



LASA
LEADING AGE SERVICES
AUSTRALIA
The voice of aged care

FEDERAL BUDGET 2018-19 ANALYSIS FOR LASA MEMBERS

11 May 2018

*A strong voice and a helping hand
for all providers of age services*

1. Key Budget Information

The Key Budget documents can be found at:

<http://www.budget.gov.au/>

[Ageing and aged care](#)

The second link provides aged care fact sheets. The first link includes the Budget speech and then the Portfolio Statements provide more detail.

All new Budget measures are in a section titled Budget Papers – Budget Paper 2 – Budget Measures and these also appear in the relevant portfolio statements.

2

2. 2018-19 Budget Report

LASA's CEO, Sean Rooney and LASA staff attended the Health Budget Lockup and the main Treasury Budget Lockup and have conducted an initial analysis of the 2018-19 Budget announcements and papers.

LASA has been advocating for a considerable period of time that the needs of growing numbers of older Australians, combined with a system experiencing significant change, cannot be ignored. Recent changes to residential care funding arrangements have contributed to a squeeze on the cost of delivering care and on provider organisations' sustainability.

Funding reductions are compounded by the growing complexity of care recipients' needs, changing consumer and community expectations, and rising operating costs, which are placing increasing financial pressure on residential care providers.

This is particularly true in rural and regional settings where viability of many providers is being threatened. Further, the need for a multi-pronged response to the growing national queue for home care packages, which sees over 100,000 older Australians waiting for services, is clear. 60,000 people who have been approved for government funding for aged care support in their own homes. Another 40,000 are receiving care but it is below the level required.

Tonight's budget is a step in the right direction in ensuring 2018-19 is the year of action in aged care; ensuring quality services are available for older Australians where and when they need them. As outlined in Sections 3 and 4 of this document, more analysis is required.

LASA welcomes the specific aged care initiatives announced in the 2018-19 Budget across three main areas: residential aged care, home care, aged care sector reform and relevant health system reforms. Section 5 includes details of other key measures to assist older Australians with expenditure, which may help them to afford or offset the costs of their individual aged care needs.

Residential care (support for services and reform)

\$50 million funding over 2 years for residential aged care services to assist with *transition to the new Aged Care Quality Standards*, developed as part of the Single Quality Framework (SAQF).

- This will translate to a very modest amount for each operator, LASA sought funding to support the sector to adjust to these changes in our January 2018 pre-Budget submission. Further, overall funding support for immediate residential aged care sector stability (\$350 million per annum) plus further support for regional and remote operators was noticeably missing from the Budget. This was included in LASA's pre-Budget submission).
- **\$82.5 million over 4 years** in new mental health services for people with a diagnosed mental disorder living in residential aged care.
- **\$32.8 million over 4 years** to deliver comprehensive **palliative care in residential aged care** through increased capacity in aged care, improved care coordination and better clinical governance. Informal Government advice is that this will go to State palliative care services to provide outreach to those in residential care and home care. This is contingent on the States matching the funding.
- **\$105.7 million over 4 years** for the expansion of the existing **National Aboriginal and Torres Strait Islander Flexible Aged care** (NATSIFAC) program as recommended in the *Legislated Review of Aged Care 2017*.
- An **Aged Care Approvals Round (ACAR) with 13,500 residential aged care places and 775 short term restorative care places and \$60 million for capital investment in 2018-19** – timing for the round is to be confirmed and funding is via existing forward estimates.
- **\$40 million over 5 years** for **infrastructure investment for regional, rural and remote aged care** that responds to both service and consumer demand. Informal Government advice is that this will be a specific ACAR round for designated locations but will be separate to the main ACAR round in 2018-19. This could also be used to support eligible home care investments.
- **\$8.8 million for the Government over 4 years** to introduce **performance ratings for residential aged care service providers**. From July 2020, differentiated performance ratings of residential service providers will be published on the My Aged Care website together with a tool to compare providers. Simplified, plain English accreditation reports will be published with the existing Consumer Experience Reports; providers who obstruct the resolution of the complaints process may be publicly identified through this system. In a staged process from July 2018, a single Charter of Rights for consumers will continue to be developed and an open disclosure framework will encourage care providers to discuss adverse care-related incidents with families.
- **Providers will not be required to pay a levy for unannounced site visits until 1 July 2020**. Informal Government advice is that this relates to the earlier announcement about charging for these existing visits which will now be deferred. The Government will

consult providers on the overall charging regime for both sets of unannounced visits, including the new unannounced reaccreditation visits.

