect from 1 July 2025. The new Act will introduce a broad range of significant reforms, including changing the way aged care services are funded, establishing a new regulatory model and requiring compliance to the strengthened Aged Care Quality Standards.

The home care sector is also undergoing fundamental reform, with the new Support at Home program replacing the existing Home Care Packages Program and Short-Term Restorative Care Programme from 1 July 2025 and the CHSP transitioning to the new program after 1 July 2027.

These reforms will require aged care providers to undertake a wide range of change management activities. Realistic transition times and support for providers will therefore be critical to enable successful implementation of the reforms.

ICT and innovation have the potential to play a key role in enabling the delivery of quality care to all older Australians. For example, telehealth technologies are being used to improve access to health professionals for residents in rural, regional and remote areas. Some residential aged care homes are also using artificial intelligence such as robots for tasks including cleaning and food and laundry delivery, allowing staff to focus on providing direct care. While ICT and innovation present exciting opportunities for the future of aged care, the significant and prolonged financial strain being experienced by the sector has limited some providers' ability to harness these.

Further consideration and investment is also required into innovative models of health and aged care service delivery to meet the changing needs and preferences of older Australians, including the growing preference to age in place.<sup>24</sup>

### Recommendation 7: Transition support to enable providers to implement the new Act

This support should include:

- From the commencement of the Support at Home program, funding Care Management at 20% of the consumer's package value, for the first year to support transition and market stability.
- \$188 million to establish a transition supplement to support the aged care sector transition to the new Act. This supplement would help providers cover the costs associated with implementing the new Act.

## BACKGROUND

Care management is the key element of the person-centred human service delivery and fundamental to delivering high quality care. It is an aspect of service delivery that is often invisible to the client and community, yet has a direct impact on outcomes for the client.

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<sup>24</sup> Clark, W., Ong Viforj, R. & Phelps, C. (2024). Place Attachment and Aging in Place: Preferences and Disruptions. *Research on Aging*, 46(3-4), 179-196.  
<https://doi.org/10.1177/01640275231209683>

Care management value in delivering a human service needs to be understood and adequately funded. Currently, many providers allocate significantly more than 20% of their budget on care management. We recommend 20% of package value be made available in the provider care management pool, to ensure continuity of care for current clients and access to services for new clients who require ongoing comprehensive support in their social and environmental domains.

Given the breadth of the reforms which will be introduced by the new Act, significant change management will need to be undertaken by aged care providers to prepare for its implementation. This will include staff training on new requirements, updating processes, policies and procedures and informing care recipients about the changes and their impacts. Due to changes in aged care system funding, some providers will need to reconsider their business models and undertake extensive strategic and operational planning to ensure alignment with the reforms. These change management activities will involve significant costs, at a time when many services continue to experience financial stress. Financial support will therefore be critical to enable aged care providers – and, ultimately, care recipients – to smoothly transition to the new Act.

Notably IHACPA's pricing advice is based on costing studies which reflect the current cost of delivering care. This means that there will be a time lag between when new requirements are implemented and when the impacts of these are reflected in IHACPA's cost collection and pricing advice. Establishing a transition supplement will therefore be critical to ensure providers are adequately funded to implement the new requirements under the Act in the interim. These include, for example, the costs associated with increased reporting requirements, new assurance programs for care minutes, and the cost of meeting the strengthened Quality Standards. Without such support, there is a high risk that many providers will not be able to meet the new requirements or will be unable to without further compromising their financial viability.

#### Recommendation 8: Funding for providers to support ICT change

\$600 million to establish an ICT grant program for aged care providers to meet the obligations of the new Act, comprised of \$400 million for capital expenses (including system acquisition and upgrades) and \$200 million for operational expenses (including training and skilled staff).

## BACKGROUND

The implementation of the new Act will require substantial ICT system changes, for both the Government and providers. As part of the 2024-25 Federal Budget, the Government allocated \$1.4 billion to the Government's ICT systems for the new Act, but no funding was allocated to providers for ICT system upgrades.

