



Royal Commission
into Aged Care Quality and Safety

AGED CARE SERVICES IN AUSTRALIA

Aged care is not a single service. Over their lifetime, a person is likely to receive support from a range of programs and policies designed to support older people.¹

This paper provides a brief overview of:

- the kinds of aged care services available in Australia, including who provides those services;
- the ways that providers obtain funding for aged care services, from both government and individuals; and
- the mechanisms available in the aged care to the Australian government to regulate its aged care expenditure.

The different aged care and related services in Australia

Commonwealth Home Support Programme

The Commonwealth Home Support Programme provides entry-level services focused on supporting older people to maintain their wellness, independence and safety at home and in the community. It also aims to keep people connected with their community. Services under the program are provided on an ongoing or short-term basis, depending on a person's needs.

People most commonly access assistance with housekeeping (domestic assistance), followed by allied health and therapy services, transport to places out of walking distance and meals delivered to their home.² Not all providers deliver all services and people may need to contact several different providers to get everything they need.

Home Care Packages Program

The Home Care Packages Program is designed to provide a more structured and comprehensive bundle of home-based care and support for older people with more complex needs. Under a Home Care Package a person can access a range of personal care, support services, clinical services and other services from an aged care provider up to the value of the Package for which they have been assessed.³ A Home Care Package can, and often does, contain many of the same services as are available under the Commonwealth Home Support Programme.

Packages are delivered on a 'Consumer Directed Care' basis and are assigned directly to care recipients rather than allocated to providers. This means that care recipients have an individual budget which allows them to decide what type of care and services they purchase and who

¹ Australian Department of Health, 2018-19 Report on the Operation of the Aged Care Act 1997, 2019, p 3.

² Exhibit 2-89, Adelaide Hearing 2, Statement of Fiona Kathryn Buffington, 11 March 2019, WIT.0058.0001.0001 at 0005 [18].

³ Australian Department of Health, 2018-19 report on the operation of the Aged Care Act 1997, 2019, p 30.

delivers those services.⁴ Individualised budgets are to be agreed in partnership between care recipients and their provider.⁵

The services that a person receives under a Home Care Package depends on the amount of money they have been allocated, which in turn reflects the level of package for which a person is eligible. The Home Care Packages Program provides four levels of packages:

- Level 1—to support people with basic care needs
- Level 2—to support people with low level care needs
- Level 3—to support people with intermediate care needs
- Level 4—to support people with high care needs.⁶

According to a survey commissioned by the Australian Department of Health and analysed by StewartBrown, the types of services and the average hours provided under Home Care Packages was as follows:⁷

	2018-19 Financial Year				
	All Average	Level 1	Level 2	Level 3	Level 4
Total number of packages	54,823	3,222	27,234	9,973	14,394
Total number of subsidised days	19,999,171	1,174,852	9,935,652	3,638,668	5,249,998
Care management	1.23	0.65	0.82	1.43	2.01
Nursing care - registered nurse	0.11	0.02	0.03	0.14	0.26
Nursing care - enrolled nurse or other licensed nurse	0.03	0.01	0.01	0.03	0.08
Personal care	2.58	0.50	1.10	2.64	5.82
Cleaning and household tasks	2.04	0.98	1.67	2.13	2.92
Social support, shopping services, community access	1.65	0.45	1.05	1.87	2.89
Light gardening	0.18	0.12	0.15	0.22	0.24
In-home respite (day-time)	0.46	0.07	0.13	0.45	1.19
In-home respite (overnight)	0.06	0.00	0.01	0.04	0.16
Transport services	0.45	0.16	0.30	0.54	0.73
Allied health professional (practitioner)	0.13	0.03	0.07	0.14	0.25
Other services provided to the home care recipient	0.53	0.12	0.33	0.58	0.97
Total Hours of Service Provision	9.46	3.10	5.68	10.20	17.52

For clarity in relation to the measurements in the tables relating to hours - 9.46 hrs is equivalent to 9 hours 28 minutes

Residential care

Residential aged care provides support and accommodation for older people who are unable to continue living independently in their own homes and who need ongoing help with everyday tasks. Residential aged care assists people who need higher levels of care than can be provided in the home. After a person has been assessed as eligible for residential aged care, they may be admitted to any residential aged care facility that they choose. This is so long as the aged care facility has an available place, agrees to admit them, and is able to meet the care needs that the person requires. Residential care is provided on either a permanent or a temporary (respite) basis.⁸

⁴ Aged Care Financing Authority, *Eighth report on the funding and financing of the aged care sector*, 2019, p 42.