- ***\$4.8 million for the Government over 4 years¹*** to strengthen standards and guarantees for refundable accommodation deposits in residential aged care. This includes:
 - Introducing a compulsory retrospective levy on residential aged care service providers where defaults exceed \$3 million in any fiscal year
 - Developing stronger prudential standards applied to accommodation payments held by residential service providers
 - Raising the Government's prudential regulatory capability to better protect the growing pool of accommodation payments.
- ***\$0.3 million in 2018-19*** to undertake an impact analysis to understand the effect of transitioning the allocation of aged care places to alternative arrangements that provide real choice for older Australians. This relates to consumer directed care. The analysis will assess the potential impacts on consumers, providers, the financial sector and any structural adjustment that may be required. It will also examine the impact of any changes in areas with limited choice and competition, such as rural and remote areas.

Home Care

- ***Promoting independent living*** - Regional Assessment Services (RAS) and Commonwealth Home Support Programme (CHSP) providers will be supported to deliver services that promote greater independence, mobility and autonomy, reducing or delaying the need for more complex aged care support services. ***This cost will be \$29.2 million over 2 years***
- ***More high level home care packages and residential care places*** – More than 14,000 packages are funded in this Budget, on top of 6,000 packages released in the Mid-Year Economic and Fiscal Outlook. This will mean by 2021-2022 more than 74,000 high level home care packages will be available, an increase of 86% on 2017-18. ***This will cost \$1.6 billion over four years***

Other Aged Care Sector Reforms

- The Government will design and implement a ***new framework for streamlined and faster consumer assessments*** for all aged care services, to be delivered by a national assessment workforce from 2020. ***The cost will be \$14.8 million over four years***

¹ Note that in a separate section of the Budget communications it says \$8.6 million over 4 years to improve management of prudential risk in aged care including through the introduction of a levy to secure accommodation bonds.

- **Better access to care – aged care system navigator** – The Government will introduce face to face services to assist and guide older Australians and their families to get the best outcomes from the aged care system, including outreach services to help older Australians make informed choices about their care needs. Four programs will be trailed:
 - 30 aged care information hubs to provide locally targeted information and build peoples’ capacity to engage with the aged care system;
 - 20 community hubs where members support each other in navigating aged care and healthy ageing;
 - Six full time specialists places in consumer-focused organisations to offer one-to-one support for vulnerable people; and
 - Six full time aged care Financial Information Support Officers (FISOs) in the Department of Human Services- to complement the existing generalist FISO service- to give additional support to people with complex financial decisions they need to make when entering aged care. **This measure will cost \$7.45 million over 2 years**
- Significant **improvements to My Aged Care**, providing better information that is readily accessible on the issues that matter the most for those in care, their families, health providers and service providers. **The cost will be \$61.7 million over 2 years**
- **\$32.6 million for the Government over 4 years** to establish a robust **risk profiling** approach to support the new Aged Care Quality and Safety Commission to better identify risks to consumers and enable regulatory processes to respond quickly to care failures by aged care providers. This enhanced risk-based approach will identify and respond to individual and systemic risks to aged care consumers. It will determine the frequency and rigour of site audits to assess compliance against quality standards and will build a more responsive regulatory system.
- The Government will establish an **Aged Care Quality and Safety Commission** from 1st January 2019. The Commission brings together the functions of the Aged Care Quality Agency, the Aged Care Complaints Commissioner and from 1 January 2010, the aged care regulatory functions of the Department of Health. The one stop shop will ensure older Australians and their families have a single point of contact to raise concerns and ask questions about their aged care and to know the new function is empowered to make changes. The Commission will be led by an independent Aged Care Quality and Safety Commissioner and supported by an advisory group. A new Chief Clinical Advisor will provide advice and strengthen quality assessors’ access to clinical advice in assessing complex clinical matters. A single statutory office will enable flexible and responsive regulatory powers and build a holistic and collaborative risk-based approach to regulation. **This will have nil fiscal impact**