ICT system investment and change will be critical for successful transition to the new Act. Obligations that need to be met include new ICT systems for pricing as part of the Support at Home program, new worker training and recording of training requirements, and changes to the collection and reporting of care minutes data in residential care.

Many aged care providers lack the necessary resources to invest in technology or cover the operational costs associated with training and employing skilled business staff.

Further, there is significant variation in digital maturity across aged care providers, regardless of size.<sup>25</sup>

In November 2024, the Minister for Aged Care announced that eligible providers will be able to apply for grants of up to \$10,000 to assist with the costs of IT changes needed in preparation for the new Act.<sup>26</sup> While the intent to provide financial support is welcome, the amount is insufficient given the scale and cost of the changes required. Our members anticipate that making the IT required to meet the new Act will involve significantly higher costs. For instance, we are aware of examples of providers who estimate that the required IT transformation will cost between \$1 million and \$2.3 million. While the exact costs involved are likely to vary due to factors such as digital maturity and provider size, feedback from our members universally indicates that a grant of \$10,000 is insufficient. Increased funding will enable the intended objectives of investment in government systems to be realised.

Our recommendation aligns with Government priorities articulated in the *Aged Care Data and Digital Strategy and Action Plan 2024-2029*, aimed at improving the use of aged care data to help meet current and future service demand, combined with reducing the administrative burden of reporting. As discussed in Ageing Australia's submission on the Aged Care Data and Digital Strategy, while digital health technology has the potential to improve service quality, efficiency and equity, aged care providers' ability to harness digital opportunities has been limited by significant variation in digital maturity and financial viability challenges.<sup>27</sup>

#### Recommendation 9: Pilot hospital in the home in retirement villages

\$2.5 million to fund a three-month pilot of integration of hospital in the home in eight retirement villages.

## BACKGROUND

Innovative models of care, such as Hospital in the Home (HITH), are needed to meet the changing needs and preferences of the ageing population. HITH involves patients receiving hospital-level acute care in their home where it is safe and appropriate for their condition.

The HITH model aligns with the preferences of older Australians, many of whom would prefer to remain in their homes. HITH has been shown to have several benefits, including enhancing quality of life, whilst reducing the risk of hospital acquired infections and readmissions. As it does not rely on inpatient beds, HITH is also more cost-effective compared to traditional hospital care.

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<sup>25</sup> Aged Care Industry Information Technology Council (2024). *Digital Maturity in Aged and Community Care: The current state and resources required*. [https://aciitc.com.au/wp-content/uploads/2024/01/ACIITC\\_Digital\\_Maturity\\_Report\\_Final-31012024.pdf](https://aciitc.com.au/wp-content/uploads/2024/01/ACIITC_Digital_Maturity_Report_Final-31012024.pdf)

<sup>26</sup> The Hon Anika Wells MP (2024). *Aged Care Transition Taskforce to help deliver historic reform*, media release, 18 November. <https://www.health.gov.au/ministers/the-hon-anika-wells-mp/media/aged-care-transition-taskforce-to-help-deliver-historic-reform>

<sup>27</sup> ACCPA (2023). *Submission on the draft Aged Care Data and Digital Strategy*. [https://ageingaustralia.asn.au/wp-content/uploads/2023/11/231130\\_ACCPA-Feedback\\_Draft-Aged-Care-Data-and-Digital-Strategy.pdf](https://ageingaustralia.asn.au/wp-content/uploads/2023/11/231130_ACCPA-Feedback_Draft-Aged-Care-Data-and-Digital-Strategy.pdf)

Investing in a pilot will enable the Federal and State Governments, along with the sector, to explore the possibility of extending HITH into retirement living, a key source of seniors housing. A pilot will help to develop a better understanding of how this model could benefit older Australians, as well as any potential risks and/or implementation challenges which would need to be addressed before adopting the model more widely.