

24 August 2020

The Hon Michael Sukkar MP
Minister for Housing
Assistant Treasurer
House of Representatives
CANBERRA ACT 2600

Dear Minister

Pre-Budget Submission (October) – 2020-21

I write in response to your invitation for supplementary submissions concerning priorities for the 2020-21 Budget.

Catholic Health Australia (CHA) previously provided a 2020-21 budget submission in December 2019, which is attached. The recommendations put forward in that submission still stand, and have been supplemented with additional priorities below in the light of developments during 2020.

In summary, CHA recommends that the 2020-21 Budget include the following five measures:

1. Extended COVID-19 support measures.
2. Immediate revisions to the Aged Care Funding Instrument (ACFI) – pending implementation of a new funding model and payment system.
3. Additional support for rural and remote residential aged care services.
4. Removal of Basic Daily Fee caps in residential care.
5. Additional home care packages, prior to the implementation of a new single care at home program.

CHA is Australia's largest non-government grouping of health, community, and aged care services accounting for approximately 10 per cent of hospital-based healthcare in Australia. Our members also provide around 25 per cent of private hospital care, 5 per cent of public hospital care, 12 per cent of residential aged care, and 20 per cent of home care and support for the elderly.

COVID-19

1. Extended COVID-19 support measures

Protecting older Australians from COVID-19 is an issue of national importance for the foreseeable future.

The extreme difficulties in responding to COVID-19 within aged care settings continues, both in Victoria and elsewhere. CHA acknowledges the measures that have been put in place to support aged care providers to respond to the spread of the pandemic. However, a number of these measures were one-off, or are shortly due to expire. They need to be continued.

Given the continuing nature of the COVID-19 pandemic, we ask that the following measures are provided.

- a. Enhancing and continuing existing funding supports for the everyday costs of preventing COVID outbreaks. The following measure will ensure that aged care providers have the financial means to do as much as they can to prevent COVID-19, and keep our older Australians as safe as possible.
 - \$15 per residential care resident per day - paid as one off payments covering six months in September and in February.
 - \$5 per home care client – paid to the provider (rather than the package) as one off payments covering six months in September and in February.
 - Continued temporary 30 per cent increase to the Residential and Home Care Viability Supplements and the Homeless Supplement.
 - Continuation of grants for CHSP providers to claim additional costs associated with COVID.
- b. Additional workforce supports are required to support aged care workers to limit the spread of COVID-19, including
 - Funding for paid pandemic leave for all employees.
 - Funding single site worker arrangements wherever they are required so that providers can ensure that no worker is worse off.
- c. Routine mandatory (through a direction/public health order) sentinel testing for aged care staff.

These measures are additional to the aged care support programs announced following National Cabinet's meeting on 21 August 2020.

The impact of the COVID-19 pandemic continues to evolve in often unpredictable ways. As such, these measures must be reviewed on a regular basis, and adjusted as necessary. Additional measures will also continue to be needed to respond to major outbreaks and other major events within specific regions, such as has been the case in Victoria.

Residential Aged Care

2. Immediate revisions to the ACFI – pending implementation of a new funding model and payment system

There are structural issues within the residential funding framework that are resulting in significant ongoing financial pressures for residential aged care providers. The issues outlined in our earlier submission have continued to worsen. This is in addition to any pressure caused by COVID-19, and will not be mitigated by any COVID-19 specific funding injections.

The 2020 Aged Care Financing Authority (ACFA) Report highlighted that the average EBITDA per resident per annum decreased by an additional 2.5 per cent in 2018-19. This is despite the one-off additional \$320m paid in increased subsidies at the end of 2018-19. Without the additional subsidies, the average EBITDA would have decreased by 20 per cent from 2017-18.

Financial pressures in 2019-20 have deepened, a direct consequence of an indexation formula which is based on unsustainable labour productivity gains and continued low real increases in real care funding - a real increase of only 0.4 per cent per resident per day over the first nine months of 2019-20. The deepening financial pressures are reflected in data from StewartBrown's Residential Aged Care Financial Performance Survey which indicates that 60 per cent of aged care homes recorded an operating loss for the period July 2019 to March 2020.

This situation needs to be addressed as a matter of priority. A failure to do so will increase the risk of service failures and closures.