- From 1 July 2018, the Government will invest approximately **\$106.8 million** for an initial 18 months of an eight-year program of work to **stabilise and consolidate health and aged care systems**; this will provide a wide range of user benefits to consumers, health professionals and aged care providers. This measure will make it easier and quicker for customers, aged care providers and health professionals to do business with the Department of Human Services.
- **A Forms Taskforce** will be established from July 2018 to create a simpler paper-based short form for means testing consumers with straightforward financial affairs. The new form will be introduced by May 2019. The Taskforce will also make recommendations on simplifying the means testing forms and the process for all aged care consumers, including those with more complex financial affairs.
- The Government will provide **\$22 million over 4 years²** to protect older Australians from abuse, including by funding trials of specialist elder abuse support services. In addition to developing a **National Plan on Elder Abuse**, the Government will work with the states and territories to develop a national online register for enduring powers of attorney.

Relevant health system reforms

- The Government will invest **\$150.4 million over four years from the Medical Research Future Fund** to support translation of research into better patient care. Four programs will focus on health service and system research, and its direct translation into clinical practice and patients, and include:
 - an extension of Rapid Applied Research Translation, designed to bring together healthcare, research and education leaders to support health systems research lead by Australia's internationally accredited Advanced Health Research Translation Centres and Centres for Innovation in Regional Health – \$75 million;
 - Targeting Health System and Community Organisation Research to focus on the comparative effectiveness of health services, address areas of practice with low or insubstantial evidence and provide opportunities for exploring consumer-driven research – \$39.8 million;
 - **Keeping Australians Out of Hospital** to support preventive health, behavioural economics and implementation science research to reduce avoidable hospitalisations – \$18.1 million; and

² https://infrastructure.gov.au/department/statements/2018_2019/ministerial-statement/attorney-generals.aspx

- women's health research and a Maternal Health and the First 2,000 Days initiative – a period of time that provides a unique opportunity to shape healthier and more prosperous futures for Australians – \$17.5 million.

Other measures of note include:

- **\$29.2 million over 2 years** to undertake a trial of support *strategies to help older people stay independent for longer*
- **\$5.3 million over 4 years** for the development of technological *solutions for people with dementia* to better manage their care
- **\$83.3 million over 5 years to support for the rural health workforce** e.g. incentives for general practice to employ allied health professionals and for doctors to practice in non-metropolitan areas.

3. LASA Reaction

Individually, and collectively, these Budget initiatives respond (in part) to the growing demands for age services in Australia and should be cautiously welcomed by our industry.

Notwithstanding this, the aged care sector needs a long term, stable and sustainable funding strategy to ensure Australia has an accessible, affordable, quality aged care system.

While overall Government subsidies in residential aged care are growing year on year, this is largely addressing the increasing number of care recipients being cared for, as opposed to the actual complexity and acuity of individual person-centred care needs.

In particular, the Aged Care Funding Instrument (ACFI) allocates a fixed pool of funds to defined domains, based on a medical–disability model, which is not suitably responsive to the ever-changing acuity of needs of the care recipients.

LASA will continue work on behalf of our Members to ensure fundamental issues relating to the four key areas of quality of services, access to services, funding of services, and delivery of services are resolved.

LASA will raise some key questions with the Government.

Key questions for the Government on the Budget measures

Overall funding for residential care and home care

The Government has said it will combine the Residential Care and Home Care programs from 1 July 2018 to provide greater flexibility to respond to changes in demand for home care packages and residential aged care places. This appears that this could be a strategy to allow funds to be moved between the two programs but so far, limited transparency. Note the analysis and comments in Section 4 on this.

Home Care packages roll out

There is significant growth in home care packages (14,000 extra over 4 years).

LASA notes that it is important that the 400+ new providers that entered HCPs in 2017 can develop clinical governance systems for complex care in the home and workforce training/retention of staff in order to deliver care against higher level care recipients' needs. A measured approach to the roll out of additional packages is required. This will assist the sector to mature, keeping pace with consumer engagement and government system maturation to support high quality care delivery in the home. More details are needed on the Government's approach to the roll-out of the additional packages.

