

30 May 2025

Ms Emily Harper
First Assistant Secretary
Market and Workforce
Department of Health, Disability and Ageing

Via email ACRuralAndRemote@health.gov.au

To Ms Harper,

Review of the remoteness classification system for aged care

Ageing Australia welcomes the opportunity to make a submission to the review of the remoteness classification system for aged care.

Ageing Australia is the national peak body for aged care, representing providers of retirement living, seniors housing, residential care, home care and community services. We advocate for our members, providing expert advice, resources and tailored services to ensure they deliver exceptional care to older Australians.

Aged care services in rural, regional and remote areas experience particular challenges, including higher costs of delivering care, less health and other infrastructure in the community, and increased workforce shortages. It is therefore critical that an appropriate methodology is used to identify what services are affected by these challenges, to inform allocation of additional funding and other supports. Without this, there is a risk that aged care services in rural, regional and remote areas will not remain viable, leading to closures and reducing the ability of older people to access aged care services in their local communities.

Ageing Australia believes the Modified Monash Model (MMM) broadly reflects the cost differences between regions within similar population and geographic characteristics. However we are concerned that in some cases, the MMM is not sensitive enough and results in anomalies. We believe a more nuanced approach to the use and application of the MMM is needed to ensure the sustainability of rural, regional and remote aged care services.

Ageing Australia's recommendations are provided below, and are discussed in further detail throughout this submission.

Recommendations

Recommendation 1: That the Department develop guiding principles for policymakers on the use and application of MMM that supports nuanced application for inclusion or exclusion of particular settings. This may include that:

Ageing Australia

Suite 2, Level 2, 176 Wellington Parade | East Melbourne VIC 3002 Australia

ABN 19 659 150 786 | ageingaustralia.asn.au | info@ageingaustralia.asn.au

- *That there be a requirement to accompany the MMM settings advised to Government with an impact assessment across all MMM categories to demonstrate that outcomes and objectives of the relevant policy will be equitable across the nation.*
- *That there be consideration of accompanying any use of MMM with an option for escalation for review by the System Governor (or delegate) where providers can demonstrate local circumstances and need for a higher level of support that will still meet policy objectives.*
- *That if accompanied by other eligibility criteria, policy settings that use MMM incorporate 'or' statements, rather than 'and' statements (that can set an unreasonable bar and lead to unintended consequences for providers within the same MMM).*

Recommendation 2: The Department should introduce a funding supplement to support aged care services whose MMM classification changes after the census, resulting in reduced funding or reduced eligibility for exemptions.

Recommendation 3: That the Department 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.

Recommendation 4: That the Government invests in initiatives to boost the aged care workforce in regional areas, including:

- *Establishing an Aged Care Worker Attraction Fund to attract workers to the aged care sector, especially in rural and remote areas.*
- *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.*

Recommendation 5: That the Department introduces more nuanced policy settings for the 24/7 Registered Nurse and care minutes requirements that better recognise the context in which rural, regional and remote services operate. For example, greater recognition of virtual nursing.

Recommendation 6: That the Government continues to increase the funding available under the Aged Care Capital Assistance Program to enable more providers in rural, regional and remote areas to build or refurbish residential aged care homes so that the sector can meet increasing demand

Advantages of using the MMM in aged care

Ageing Australia recognises that the MMM has several benefits. It enables the allocation of greater funding to reflect the additional costs associated with providing care in a particular area. This may include, for example, additional costs incurred to attract staff or the cost of delivering specific service types (e.g. transport for home care recipients). It also has administrative benefits, providing a straightforward system for implementing additional funding supplements.

Disadvantages of using the MMM for aged care

As the MMM is based only on two factors - geographic remoteness and population size - it results in some anomalies. Members have reported several examples where the MMM classification of a particular location does not suitably reflect its remoteness, with distance from capital cities commonly identified as a factor that should be given greater emphasis. For example, Whyalla in South Australia is classified as MMM 3, despite being a

five hour drive from the nearest capital city and services in this area facing challenges similar to those in MMM 5. To ensure services in such areas remain viable, it is critical that policy settings are sufficiently sensitive to allow for local circumstances (such as geographic positioning within a State or region, quality of transportation corridors or influence of socio-economic advantage/disadvantage) to be considered as part of, for example, setting eligibility criteria for increased rurality or an alternative mechanism to access to funding such as supplements or grant programs.