⁵ User Rights Principles 2014, section 21A.

⁶ *2018–19 report on the operation of the Aged Care Act 1997*, 2019, p 30.

⁷ Exhibit 12-1, Mudgee Hearing, General Tender Bundle, tab 4, CTH.0001.1001.4506 at 4507 Exhibit 20-1, Sydney Hearing 4, General Tender Bundle, tab 4, RCD.9999.0444.0001 at 0046.

⁸ Australian Department of Health, *2018–19 report on the operation of the Aged Care Act 1997*, 2019, p 44; My Aged Care, *Aged care homes*, Australian Government, 2020, <https://www.myagedcare.gov.au/aged-care-homes>, viewed 7 July 2020.

In 2018–19, 242,612 people received permanent residential aged care at some time during the year, an increase of 889 from 2017–18.⁹ People entering residential aged care have the highest average age of any of the three mainstream programs of aged care.¹⁰ In 2018–19, the average age, on entry, was 82.3 years for men, 84.6 years for women and the average completed length of stay was 34.4 months. On 30 June 2019, there were 182,705 people receiving permanent residential care.¹¹

Residential aged care providers

As at 30 June 2019 there were 873 different approved providers of residential aged care in Australia, operating a total of 213,397 places.¹² Of these, 488 providers, operating 55% of places, were not-for-profit.¹³ 288 were for-profit, operating 41% of places.¹⁴ The remaining 97 providers representing 4% of places were government providers.¹⁵

The following extract of the Aged Care Financing Authority's Eighth Report on the Funding and Financing of the Aged Care Industry summarises the type, location and scale of Australia's residential aged care providers:¹⁶

Table 6.2: Number of providers, facilities, places and residents in residential care, by ownership, location and scale, 2018-19

	Total sector 2018-19	Ownership type			Location			Scale			
		Not-for-profit	For-profit	Government	Metropolitan	Regional	Metropolitan & regional	Single facilities	Two to six facilities	Seven to 19 facilities	20 or more facilities
Providers	873	488	288	97	441	341	91	547	244	61	21
Facilities	2,717	1,558	922	237	1,697	1,020	N/A	547	681	666	823
Operational places	213,397	117,500	87,425	8,472	150,014	63,383	N/A	42,179	47,975	53,833	69,410
Occupancy	89.4%	91.5%	86.5%	90.4%	88.9%	89.7%	N/A	88.7%	88.8%	90.2%	89.8%
Total residents	188,773	106,532	74,646	7,595	132,386	56,387	N/A	37,229	42,356	47,662	61,526
- Permanent residents	182,705	103,658	71,658	7,389	128,268	54,437	N/A	35,756	40,942	46,387	59,620
- Respite residents	6,068	2,874	2,988	206	4,118	1,950	N/A	1,473	1,414	1,275	1,906

⁹ Australian Department of Health, *2018–19 report on the operation of the Aged Care Act 1997*, 2019, p 45.

¹⁰ Exhibit 1-23, Adelaide Hearing 1, Statement of Glenys Beauchamp, 4 February 2019, WIT.0022.0001.0001 at 0007 [35].

¹¹ Australian Department of Health, *2018–19 report on the operation of the Aged Care Act 1997*, 2019, p 45.

¹² ACFA 2020 59

¹³ ACFA 2020 59, 61, Chart 6.3.

¹⁴ ACFA 2020 59, 61, Chart 6.3.

¹⁵ ACFA 2020 59, 61, Chart 6.3.

¹⁶ ACFA 2020 59, Table 6.2.