Home Care packages roll out

There is significant growth in home care packages (14,000 extra over 4 years). LASA notes that it is important that the 400+ new providers that entered HCPs in 2017 can develop clinical governance systems for complex care in the home and workforce training/retention of staff to delivery care against higher level care needs. A measured approach to the roll out of additional packages will assist the sector to mature, keeping pace with consumer engagement and government system maturation to support high quality care delivery in the home.

A Member has done some analysis and has some questions:

1. There are currently 74,200 packages active in the market (Home Care Package Program December quarterly report page 14)
 2. In the December quarter 50,300 packages were "released" (presumably, allocated) to consumers (HCP Program quarterly report page 12)
 3. In the previous quarter 32,722 packages were "released" (HCP Program September quarter report page 9)
 4. Based on this, it could be estimated that the release rate for this financial year alone to be ~ 150,000 packages.
 5. The budget proposes to add a **total** of 14,000 HCP3 or 4 packages over the next four years.
 6. The Dept of Health budget document, page 138, states that the targeted "allocation" rates for home care packages is as follows:
 - a. 87,590 for FY18 (estimated based on data as of 2/5/18)
 - b. 111,500 for FY19
 - c. 134,500 for FY20
 - d. 144,500 for FY21
 - e. 151,500 for FY22
- Are there more details on the Government's approach to the roll-out of the additional packages (timing and approach)?

- How is the \$1.6 billion allocated over the 4 years including package levels and numbers?
- How does the Department reconcile figures under point 4 and point 6?
- If “allocation” and “release” are different things, what are they?
- If the Department is only adding a total of 14,000 packages over 4 years, how to they propose to increase “allocations” from 87,590 in FY18 to 151,500 by FY22?
- Where do the extra 20,000 packages that the advisor mentioned sit within this?

Support for the rollout of new aged care standards

Clarification will be required as to how the \$50 million over two years for this is to be allocated to providers and what it can be used for.

Performance ratings for residential aged care services on My Aged Care

There will be a need to ensure that these ratings are fair and useful and scope for unfair or misleading reporting is minimised.

Mental health

\$82.5 million over 4 years in new mental health services for people with a diagnosed mental disorder living in residential aged care – this may flow to the States to provide services within residential care and home care (to be clarified). Will this incorporate the services and set up of those living with Severe BPSD (Dec Consultation)?

Prudential controls

Clarity will be required as to what extent Ernst and Young recommendations for stricter prudential controls on residential aged care bonds will be taken up.

Reconciliation is required between two Budget statements:

- DoH Fact Sheet: \$4.8 million for the Government over 4 years to strengthen standards and guarantees for refundable accommodation deposits in residential aged care.
- Extract from the Budget speech: Note that in a separate section of the Budget communications it says \$8.6 million over 4 years to improve management of prudential risk in aged care including through the introduction of a levy to secure accommodation bonds.

Residential care and possible moves to consumer directed care

LASA will closely monitor developments under the commitment to conduct an Impact analysis, in order to understand the effect of transitioning the allocation of aged care places

to alternative arrangements that provide real choice for older Australians. This relates to consumer directed care.

Tune recommendations

The Budget has barely touched on critical Tune recommendations, including on revised consumer contributions. LASA will continue to advocate that key Tune recommendations should be actioned. Given political constraints, some of this action would be more realistic following the next Federal Election.

Key areas where Budget gaps remain compared to what LASA sought in its pre-Budget submission are:

Residential care

- Short-term funding relief for all residential aged care providers set at roughly 3 per cent of residential aged care ACFI funding, amounting to around \$350 million per annum, and
- An increase in the regional, rural and remote viability supplement to ensure ongoing provision of services in regional settings.

11

Home care

- Exploring recouping unspent funds in existing Home Care Packages (LASA estimates this to be between \$200 million and \$350 million) and redirecting this money to create possibly up to 4,000 Level 3 and 4, 000 level 4 packages (funded from existing budget allocation) .

