

Dear Member,

Prime Minister Julia Gillard and Minister for Ageing, Mark Butler, have today unveiled a 10-year plan to reshape the aged care sector, commencing 1 July 2012. Under the *Living Longer. Living Better.* Plan (the plan), the Federal Government will commit \$3.7 billion to deliver easier access, better care and more choice for older Australians and their families.

This plan for aged care services reflects the Federal Government's response to the recommendations in the *Caring for Older Australians* report by the Productivity Commission, released last year.

The plan is designed to shape a system that is fairer and based on a capacity to pay. The amount consumers will pay will be capped and underpinned by tightened means testing.

The plan encompasses collaborative reforms to bring the system together to build a more sustainable aged care system into the future. Innovations include:

- \$15.2 million over five years to establish an Independent Aged Care Implementation Council to foster stakeholder engagement and communications to drive implementation, evaluation and further development of reforms
- \$26.4 million over five years to establish a new Aged Care Financing Authority to provide transparent advice on pricing and funding in aged care
- \$198.2 million over five years to establish a new gateway that provides readily available and reliable information about aged care services. The first steps include establishing a new *My Aged Care* website and national call centre to be the main entry point for the aged care system. New quality indicators will be launched and a rating system will be developed and published on this website
- \$16.6 million over five years to establish a new Australian Aged Care Quality Agency responsible for monitoring the quality of both residential care and home care services

Home Care

Under the reforms, the Government will be expanding the number and level of home care packages available to support people whose care becomes increasingly complex, but with appropriate support, can still have the capacity to remain living at home. More than 80,000 new packages will become available by 2021-22 with the level of Government care subsidy ranging from \$7,500 to \$45,000 a year.

Through a means testing arrangement, some care recipients will be asked to contribute more to the cost of their care on top of the current basic fee (up to 17.5 per cent of the single basic pension, currently at \$3135 per annum) that all care recipients will be asked to pay. Under this arrangement, full pensioners will not pay a basic care fee and fees will be capped annually at \$5,000 for part-pensioners and \$10,000 (indexed) for self-funded retirees.

Residential Aged Care

An additional 40,000 new residential care places will be created under this plan. To enable all people to continue to access aged care, the Government is providing \$486.9 million to increase the accommodation supplement they pay on behalf of residents who are unable to meet all or some of their accommodation costs.

From 1 July 2014, the maximum level of accommodation supplement will increase from \$32.58 per day (currently) to an estimated \$52.84. This will only apply to aged care homes that have been built or significantly refurbished from 20 April 2012.

The Government will remove the distinction between low and high care, and provide more choice about how people will pay for their accommodation costs. From 1 July 2014, all residents will have

a choice to pay through a fully refundable lump-sum, a rental style periodic payment, or a mixture of both.

Under this scheme, providers will not be allowed to choose between people on the basis of how that person intends to pay for their accommodation nor will patients have to decide how they will pay until they have entered care. Providers will need to seek approval from the Aged Care Financing Authority for the level of accommodation payments they charge.

Only care recipients who enter care from 1 July 2014 will be affected by the strengthened means testing arrangement, which will combine the current income and assets test. This will imply that residents who can afford to do so will make a means tested contribution that will reduce the amount that the Government pays towards their care and accommodation. Care costs will be capped, with nobody paying more than \$25,000 per annum and no more than \$60,000 over their lifetime.

The Government will also refine funding under the Aged Care Funding Instrument (ACFI) in order to better align the funding claimed by providers and the level of care being offered. This will be implemented over four years through a staged approach, commencing on 1 July 2012.

The Government has also recognised that it is more expensive to deliver aged care services in regional, rural and remote Australia than in urban areas. In doing so, \$108 million in viability supplements will be provided to ensure the sustainability of aged care services in these areas.

Other investments by the Government in the plan include:

- \$1.2 billion over five years to tackle critical shortages in the aged care workforce by improving the capacity to attract and retain staff to the aged care sector through higher wages, improved career structures, enhanced training and education opportunities and better work practices
- \$54.8 million over five years to support carers including funding for more respite care and counselling support
- \$268.4 million over five years dedicated to addressing dementia such as a Dementia Supplement and support to GPs to make a more timely diagnosis of dementia and help people with younger onset dementia

The changes, which are designed to increase the level of flexibility and sustainability in aged care, have been welcomed by the VHA as a responsive approach to demand. The move to an entitlement model and to providing consumers with greater choice and access is seen as a positive step.

However, payment choices in rural areas may further affect the viability of services, so the rural supplements are welcome.

The full Australian Government Response to the Productivity Commission's *Caring for Older Australians* Report and further information on the *Living Longer. Living Better.* plan is available online at

<http://www.health.gov.au/internet/main/publishing.nsf/Content/ageing-aged-care-review-measures-living.htm>

Kind regards,



Trevor Carr

Chief Executive