Respite care

Respite care provides short-term support and care service for older people and their carers, with the primary purpose to give a carer or the person being cared for a break from the usual care arrangements. It is available in a number of settings, including community respite, residential respite and emergency respite.¹⁷

Flexible care

There are five 'flexible care' programs that respond to the needs of older people who may require a care approach that is different to what is provided through mainstream residential and home services. These programs are:

- Transition Care
- Short-Term Restorative Care
- Innovative Care
- Multi-Purpose Services
- National Aboriginal and Torres Strait Islander Flexible Aged Care Program services (known as NATSIFACP).

At 30 June 2019, there were 9644 operational flexible care places. In 2018–19, Australian Government funding across these programs totalled \$516.0 million.¹⁸

How do aged care providers currently obtain funds (from both government and individuals) to provide aged care and related services?

Commonwealth Home Support Programme

Government contributions to the Commonwealth Home Support Program

During 2018–19, the Australian Government provided \$2.5 billion for the delivery of the Commonwealth Home Support Programme, which is funded by grant. What this means is that periodically, the Australian Government makes available the opportunity to apply for a grant on the Grant Connect website, inviting providers to apply for funding to provide services under the Commonwealth Home Support Programme.

Service providers must sustainably manage their service delivery under the grant agreement, any outputs beyond the agreed limits of the grant will not be funded by the Australian government.¹⁹ The grants available under the Commonwealth Home Support Programme are not unlimited, instead they are subject to specific activity caps provided in the grant.²⁰

¹⁷ My Aged Care, *Respite care*, Australian Government, 2020, <https://www.myagedcare.gov.au/short-term-care/respice-care>, viewed 7 July 2020.

¹⁸ Australian Department of Health, *2018–19 report on the operation of the Aged Care Act 1997*, 2019, p 54.

¹⁹ Commonwealth Home Support Manual 2019 cl 6.2.1 page 87, available at <https://www.health.gov.au/sites/default/files/documents/2020/07/commonwealth-home-support-programme-chsp-manual.pdf> accessed on 9 September 2020.

²⁰ Transcript, Dr Nicholas Hartland, Sydney Hearing 4, 2 September 2020 at T9052.35-45.

Individual contributions to the Commonwealth Home Support Program

The Commonwealth Home Support Programme has no formal means testing for care recipient contributions. Instead, a Client Contribution Framework outlines a number of principles that providers should adopt in setting and implementing their own client contribution policy. The principles seek to introduce fairness and consistency, aiming to ensure that those who can afford to contribute to their cost of care do so, while ensuring access.²¹ According to COTA Australia, 'the experience of some consumers is that there is no charge or an optional charge for some CHSP services'.²²

In 2018–19, consumer contributions to the Commonwealth Home Support Programme totalled \$252 million, which represents around 10% of total Commonwealth Home Support Programme funding. This is a stable proportion of consumer contribution from the previous year.²³

The Tune review recommended that mandatory care recipient contributions based on a person's financial capacity be introduced for services under the Commonwealth Home Support Programme.²⁴ This would introduce means testing to the Commonwealth Home Support Programme and bring it more in line with the funding regimes of home care and residential care. The Australian Government is yet to respond to this recommendation.

Transition Care Program providers and Short-Term Restorative Care providers may charge clients a daily care fee, if the client is in a financial position to contribute to their care. Contributions are charged at 85% of the aged pension if care is delivered in a residential setting, or 17.5% of the aged pension if it is delivered at home. This aligns these two programs' daily care fee with the basic daily fees in both residential and home care.²⁵

Home Care Packages

Government contributions to Home Care Packages

In 2018–19, the Australian Government spent a total of \$2.5 billion on Home Care Packages, an increase of 21.5% from the previous year.²⁶ This sum is mainly provided in the form of a subsidy to home care providers.

The Australian Government contributes a different amount of subsidy for each level of Home Care Package. At 1 July 2020, the basic subsidy paid by the Australian Government to providers per care recipient was:

- Level 1 – \$24.46 a day
- Level 2 – \$43.04 a day
- Level 3 – \$93.63 a day

²¹ Department of Health, *Client Contribution Framework and the National guide to the CHSP Client Contribution Framework*, 2015; Australian Department of Health, *2018–19 report on the operation of the Aged Care Act 1997*, 2019, p 27.