We remain supportive of the long term plan to introduce a new funding model and payment system and encourage the Government to make a firm commitment to an implementation timeframe as part of the 2020-21 Budget.

We understand however that the introduction of a new model is still some years away. As such, short term strategies are needed to address the immediate financial pressures. As part of this, we strongly recommend that the Government revise the current approach to indexation of the wage related component of the ACFI, and base it instead on the ABS Wage Price Index.

This would deal with the current revenue pressures without the need for any disruptive structural changes to ACFI. It is also preferable to any one-off funding injections that do not lend themselves to sound provider budgeting and business management, especially in relation to staff costs. Further detail on this proposal was provided in our previous submission.

3. Additional support for rural and remote residential aged care services

We also recommend that separate measures are considered to ensure the viability of rural and remote residential facilities. The StewartBrown survey results mentioned above were even worse for rural and remote homes, with 74 per cent recording an operating loss.

A sensible measure would be to base ACFI funding on 100 per cent occupancy. This would recognise that many of the costs for rural and remote providers are fixed, regardless of occupancy. It would also align with the recommendation from the Australian Health Services Research Institute (AHSRI) to base Australian National - Aged Care Classification (AN-ACC) fixed funding for remote services on the number of approved beds, and not on occupancy.

4. Removal of Basic Daily Fee caps in residential care

CHA continues to advocate that structural changes are needed to the client-contribution framework within aged care. We are mindful that any longer term changes are most likely to be informed by the recommendations of the Royal Commission into Aged Care Quality and Safety. However, there are changes that can be implemented now as part of the 2020-21 Budget that would not be inconsistent with longer term reform directions.

We recommend that the Government moves now to implement the *Legislated Review of Aged Care 2017* recommendation to allow residential providers to charge non-low means residents a higher Basic Daily Fee for everyday living services. A current cap applies to the Basic Daily Fee, which is set at 85 per cent of the single age pension. This does not allow providers to adequately cover the cost of everyday living expenses, requiring cross subsidisation from the care funding stream.

Removing this cap would inject significant additional funding into the sector at a limited cost to Government. It would also support movement towards a more market-informed environment where people with sufficient means are able to exercise choice and pay more for a higher standard of service. This should be done with appropriate safety nets for those with lower means.

Home Based Aged Care

5. Additional home care packages, prior to the implementation of a new single care at home program

Additional home care packages are needed to support the more than 103,000 people still waiting for care at their approved level.

Although CHA welcomes the recent release of additional home care packages, more needs to be done in the short term, noting that the most recent data suggests that previous reductions in the national prioritisation system have slowed, with a drop of less than 1 per cent in the March 2020 Quarter. It is also worrying that in the March Quarter, approvals for home care increased (by 2 per cent) at the same time that package releases went down (by 19 per cent). If this continues, the number of people waiting will grow.

In the long term, we are supportive of a move to a single unified care at home program that is person-centred, easy to navigate, and provides older people with access to care and support in a timely way. CHA strongly recommends that any new program consider the flexibility and support needed to deliver services in rural and remote areas and to people from diverse groups.

Response to the Royal Commission into Aged Care Quality and Safety

CHA acknowledges that longer term reforms to the aged care system are likely to be informed by the Final Report of the Royal Commission into Aged Care Quality and Safety, which is due in February.

It is important that the Government respond to the Final Report with a well-resourced program for systemic, sustainable and phased reform of aged care services. This could be done in the 2021-22 Budget context and must include a sensible and well sequenced transition plan that provides greater certainty for the sector.

Given this timing, we are not expecting longer term structural reforms to be announced in the 2020-21 Budget context. However, the measures outlined by CHA above are achievable and would not create barriers to longer term improvements. In fact, they are interim measures that would support the transition to a better system whereby all older Australians have timely access to quality aged care and support services.



Thank you for the opportunity to put forward our ideas on aged care priorities and for considering our submission. If you or your staff wish to discuss matters we have raised, please contact our Director of Aged Care, Nick Mersiades, at nickm@cha.org.au or on 0417 689 626.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Pat Garcia", is positioned above the typed name.

Pat Garcia
Chief Executive Officer
Catholic Health Australia