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GUIDE

Industry Insights

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In this edition of Industry Insights we analyse the Australian Federal Budget's significant allocation to the aged care sector.

We speak with Australian aged care expert, Rachel Lane and take a look at where and how the money will be spent.

On Tuesday 9 May, the Australian Federal Budget unveiled a significant allocation of funds towards the aged care sector.

The government made it clear that 'building a world-class aged care system' is a priority over the coming years. However, the government is forecasting a reallocation of funds from aged care facilities to home-based care providers. Rachel Lane says this is beginning to create "a tale of two different industries".

Australian Federal Budget – At a glance

- \$11.1 billion over four years from 2023–24
- 15% pay rise over four years for 250,000 aged care workers
- 17% increase in the daily rate for aged care residents
- A reallocation of funds away from residential facilities and into home-based packages

Historical pay rise for aged care workers

From July 2023, aged care workers will see a significant boost in wages. The aim is to address the sector's labour shortage, partly caused by low pay rates. This is the largest ever pay increase in the history of Australia's Fair Work Act.



Rachel Lane, Principal of Aged Care Gurus says, "the 15% payrise for many aged care workers is necessary for the sector to be able to compete with health and disability care in attracting and retaining care staff. Without a doubt, workforce is the greatest issue facing the industry."

Women, who comprise more than 85% of Australia's aged care workforce, will be the primary beneficiaries of the wage increase. Registered and enrolled nurses, assistants in nursing, personal care workers, head chefs and cooks, lifestyle workers, and home care workers will all benefit from this wage increase.

The wages for a registered nurse in aged care will rise by more than \$10,000 a year, and more than \$7,500 for an enrolled nurse.

Lifting daily rates for aged care residents

To help cover this boost in wages, this Budget delivers a historic increase in the daily rate for aged care residents. The funding for the Australian National Aged Care Classification (AN-ACC) will be raised by 17% per resident, per day.

This enhanced support is aimed at ensuring residential aged care providers are well staffed, financially stable, and able to provide high-quality, safe care.

Just like in New Zealand, many Australian aged care providers are facing ongoing viability problems. Funding has been allocated towards advisory services for aged care providers, aiming to improve their capability, more effectively manage financial risks, and broaden professional support to providers in small to medium rural towns. Further, a new grant will be offered to aged care providers at the greatest financial risk, to help them improve their performance.

While these funding increases are broadly welcomed by the sector, Rachel says many residential aged care operators are still facing significant challenges, especially in regard to legislation around care minute targets.



"The Australian government introduced care minute targets for residential aged care providers in October 2022. From October this year those care minutes become mandatory. It means that aged care homes will need to deliver at least 200 care minutes per resident per day, of which 40 minutes needs to be with a registered nurse. The care minutes are set to increase next October to 215 minutes. While additional funding has been provided, we are currently seeing an average loss in residential aged care of \$27 per resident per day, these losses combined with the looming deadline of care minute requirements are causing a number of operators to close aged care homes with more expected."



A shift in focus from residential facilities to home based care

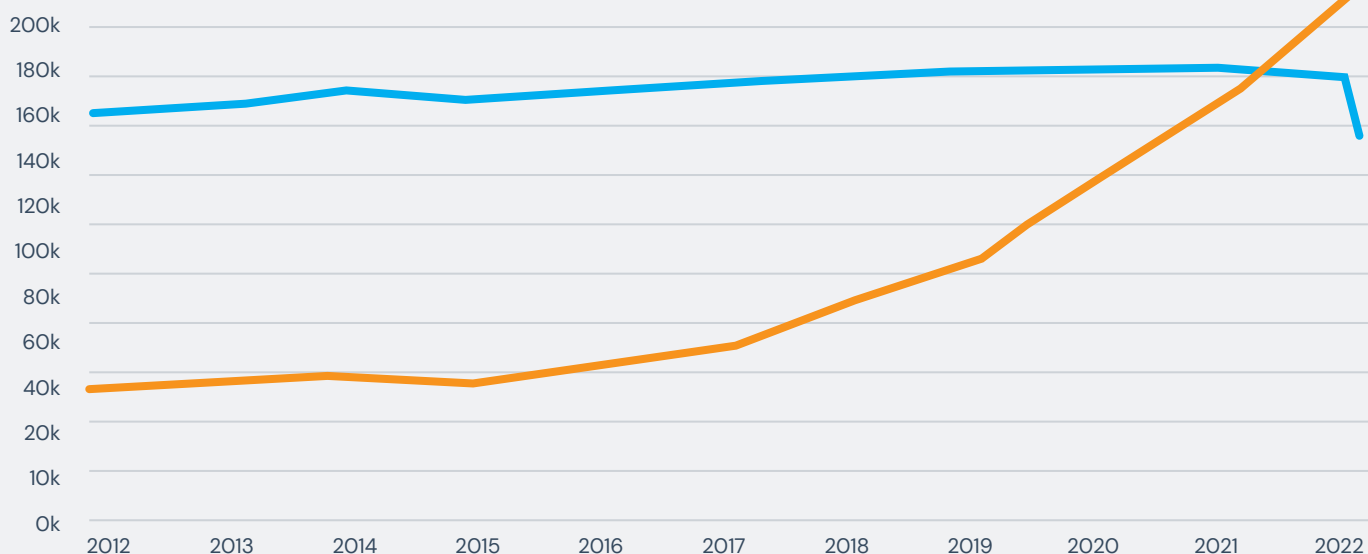
The government plans to reallocate a portion of its aged care expenditure, shifting funds away from residential facilities and increasing funding for home-based packages.