²² COTA Australia, Submission to the Royal Commission into Quality and Safety in Aged Care: General Submission from COTA Australia, July 2020 45.

²³ Aged Care Financing Authority, *Eighth report on the funding and financing of the aged care sector*, 2020, p 40.

²⁴ D Tune, *Legislated Review of Aged Care 2017*, 2017, Recommendation 16.

²⁵ Australian Department of Health, *2018–19 report on the operation of the Aged Care Act 1997*, 2019, p 56.

²⁶ Australian Department of Health, *2018–19 report on the operation of the Aged Care Act 1997*, 2019, pp 10, 33.

- Level 4 – \$141.94 a day.²⁷

Individual contributions to Home Care Packages

Recipients of Home Care Packages can be asked to pay a basic daily fee and an income-tested care fee by their home care provider. In 2018–19, care recipient contributions to home care totalled approximately \$107 million, which was a decrease of \$15 million from the previous financial year.²⁸ The basic daily fee and income-tested care fees are explained below.

Basic daily fee

The maximum basic daily fee that may be charged by a home care provider is 17.5% of the basic age pension for a Level 4 Home Care Package. This is \$10.75 a day as of 1 July 2020. The basic daily fee for lower level packages are capped at slightly lower rates: \$10.48 a day for a Level 3 package, \$10.19 a day for a Level 2 package, and \$9.63 a day for a Level 1 package.²⁹ These lower rates are equivalent to reductions of \$100, \$200 and \$400 per year below the maximum daily fee chargeable for a Level 4 package.

Income-tested care fee

There are annual and lifetime limits to how much a person has to pay in income-tested care fees for home care. These limits cap how much a person can pay in a given year and how much they can pay over the course of their lifetime. As of 1 July 2020, the maximum annual amount of income-tested care fees a person can be asked to pay is:

- \$15.43 per day or \$5617.47 per year for people with income below \$53,731.60 (single person income rate);
- \$30.86 per day or \$11,234.96 per year for people with income above \$53,731.60 (single person income rate).³⁰

The lifetime cap for income-tested care fees is \$67,409.85. This cap is shared with the means-tested care fee in residential aged care. This means any income-tested care fees paid while a person is in home care will be counted towards the cap if that person moves into residential care.³¹ The Tune review noted:

Well over 80 per cent of consumers of home care are pensioners, and contribute only a very small proportion of the costs of care. Most providers are not charging consumers the full basic daily care fee, despite it being a modest amount, while consumers are contributing less than 3 per cent of the income-tested component of care costs.³²

²⁷ Australian Department of Health, *Schedule of Subsidies and Supplements for Aged Care from 1 July 2020*, Australian Government, <https://www.health.gov.au/sites/default/files/documents/2020/06/schedule-of-subsidies-and-supplements-for-aged-care-schedule-from-1-july-2020.pdf>, viewed 4 July 2020.

²⁸ Aged Care Financing Authority, *Eighth report on the funding and financing of the aged care sector, 2020*, p 13.

²⁹ Australian Department of Health, *Schedule of Fees and Charges for Residential and Home Care from 1 July 2020*, Australian Government, https://www.health.gov.au/sites/default/files/documents/2020/06/schedule-of-fees-and-charges-for-residential-and-home-care-schedule-from-1-july-2020_0.pdf, viewed 7 July 2020.

³⁰ Australian Department of Health, *Schedule of Fees and Charges for Residential and Home Care from 1 July 2020*, Australian Government, https://www.health.gov.au/sites/default/files/documents/2020/06/schedule-of-fees-and-charges-for-residential-and-home-care-schedule-from-1-july-2020_0.pdf, viewed 7 July 2020.

³¹ My Aged Care, *Changes to aged care fees, annual and lifetime caps*, Australian Government, <https://www.myagedcare.gov.au/changes-aged-care-fees-annual-and-lifetime-caps>, viewed 8 July 2020.

