



Catholic Health Australia – Submission on the draft Rules on Funding for other aged care programs (Release 2b)

February 2025

Catholic Health Australia

www.cha.org.au

Catholic Health Australia (CHA) is Australia's largest non-government grouping of health, community, and aged care services. CHA Members provide approximately 12 per cent of all aged care facilities across Australia, in addition to around 20 per cent of home care provision.

Our members account for over 15 per cent of hospital-based healthcare in Australia and operate hospitals in each Australian state and in the Australian Capital Territory, providing about 30 per cent of private hospital care and 5 per cent of public hospital care in addition to extensive community and residential aged care.

CHA not-for-profit providers are a dedicated voice for the disadvantaged which advocates for an equitable, compassionate, best practice and secure health system that is person-centred in its delivery of care.

Contents

Item	Page number
Executive Summary	3
Our list of recommendations	5
Section 1: Rules relating to Support at Home	8
Section 2: Rules relating to residential aged care	12
Section 3: Implementation issues	18

Executive summary

Catholic Health Australia (CHA) is Australia's largest non-government grouping of health, community, and aged care services accounting for approximately 12 per cent of aged care facilities across Australia, in addition to 20 per cent of care provision in the home. Catholic aged care providers have a vital interest in working with the Australian Government to ensure the sustainable provision of aged care and support services for older Australians meet community expectations of safe and quality of care.

CHA appreciates the opportunity to provide input into Stage 2b on the funding arrangements for aged care programs. We look forward to working with the Department during the consultation process to ensure the draft Rules achieve their intended outcomes. Our goal is to ensure they fully support a high-quality and safe aged care system for all Australians irrespective of their wealth or geography, consistent with Catholic Social Justice principles.

CHA appreciates the work undertaken by the Government to design the funding mechanisms required for the successful implementation of aged care programs under the new Act. This submission focuses on the requirement for Government to fund an adequate number of Support at Home (SaH) packages; for detailed considerations of the implications around interim budgets for older people waiting to access a SaH package; for care management to be addressed through adequate funding; for adequate safety nets to be in place for those that need it; for clarity and supporting guidance to providers and older people to enable the Rules to be effectively implemented; and for ongoing monitoring and review, including of any unintended consequences.

Key observations and issues related to the Rules articulated in our submission include:

Rules regarding Support at Home

- **Care management:** CHA appreciates the mechanism introduced by the draft Rules to enable care management funding for all participants to be pooled with their provider in a care management fund. Greater flexibility in the care management allocation of up to 15 per cent of SaH packages is required to effectively deliver services to high-acuity older Australians. In addition, the new care management cap should be delayed by 12 months to 30 June 2026 to enable adequate support for older Australians through this crucial component of care.
- **Shortfall in services for interim budget individuals:** CHA is very concerned that the system of interim budgets in Sections 194-5 and 204-5 of the draft Rules embed a rationed aged care system that is not designed to meet the needs of older people when they are needed, but rather, envisages that they will have to wait for the care they require, with significant potential for negative outcomes.
- The **financial hardship threshold amount** should be 2.25 times the basic pension to bring the financial hardship provisions into alignment with the maximum Refundable Accommodation Deposit amount and enable clear and simple messaging to older people and their loved ones.
- Provide **clear grandfathering arrangements** for the cohort of older people who don't have an approved package on the National Priority System prior to 1 July 2025 but who have an agreement with a Support at Home provider to receive a Home Care Package.

Rules regarding residential aged care

- **Review of the Accommodation supplement:** To keep pace with the costs of supplying accommodation, the accommodation supplement should be reviewed immediately and increased to ensure the costs of providing accommodation are adequately funded.
- **Access to additional services to meet older peoples' needs and preferences:** The draft Rules should be amended so that older people have the option to remain on their existing Extra Service Fee and/or Additional Service Fee arrangements and instead, have the choice of moving to Higher Everyday Living Fee (HELFF) arrangements on 1 July 2026. The Department should also perform a review of the impact of the HELFF model on older peoples' access to services to meet their needs and preferences.

Implementation issues and suggestions regarding the consultation process

Greater clarity and transparency is needed for older people and providers in relation to hardship application timeframes and grandfathering arrangements for some cohorts. It is also imperative to offer clear and detailed guidance on the means testing process and its implications for aged care recipients in both SaH and residential care. Government should take the lead on informing older Australians about means testing.