Consumer contribution reform informed by the Tune Report

- Adjusting upwards the current threshold value (\$162 K) of the family home in residential aged care means testing calculations (Tune #13)
- Increasing the maximum accommodation (bond) payment to \$750 K (or equivalent daily payment) and implementing an automatic link between future maximum accommodation payment levels and median house prices, with possible adjustments to this for regional areas where local property values may not reflect the level of investment required (Tune #19).
- Allowing residential care providers to charge a higher basic daily fee to non-low means residents (Tune #14 (b)³)
- Increasing the annual fee cap for home care package income tested care fees (e.g. to \$20,000 per annum), reviewing annual caps for means tested fees in residential care and abolishing lifetime caps for these fees in both home care and residential aged care (Tune #15)
- Introducing mandatory consumer contributions for Commonwealth Home Support Program services – commensurate with an individual’s financial means (Tune #16)

³ Tune 14 (b): Allow providers to charge a higher basic daily fee to non-low means residents, with amounts over \$100 to be approved by the Aged Care Pricing Commissioner

- Making the value of the basic care fee proportionate to the value of the home care package, retaining an upper limit relating to the value of the single aged pension (Tune #12 (b)).

LASA has raised concerns in its pre-Budget submissions and its response to the Tune Report, that consumer contributions need an overhaul to bring more revenue into the system where this is affordable for consumers. The Budget measures do not do this and do not respond to Tune's recommendations. Ideally, consumer contributions should be set to bring more revenue into both home care and residential aged care, while providing incentives to use lower cost home care services where this meets the consumer's needs and requires a lower government outlay than the residential care subsidy.

12

LASA had been informed that there would be announcement in the Budget on increased home care fee transparency, based on David Tune's recommendation 11, but it appears that the Government is still working on this. LASA submitted a paper on a way forward on this, in conjunction with provider and consumer peaks but LASA took a minority view on key aspects, wanting to avoid heavy-handed approaches in a maturing market (refer to the e-news communications on this).

Workforce

- Minister Wyatt spoke at the Budget Lockup of the objectives of Professor Pollaers' work via the Aged Care Workforce Strategy Taskforce but he did not make specific announcements on this. The Taskforce is expected to report to the Government by the end of June.
- Support is needed for the attraction, retention, and development of Australia's aged care workforce by allocating initial funding to address actions/initiatives recommended by the Aged Care Workforce Strategy Taskforce which are expected to include:
 1. Co-creation of social change campaign to reframe caring and promote aged care workforce.
 2. Formal recognition of the Consumer and Industry Definition.
 3. Industry self-regulatory voluntary code of practice.
 4. Reframing of qualification and skills framework – addressing current and future competencies and skill requirements.
 5. Defining new career pathways including accreditation.
 6. Developing cultures of feedback and continuous improvement.
 7. Establishing new industry standard approach to workforce planning and skills mix modelling.
 8. Addressing the funding shortfall – salary deficiencies and impact on attraction & retention.

9. Implementing new attraction and retention strategies for the workforce at government, industry and organisational levels
10. Transitioning the workforce to new standards.
11. Developing a revised Industrial Relations framework to better reflect the changing nature of work.
12. Strengthening the interface between aged care and primary/acute care.
13. Improving training and recruitment practices for the Government Aged Care Workforce.
14. Establishing a Rural and Remote Accord.
15. Establishing an Aged Care Industry Growth and Research Translation Centre.

4. Movements in Aged Care Funding

The 2017-18 Budget estimates are compared below to the new Budget figures for 2018-19:

Program	2017-18	2018-19	2019-20	2020-21	2021-22
	2017-18 Budget forward estimates				
Aged Care Act 1997 - home care packages	\$1,967 m	\$2,293 m	\$2,657 m	\$2,971 m	-
Aged Care Act 1997 – residential care	\$11,429 m	\$12,059 m	\$12,871 m	\$13,554 m	-
Residential and home care – combined in the latest Budget	2017-18 Budget forward estimates				
	\$13,396 m	\$14,352 m	\$15,528 m	\$16,525 m	-
	2018-19 Budget forward estimates				
	\$13,468 m	\$14,296 m	\$15,540 m	\$16,584 m	\$17,807 m
	Difference between sets of forward estimates				Net diff over 4 years
	+\$72 m	-\$56 m	+\$12 m	+\$59 m	+\$87 m
Age care – flexible care	2017-18 Budget forward estimates				
	\$472 m	\$495 m	\$540 m	\$583 m	-
	2018-19 Budget forward estimates				
	\$470 m	\$493 m	\$537 m	\$580 m	\$630 m