³² D Tune, *Legislated Review of Aged Care 2017*, 2017, p 8.

Residential aged care

Government contributions to residential aged care

The Australian Government spent \$13 billion, or about 65% of the total it spent on aged care in 2018–19, on residential aged care. Residential aged care is proportionally more costly than other forms of care, with this proportion of funding directed to just 21% of aged care recipients³³ Australian Government funding for residential aged care is made up of:

- operational funding, which supports day-to-day services such as nursing and personal care, living expenses and accommodation expenses
- capital financing, which supports the construction of new residential aged care facilities and the refurbishment of existing facilities.³⁴

There is no specific funding streams for compliance, training, administration and other overheads that residential aged care providers incur as a necessary part of their operations.

The funding in residential aged care is made up of Australian Government funding and resident contributions. Funding from the Australian Government is determined by it setting:

- a basic care subsidy for personal and nursing care
- the rates of supplements paid to support aspects of residential care that incur higher costs to deliver
- the maximum rate of accommodation supplement for those residents who cannot afford to pay their accommodation costs.³⁵

The Australian Minister for Health determines the rates for subsidies and care supplements to be paid from 1 July each year, and the rates of accommodation linked supplements on 20 March and 20 September each year.³⁶

Care subsidies and supplements

The majority of residential aged care funding is made up of the basic care subsidy. This subsidy is a payment to support the costs of providing personal and nursing care to residential care residents. Aged care providers use the Aged Care Funding Instrument to appraise the care needs of their residents, which determines the level of subsidy they receive from the Australian Government. The Aged Care Funding Instrument is a funding allocation tool, which allocates funding around three main domains that differentiate relative care needs among residents. It rates residents from nil, low, medium or high in each of:

- activities of daily living
- behaviour
- complex health care.³⁷

³³ Australian Department of Health, *2018–19 report on the operation of the Aged Care Act 1997*, 2019, pp 10–11.

³⁴ Aged Care Financing Authority, *Seventh report on the funding and financing of the aged care sector*, 2019, p 67.

³⁵ Aged Care Financing Authority, *Seventh report on the funding and financing of the aged care sector*, 2019, p 68.

³⁶ Australian Department of Health, *2018–19 report on the operation of the Aged Care Act 1997*, 2019, p 45.

³⁷ Australian Department of Health, *The Aged Care Funding Instrument (ACFI)*, Australian Government, <https://www.health.gov.au/initiatives-and-programs/residential-aged-care/funding-for-residential-aged-care/the-aged-care-funding-instrument-acfi>, viewed 15 July 2020.

The Australian Government sets the prices and rules for claiming Aged Care Funding Instrument care subsidies.³⁸ At 1 July 2020, the daily Aged Care Funding Instrument subsidy rates for someone receiving aged care ranged from \$0.00 a day (for someone rated as nil in all three domains) to \$223.14 (for someone rated as high in each domain).³⁹

Accommodation supplement

The Australian Government pays accommodation supplements to assist with the accommodation costs of permanent residents of residential aged care who do not have the means to pay for all of the cost themselves. The Australian Government determines the amount of accommodation supplement payable by setting the maximum rate of accommodation supplement and determining the share paid by residents based on a means test. Means testing for the accommodation supplement is a combined test of income and assets.⁴⁰ Means testing is discussed in more detail later in this section.

A resident of an aged care facility has both their income and assets means tested to determine the fees they can be asked to pay. Means testing is the process by which a person's income and assets are taken into account when determining how much they should contribute to their care. The means assessment occurs during the process of applying for aged care through My Aged Care. Applicants for aged care are prompted to submit a means test form to Services Australia, if required.⁴¹

Individual contributions to residential aged care

In 2018–19, residents in aged care contributed \$3.4 billion towards their living expenses, \$822 million towards accommodation costs by way of Daily Accommodation Payments, and \$513 million towards care costs.⁴² At 30 June 2019, the residential aged care sector held \$30.2 billion in refundable accommodation deposits, an increase of \$2.7 billion from the previous year.⁴³ The total number of accommodation deposits held by providers at 30 June 2019 was 94,870 with an average value of \$318,000. The number of deposits increased from 90,899 the previous year and the average value also increased from \$303,000.⁴⁴

A resident may be expected to pay a number of fees and costs that relate to their care, accommodation and any other services they may receive. Explanations of each of these fees and costs are set out below.