Ageing Australia is also concerned that the MMM classification is sometimes used in a blunt manner in the aged care context. For example, only services in MMM 5-7 may be eligible for exemptions to the 24/7 Registered Nurse requirement, even when challenges such as workforce supply issues also affect MMM 2-4. Similarly, the Aged Care Capital Assistance Program (ACCAP) Thin Markets, Multiple Streams Grant Opportunity (GO6593), which closed on 12 January 2024, focused solely on MMM 5-7 areas. We advocated for — and welcomed — the expanded eligibility in the latest ACCAP round, which closed on 20 May 2025, extending support to residential aged care services in MMM 2-7.

Another example of the arbitrary application of the MMM classification is the proposed rural and remote supplement in release 2a of the draft Aged Care Rules, which applies to individuals residing in MMM 6 or 7. In our submission to the Department's consultation on the draft Aged Care Rules, Ageing Australia recommended expanding this to MM 2-7.¹ We also recommended that a costing study be undertaken to consider weightings and premiums required for these regions to fund specialist services, as well as technologies and freight costs.²

Recommendation 1: That the Department develop guiding principles for policymakers on the use and application of MMM that supports nuanced application for inclusion or exclusion of particular settings. This may include that:

- *That there be a requirement to accompany the MMM settings advised to Government with an impact assessment across all MMM categories to demonstrate that outcomes and objectives of the relevant policy will be equitable across the nation.*
- *That there be consideration of accompanying any use of MMM with an option for escalation for review by the System Governor (or delegate) where providers can demonstrate local circumstances and need for a higher level of support that will still meet policy objectives.*
- *That if accompanied by other eligibility criteria, policy settings that use MMM incorporate 'or' statements, rather than 'and' statements (that can set an unreasonable bar and lead to unintended consequences for providers within the same MMM).*

Our members have also expressed concern about the impacts on providers when the MMM is reviewed every five years, without consideration of transition timelines. Where an aged care service's MMM classification changes as a result of this review process, this can

¹ Aged and Community Care Providers Association (2024). *Submission to the new Aged Care Act Rules Consultation - Release 2a*, <https://ageingaustralia.asn.au/wp-content/uploads/2025/01/ACCPA-Submission-New-Aged-Care-Act-Rules-consultation-Release-2a-Funding-for-Support-at-Home.pdf>

² Aged and Community Care Providers Association (2024). *Submission to the new Aged Care Act Rules Consultation - Release 2a*, <https://ageingaustralia.asn.au/wp-content/uploads/2025/01/ACCPA-Submission-New-Aged-Care-Act-Rules-consultation-Release-2a-Funding-for-Support-at-Home.pdf>

result in an unexpected - and potentially significant - loss of funding and/or change in eligibility for other supports or exemptions. For example, a service which changes from being classified as MMM 5 to MMM 4 would no longer be eligible for an exemption from the 24/7 Registered Nurse requirement. It is critical that the Department provides transitional support for services in these circumstances to ensure that they do not experience a sudden reduction in funding, which may result in reduced compliance and reduced financial viability.

Recommendation 2: The Department should introduce a funding supplement to support aged care services whose MMM classification changes after the census, resulting in reduced funding or reduced eligibility for exemptions.

While we note that the focus of the current review is the MMM, it is important to consider how this model intersects and overlaps with other classification systems. In addition to the MMM, there are several other locality-based classification systems used by different levels and/or departments of government which are relevant to the aged care sector. These include Aged Care Planning Regions, Primary Health Networks, Statistical Areas, Local Government Areas and Remoteness Areas. Providers report that the misalignment of the boundaries of these different classification systems can be confusing and time-consuming to navigate.

Barriers to delivering aged care services in rural, regional and remote locations

Ageing Australia welcomes the opportunity to provide feedback on some of the broader challenges experienced by aged care providers in rural, regional and remote areas.

Workforce challenges

Workforce shortages are a key barrier, with providers operating services in these areas experiencing challenges in relation to both recruitment and retention of staff. Lack of affordable housing is a significant contributor to this, with some providers having to provide accommodation for staff.

Providers operating services in rural, regional and remote areas also report challenges related to training. It can be more difficult to find training providers who are willing to run face-to-face training in these areas compared to metropolitan areas. It is also often more costly, as it involves covering the trainer's travel and, in some cases, accommodation costs. This is particularly problematic in the current context, as many aged care workers require additional training to understand the implications of the new Aged Care Act and to meet the new requirements under the Strengthened Aged Care Standards.

