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Peak Council representing Commonwealth, including military, State, Territory and other public sector retirees.



THE COST OF IMPROVING AUSTRALIA'S AGED CARE SYSTEM

A DISCUSSION PAPER BY ACPSRO – MAY 2021

The Federal Government has responded to the recommendations of the Royal Commission into Aged Care by accepting 126 of its 148 recommendations.

The 2020-21 Federal Budget promised \$17.7 billion of additional funding over the next five years to implement those recommendations, as follows: \$250 million in 2021-22, \$2.1 billion in 2022-23, \$4.4 billion in 2023-24, and \$5.5 billion in each of 2024-25 and 2025-26.

The Government's response has the following key elements:

Pillar 1 - Home Care (at home support and care based on assessed needs) \$7.5 billion

Pillar 2 - Residential aged care services and sustainability \$7.8 billion

Pillar 3 - Residential aged care quality and safety \$942 million

Pillar 4 - Workforce (bigger, more highly skilled, caring and values based) \$652.1 million

Pillar 5 - Governance \$698.3 million

Pillar 1 includes the rollout of 40,000 more home care packages for each of 2021-22 and 2022-23 in addition to the extra 10,000 already provided in 2020-21. That will reduce the waiting.

Pillar 2 includes the previously announced additional basic fee supplement of \$10 per resident per day to improve the quality of the food, and an increase in the care time for residents to an average of 200 minutes per day, including 40 minutes of Registered Nurse (RN) time, and an RN on site for a minimum of 16 hours a day. Note that In Pillar 4 the workforce is described as “values based” rather than “rights based” as recommended in the Report.

The issue that now has to be addressed is where will the Government find the money to pay for the extra \$17.7 billion over the next five years?

The Budget did not say. The Royal Commission Report provided several conflicting recommendations, including an aged care levy of 1% of taxable income, changes to fees and changes to the means test. Since the two Commissioners made different recommendations (#127, #128, #129, #140, and #141), the Government decided not to accept them and deferred its decision on #142 (Phasing out Residential Accommodation Deposits) for further consideration.

To make the planned improvements to aged care, it will be necessary to attract more registered nurses (RNs) to the aged care workforce. The Budget provided \$216.7 million for financial incentive payments for RNs (\$3,700 for full-time and \$2,700 for part-time, to be paid as annual bonuses). It will also provide additional training places for new and existing personal care workers, including 6,000 new workers and 33,800 training places for workers to attain a Certificate III. In addition, it provided \$228.2 million to create a more efficient single assessment workforce to care for senior Australians in the aged care system.

However, pay for registered nurses in the aged care sector is about 30% less than the pay for nurses in hospitals, and pay for carers is little better than the pay at McDonald's, so the Government may still find it difficult to attract the required number of additional workers.

Conclusion

The need for extra funding to support initiatives to improve aged care in Australia is not in question. The nation has decided that increased funding is needed: the Government now has to decide how best to find the funds, and a combination of tax increases, levies (such as the Medicare Levy) as well as a reallocation of the nation's resources will be needed.