Basic daily fee

All residents in aged care homes may be asked by their aged care provider to pay a basic daily fee to cover day-to-day living costs. This equates to 85% of the single rate of the basic age pension, or

³⁸ Australian Department of Health, *2018–19 report on the operation of the Aged Care Act 1997*, 2019, pp 47, 89.

³⁹ Australian Department of Health, *Schedule of Subsidies and Supplements for Aged Care from 1 July 2020*, Australian Government, <https://www.health.gov.au/sites/default/files/documents/2020/06/schedule-of-subsidies-and-supplements-for-aged-care-schedule-from-1-july-2020.pdf>, viewed 4 July 2020. Note these figures exclude the temporary additional daily amount made available to providers from 1 March 2020 to 31 August 2020.

⁴⁰ Aged Care Financing Authority, *Eighth report on the funding and financing of the aged care sector*, 2020, pp 15, 130.

⁴¹ My Aged Care, *Income and means assessments*, Australian Government, <https://www.myagedcare.gov.au/income-and-means-assessments/>, viewed 15 July 2020.

⁴² Aged Care Financing Authority, *Eighth report on the funding and financing of the aged care sector*, 2020, p 13.

⁴³ Aged Care Financing Authority, *Eighth report on the funding and financing of the aged care sector*, 2020, p xiii.

⁴⁴ Aged Care Financing Authority, *Eight report on the funding and financing of the aged care sector*, 2020, p 89.

\$52.25 a day.⁴⁵ This works out as \$19,071.25 a year. The Australian Government sets this maximum, but it is at a residential aged care provider's discretion whether they charge the maximum level of fees.⁴⁶

Means-tested care fee

Means-tested care fees are calculated by Services Australia based on an assessment of a resident's income and assets, including the value of their family home. Limits apply on means-tested care fees in residential care. There is an annual cap of what a resident can be expected to pay of \$28,087.41, and a lifetime cap of \$67,409.85.⁴⁷ Residents cannot pay more than these caps in means-tested care fees.

There is also a limit on the value of the family home that can be considered as part of the means test, which is set at \$161,535.20. The value of the home above this amount is excluded from the value of a residential aged care resident's assets.⁴⁸

Accommodation costs

Accommodation costs are also means tested. Residents with an income below \$27,840.80 and assets below \$50,500.00 are not required to make an accommodation contribution.⁴⁹ Some residents will pay a contribution to their accommodation, and some residents with higher income and/or assets are required to pay the full cost of their accommodation.⁵⁰ Residents have options for paying their accommodation costs, which are:

- a lump sum refundable accommodation deposit, or
- a daily accommodation payment, or
- a combination of both.⁵¹

Providers must publish the maximum accommodation price that they propose to charge for each room on My Aged Care and their own website.⁵² The average accommodation cost in 2013–14

⁴⁵ Australian Department of Health, *Schedule of Fees and Charges for Residential and Home Care from 1 July 2020*, Australian Government, https://www.health.gov.au/sites/default/files/documents/2020/06/schedule-of-fees-and-charges-for-residential-and-home-care-schedule-from-1-july-2020_0.pdf, viewed 7 July 2020.

⁴⁶ Australian Department of Health, *2018–19 report on the operation of the Aged Care Act 1997*, 2019, p 50.

⁴⁷ Australian Department of Health, *Schedule of Fees and Charges for Residential and Home Care from 1 July 2020*, Australian Government, https://www.health.gov.au/sites/default/files/documents/2020/06/schedule-of-fees-and-charges-for-residential-and-home-care-schedule-from-1-july-2020_0.pdf, viewed 7 July 2020.