The Government says that there is \$5 billion in increased funding for aged care over 5 years (including the 2017-18) but with no upward movement in the residential care and home care combined spend for 2018-19 since the 2018-19 estimate in the last Budget, this requires more analysis. It is not clear if the 5-year period includes 2017-18 or 2022-23.

It appears that the additional funding is likely being compared to the 2017-18 baseline. While this is legitimate, it is important that when comparing what was in the forward estimates last Budget to the Budget Year and forward estimates in the new Budget, there is not much increased funding. From the table above it appears that, to an extent, extra funding compared to the prior forward estimates, is pushed more to the outer years.

Despite an announcement of 14,000 extra high-level home care packages, the combined Budget for home care and residential care is slightly lower in 2018-19 than was forecast for 2018-19 as at the 2017-18 Budget. This appears to mean that growth in residential care is being attenuated to fund higher growth in home care.

Informal advice from the Minister's Office is that the forward estimates hold an extra 20,000 home care places that were not previously mentioned with thus an extra 34,000 places over the next 4 years. The advisor said that most of the extra 14,000 packages will roll out in 2017-18 but further advice and analysis is required to confirm this (refer to the above section on home care questions).

Part of this further analysis will require looking at the announced 13,500 new residential care places for the next ACAR and how that sits with prior estimates for this based on the ratios. Currently funding is for 125 aged-care places for every 1,000 people over the age of 70. The mix of services within this measure was changed slightly in 2015 to reduce the number of residential-care places to 78 from 80 by creating two new "restorative care" places. The number of home-care packages in the ratio is set to be 45 for every 1000 people by 2021-22.

The key question is whether the forward estimates allocations involve any change to the current ratios per 1,000 people of 78 residential care places, 2 restorative care places and 45 home care.

Estimates highlight that we will need another 83,500 residential care beds over the next 10 years to meet the rising demand. While 13,500 in the next ACAR might be ahead of this, it will be important to understand Government modelling for growth in the demand for residential care beds. With the combination of residential care and home care into one program, there is some signal of a period of structural adjustment for the sector as the focus on home care grows.

The flexible care numbers are similar in both sets of forward estimates. 775 restorative places will be released in 2018-19.

5. Other measures to assist older Australians with expenditure

A scheme enabling people of pension age to borrow against the value of their homes has been significantly boosted. The little-utilised Pension Loans Scheme will be expanded. The Pension Loans Scheme will be expanded giving greater flexibility to use home equity to boost retirement incomes, e.g. up to **\$17,787 (\$342.06 per week) a year for a full rate age pensioner (couple)**. **\$11 million was allocated for this.**

Currently, the scheme entitles some older people to borrow up to 100 per cent of the age pension which, with bonuses, is about \$900 a fortnight for singles. Part-pensioners and self-funded retirees who own real estate in Australia are eligible for the loans, but full pensioners cannot access the loans. The loans can be spent on whatever the borrower wishes, including their aged care. This may be a helpful funding source for aged care costs.

The Government are **increasing the Pension Work Bonus** to allow age pensioners to earn an extra \$50 per fortnight without reducing their pension. **\$227 million has been allocated for this.**

The Budget also includes **\$20.2 million to amend the pension means test rules** to encourage the development and take-up of lifetime retirement income products that can help retirees manage the risk of outliving their savings.

6. Next steps

The LASA team will undertake further analysis of the 2018-19 Budget as needed and awaits clarification on a number of questions posed to the Minister's Office and Department of Health. Further communications will be issued to Members as needed.

LASA presented a webinar – *Federal Budget 2018-19: in depth analysis* on 11 May 2018. Slides will be available and this document supports those slides.

Any inquiries about the 2018-19 Budget may be directed to the General Manager, Policy and Advocacy on (02) 6230 1676 or to KateL@lasa.asn.au.