An investment of \$166.8 million will be made to introduce 9,500 additional home care packages. Australia has experienced a surge in demand for home-based care, with support packages nearly quadrupling from 55,000 to 216,000 between 2012 and 2022. In comparison, the number of individuals in residential aged care increased by eight percent during the same period.



“Aged Care in Australia is almost a tale of two different industries, residential aged care homes are delivering significant amounts of care at a huge cost while making extraordinary losses (the latest government report shows that residential aged care lost \$465m for the July 2022 Quarter). In contrast the home care sector made a profit of \$92.4m for the quarter, an average profit of \$5 per person per day, and delivered on average less than 1 hour per day of care. The issue in home care is around attracting the workers to deliver the care, there is plenty of funding. Currently there is around \$1.61bn in home care package account balances of which \$1bn is government funding”

The number of people using home care has overtaken the number of people using residential aged care



— People using home care — People using permanent residential aged care

ABC News / Source: GEN Aged Care Data

A higher standard of care

The government has allocated funding for initiatives aimed at enhancing the health and safety of older Australians who receive aged care services, as well as strengthening the regulation of the aged care sector.

As part of the scheme, \$81.9 million will be provided for the development and implementation of a new Aged Care Act, while \$72.3 million will support the establishment of a new and stronger Aged Care Regulatory Framework.

Furthermore, the Budget includes other initiatives, such as a \$139.9 million package to improve the accountability and transparency of approved aged care providers through enhancements to the Star Rating system. An additional \$12.9 million has been allocated for the development, monitoring, and enforcement of food and nutritional standards in aged care facilities.

Projected decrease in funding for aged care facilities

On the other side of this spending is a \$2.2 billion funding cut over three years for residential aged care, with the funding decrease to come from a reduction in the allocation of aged care places. Currently, the government provides funding for 78 residential aged care places per 1,000 people over the age of 70. That ratio will be reduced to 60 aged care places per 1,000 people. This is based on the government anticipating the number of residential aged care places it needs to fund to drop from next year.



In summary

The Australian Federal Budget's aged care spending is a significant investment in the sector.

The government has committed to improving the quality of care, increasing wages for workers, and making aged care more affordable for Australians. These are all positive steps. However, the reallocation of funds away from residential aged care may present further challenges to this area of the sector who are already facing significant headwinds. It will also be important to monitor the implementation of the budgets planned initiatives to ensure what's been allocated is effectively rolled out and actioned within the proposed time-frames.



About Rachel Lane

Rachel Lane is Australia's aged care guru. Her engaging explanations of the ins and outs of financing retirement living and aged care are embraced by thousands of readers of the Sydney Morning Herald, Melbourne's Age, and the Brisbane Times and she frequently speaks on radio and television.

She has co-authored a number of books including the best-seller [Aged Care, Who Cares?](#) with finance expert Noel Whittaker who she has again teamed up with recently to write [Downsizing Made Simple](#).

Rachel has specialised in retirement living and aged care for more than 15 years and holds a Masters in Financial Planning which included a thesis on the financial drivers of consumers and operators in aged care.