⁴⁸ Australian Department of Health, *Schedule of Fees and Charges for Residential and Home Care from 1 July 2020*, Australian Government, https://www.health.gov.au/sites/default/files/documents/2020/06/schedule-of-fees-and-charges-for-residential-and-home-care-schedule-from-1-july-2020_0.pdf, viewed 7 July 2020.

⁴⁹ Australian Department of Health, *Schedule of Fees and Charges for Residential and Home Care from 1 July 2020*, Australian Government, https://www.health.gov.au/sites/default/files/documents/2020/06/schedule-of-fees-and-charges-for-residential-and-home-care-schedule-from-1-july-2020_0.pdf, viewed 7 July 2020; Australian Department of Health, *2018–19 report on the operation of the Aged Care Act 1997*, 2019, p 51

⁵⁰ My Aged Care, *Aged care home costs and fees*, Australian Government, <https://www.myagedcare.gov.au/aged-care-home-costs-and-fees>, viewed 15 July 2020; Australian Department of Health, *Schedule of Fees and Charges for Residential and Home Care from 1 July 2020*, Australian Government, https://www.health.gov.au/sites/default/files/documents/2020/06/schedule-of-fees-and-charges-for-residential-and-home-care-schedule-from-1-july-2020_0.pdf, viewed 7 July 2020.

⁵¹ *Aged Care Act 1997 (Cth)* s 52E-1.

⁵² *Fees and Payments Principles 2014 (No2) (Cth)* s19(3); My Aged Care, *Aged care home costs and fees*, Australian Government, <https://www.myagedcare.gov.au/aged-care-home-costs-and-fees>, viewed 15 July 2020.

was \$296,000 for new entrants to residential care; average prices have gradually increased and were reported by the Aged Care Financing Authority as being \$350,000 in February 2017.⁵³

Prices above a threshold of \$550,000 must be approved by the Aged Care Pricing Commissioner.⁵⁴ The Aged Care Pricing Commissioner's role is to review and approve these prices, as well as applications for changes to extra services fees, which we discuss below. The Commissioner will receive applications from aged care providers throughout the year to charge accommodation prices above the threshold.

Accommodation payments in the form of refundable accommodation deposits play a very important role in funding capital investment in residential aged care, which is used for the building of new facilities and refurbishing older ones. A refundable accommodation deposit effectively acts as an interest free loan for an aged care provider, paid by a resident. As at 30 June 2018, residential aged care providers held a total of \$27.5 billion of refundable accommodation deposits paid to them by residents,⁵⁵ and by 30 June 2019, that figure had grown to \$30.2 billion.⁵⁶

Fees for extra and additional services

Under the Aged Care Act, aged care providers may charge extra service fees.⁵⁷ The extra service fee is the maximum amount a provider can charge a resident for receiving extra services in residential aged care. These fees are set by individual providers, based on the extra services they wish to provide, and include services such as higher standards of accommodation, broader ranges and higher quality of food and non-care services such as recreational and personal interest activities.⁵⁸ The fee must be approved by the Aged Care Pricing Commissioner.⁵⁹ Aged care providers may also charge for additional services, provided they have the agreement of the resident who is to receive the services. There are limits on what can be provided as an 'additional service'. An aged care provider can only charge an additional service fee for services that:

- it can demonstrate are better than what must be provided under Schedule 1 of the Quality of Care Principles
- are not specified care and services in Schedule 1 of the Quality of Care Principles
- are not covered by the payment of an extra services fee or accommodation payment
- are not services that a provider is required to deliver.⁶⁰

Government cost controls

The aged care target provision ratio

The Australian Government controls supply of subsidised aged care by fixing the number of overall places it will fund by applying the 'aged care target provision ratio'. The ratio applies to both home care packages and residential aged care. The ratio dictates the number of aged care places

⁵³ D Tune, *Legislated Review of Aged Care 2017*, 2017, pp 96–97.

⁵⁴ D Tune, *Legislated Review of Aged Care 2017*, 2017, p 83.

⁵⁵ Aged Care Financing Authority, *Seventh report on the funding and financing of the aged care sector*, 2019, p 31.