To help address these challenges, Ageing Australia's *Pre-Budget Submission 2025-26* recommended establishing a taskforce to develop a National Aged Care Workforce Strategy and investing in initiatives that will help build a sustainable aged care workforce in regional areas.³

Recommendation 3: That the Department 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.

³ Ageing Australia (2025). *Pre-Budget Submission 2025-26*, <https://ageingaustralia.asn.au/wp-content/uploads/2025/01/Ageing-Australia-Pre-Budget-Submission-2025-26-1.pdf>

Recommendation 4: That the Government invests in initiatives to boost the aged care workforce in regional areas, including:

- *Establishing an Aged Care Worker Attraction Fund to attract workers to the aged care sector, especially in rural and remote areas.*
- *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.*

Reliance on agency staff, and its implications for financial viability and quality of care

The introduction of the 24/7 Registered Nurse and care minutes requirements, despite known workforce shortages, has created several challenges for residential care providers. Services that are unable to recruit sufficient staff due to workforce shortages continue to be unable to meet these requirements. This can result in them being subject to regulatory activity by the Commission, as well as having a detrimental impact on their Star Ratings.

Some services in rural, regional and remote areas have only been able to meet, or work towards meeting, their workforce responsibilities by using agency staff. This is extremely costly, as it often involves paying a higher hourly rate and covering travel and accommodation expenses. Providers report that these arrangements will not be sustainable over time and, in some cases, may lead to services having to close due to financial viability issues. This is supported by the UTS Ageing Research Collaborative's finding that each incremental increase in the Staffing rating is associated with poorer financial outcomes.⁴

Members have also expressed concern that their increased reliance on agency staff is compromising the quality of care. Using agency staff inhibits continuity of care, which can be particularly disruptive and/or confusing for residents with dementia or cognitive impairment. Several providers have also reported concerns about the level of skills, training and experience of some agency staff. For example, while using an agency RN who is a recent graduate may enable a service to meet their 24/7 RN or care minutes requirements, they may not have any experience working in aged care or people with dementia.

Recommendation 5: That the Department introduces more nuanced policy settings for the 24/7 Registered Nurse and care minutes requirements that better recognise the context in which rural, regional and remote services operate. For example, greater recognition of virtual nursing.

Cost of redevelopment and new builds

Residential care providers also report a lack of return on investment to incentivise redevelopment or new builds in rural, regional and remote areas. The costs of builds in such areas are much higher than in metropolitan areas, while the returns are much lower. This is particularly concerning given that demand for aged care services is expected to grow significantly in the coming years due to Australia's ageing population.

⁴ UTS Ageing Research Collaborative (2023). *Australia's Aged Care Sector: Full-Year Report (2022–23)*, p.67. <https://opus.lib.uts.edu.au/handle/10453/173661>

Recommendation 6: That the Government continues to increase the funding available under the Aged Care Capital Assistance Program to enable more providers in rural, regional and remote areas to build or refurbish residential aged care homes so that the sector can meet increasing demand.

Limited access to health services and allied health professionals

Providers operating services in rural, regional and remote areas also report difficulty accessing health services and allied health services. Shortages of General Practitioners and other specialists, as well as allied health professionals such as physiotherapists and psychologists, in rural, regional and remote areas, impacts on care delivery. These include limited access to such services for older people, reliance on telehealth rather than face-to-face consultations. It is therefore critical that efforts are made to not only build the aged care workforce in rural, regional and remote areas, but also the health workforce more generally.

Travel costs

Travel costs can also be a significant barrier in rural, regional and remote areas depending on where an older person lives as compared to staff and the available services. We note that under the new Aged Care Act, travel is not chargeable and must be incorporated into unit price for home and community care. While there are additional provider supplements for MMM 6 and MMM 7, the impacts on unit pricing will be broad. People in specific areas will be able to access less services with the same budget as the service unit price will need to be greater to account for the distances.

There are also complexities in incorporating travel time into unit pricing in rural and remote settings. Travel within a township may be less expensive per kilometre than in metropolitan areas, but there may be greater frequency of lengthy distances.

Thank you again for the opportunity to provide feedback to inform the review of the remoteness classification system for aged care. If you would like to discuss this submission or have any questions, please contact Anne Liddell, Head of Strategic Policy, at Anne.Liddell@ageingaustralia.asn.au or Jacqui Nash, Senior Policy Advisor, at Jacqueline.Nash@ageingaustralia.asn.au.

Yours sincerely,

Roald Versteeg
General Manager, Policy and Advocacy