⁵⁶ Aged Care Financing Authority, *Eighth report on the funding and financing of the aged care sector*, 2019, p 105.

⁵⁷ *Aged Care Act 1997* (Cth) Part 2.5; s 35-1(1).

⁵⁸ *Aged Care Act 1997* (Cth) ss 32-4, 36-3.

⁵⁹ *Aged Care Act 1997* (Cth) s 35-1.

⁶⁰ Australian Department of Health, *Fees for people entering residential aged care from 1 July 2014*, Australian Government, <https://www.health.gov.au/initiatives-and-programs/residential-aged-care/charging-for-residential-aged-care-services/fees-for-people-entering-residential-aged-care-from-1-july-2014#additional-service-fees>, accessed 8 July 2020.

supplied by the Australian Government proportionate to the growth of the 70 years and over population.

It has been increasing incrementally from 2012 to reach the target ratio of 125 places per 1000 people aged 70 and over by 2021–22. The target ratio is broken down across Home Care Packages, residential care places and restorative care places. The 2021–22 target has an increase in Home Care Packages from 27 per 1000 people in 2012 to 45 by 2021–22. Over the same period, the target sees a reduction in residential care places from 86 to 78 per thousand, while restorative care remains constant at two places.⁶¹

Conditions for providing residential aged care

Residential aged care providers are only eligible to receive subsidies for residential care from government if they provide services to a person in relation to an 'allocated place'.⁶² Based on the provision ratio, The Australian Government determines the number of places available for allocation in each state and territory in a particular year according to the aged care t and the Department of Health then allocates the available places among the regions of the states and territories. Residential care places are distributed to providers by the Department of Health through a competitive process known as the Aged Care Approvals Round.⁶³ The number of places are determined by government through a competitive process called the Aged Care Approvals Round.⁶⁴

Commonwealth Own Purpose Expenses

In aged care, the basic subsidy rates payable to approved providers are adjusted annually in line with movements in the Commonwealth Own Purpose Outlays (**COPO**)/ Commonwealth Own Purpose Expenses (**COPE**).

COPO indexation arrangements came into effect in relation to residential aged care funding from 1 July 1996. The particular COPO that is used for the indexation of subsidies in aged care is Wage Cost Index 9. This is a composite index constructed by the Department of Finance that comprises a wage cost component (weighted at 75 per cent) and a non-wage cost component (weighted at 25 per cent). For all Wage Cost Indices the value of the wage cost component is based on the dollar increase in the national minimum wage (as determined annually by the Fair Work Commission) expressed as a percentage of the latest available estimate of average weekly ordinary time earnings (AWOTE) published by the Australian Bureau of Statistics as at November of each year. The value of the non-wage cost component of WCI-9 is based on changes in the Consumer Price Index between March quarters each year.⁶⁵

Limitations on CHSP Grant Agreements

As already noted, in total, Australian Government expenditure for the Commonwealth Home Support Programme program in 2018–19 was \$2.6 billion. The grants available under the Commonwealth Home Support Programme are subject to specific activity caps provided in the grant.⁶⁶

⁶¹ Adelaide Hearing 1, Exhibit 1-23, Statement of Glenys Beauchamp, WIT.022.0001.0001 at 0013 [57]; Aged Care Financing Authority, *Eighth Report on the funding and financing of the aged care sector*, 2020, p 19

⁶² Adelaide Hearing 1, Exhibit 1-23, Statement of Glenys Beauchamp, WIT.0022.0001.0001 at 0006 [32]

⁶³ Adelaide Hearing 1, Exhibit 1-23, Statement of Glenys Beauchamp, WIT.0022.0001.0001 at 0006 [32]

⁶⁴ Adelaide Hearing 1, Exhibit 1-23, Statement of Glenys Beauchamp, WIT.0022.0001.0001 at 0006 [32]

⁶⁵ Aged Care Financing Authority, *Sixth report on the funding and financing of the aged care sector*, 2018, p 89

⁶⁶ Transcript, Dr Nicholas Hartland, Sydney Hearing 4, 2 September 2020 at T9052.35-45.