Specific recommendations have been provided in the relevant section.

The Department should release more extensive supporting information with the draft Rules which refers to the corresponding section of the draft Rules to ensure the sector is understanding them correctly.

Our list of recommendations

CHA makes the following recommendations to the Government for amendments to the Stage 2b Rules on the funding of aged care programs and services:

Recommendations relating to Rules regarding Support at Home

Recommendation 1: The Department should release more extensive supporting information with the draft Rules which refers to the corresponding section of the draft Rules to ensure the sector is understanding them correctly.

Recommendation 2: In relation to the care management allocation under Support at Home:

- a. Allow up to 15% instead of 10% of SaH packages to be used for care management to effectively deliver services to high-acuity older Australians where there is an assessed need; and
- b. Delay the reduced care management cap for 12 months to 30 June 2026 to enable providers to put in place the necessary ICT system changes and staff training to support this change. A reduction to the care management cap is a clear risk to the success of the transition to the new Aged Care Act. This is particularly true of providers encountering a case mix of individuals with significant clinical acuity or other high care needs.

Recommendation 3: In relation to the concept of interim budget individuals under Support at Home, CHA has the following recommendations:

- a. Remove the concept of interim Budget individuals from the draft Rules and instead fund sufficient Support at Home packages to meet demand as recommended by Royal Commission recommendation 39.
- b. If interim budgets are retained, they should correlate to the SaH package level immediately below that for which an individual is approved instead of being a percentage of the approved package level to be clearer for older people and more administratively efficient for providers.
- c. Provide a clear definition as to when individuals are to be categorised as 'interim budget individuals' to ensure consistent application across the sector.
- d. Set a maximum period for which an individual can hold an interim budget before receiving a package – for example 1 month.

Recommendation 4: The financial hardship threshold amount should be 2.25 times the basic pension to bring the financial hardship provisions into alignment with the maximum Refundable Accommodation Deposit amount and enable clear and simple messaging to older people and their loved ones.

Recommendation 5: Provide clear grandfathering arrangements for the cohort of older people who don't have an approved package on the National Priority System prior to 1 July 2025 but who have an agreement with a Support at Home provider to receive a Home Care Package. CHA recommends the grandfathering date be shifted to 1 July 2025.

Recommendations relating to Rules regarding residential care

Recommendation 6: To address these issues relating to the accommodation supplement, CHA recommends the following:

- Complete the accommodation supplement review by 1 December 2025;
- As part of the review, investigate the impact of the 40% threshold of supported to non-supported residents and feasibility of implementing greater flexibility to incentivise providers to take on supported residents;
- Increase in the accommodation supplement within 3 months of completion of the review based on review recommendations; and
- Provide an interim increase to the accommodation supplement to address shortfalls and to mitigate the risk of significant changes in provider behaviour that negatively impacts supported residents, while the review is underway.

Recommendation 7: To address the issues relating to the provision of accommodation in regional, rural and remote areas, CHA recommends the following:

- Review the 25% threshold increase of number of individual rooms in a residential care home to qualify for a “significantly refurbished” building status determination; and
- Include an opportunity to seek exemptions in building status determinations to accommodate for the occurrence of significant weather events.

Recommendation 8: To account for the unpredictability of infectious diseases impacting residential care homes, CHA recommends that S231-55(1) is amended to: “The circumstances in which outbreak management support supplement will apply to an individual for a day are that the outbreak relates to an event occurring at more than X% of approved residential care homes.” This percentage amount should be determined in consultation with the interim Australian Centre for Disease Control (CDC).

Recommendation 9: Clarify the definition of operational beds with a view to align the base provider amount calculation with existing changes to residential care places.

Recommendation 10: Monitor the implementation of potential changes in individuals’ accommodation class for unintended consequences on providers’ behaviours.

Recommendation 11: CHA recommends that the requirement to transition older people to HELF is removed and older people are instead offered the choice of moving to HELF on 1 July 2026.

Recommendation 12: CHA recommends the Department perform a review of the impact of the HELF model on choice, cost and viability of additional services and consider amendments based on the outcomes of the review.

Recommendations relating to Implementation

Recommendation 13:

- a. Government should take the lead on informing older Australians about means testing.
- b. The Department should also provide guidance to providers on their role in informing older people about changes in aged care funding for SaH, given the shift from income testing to means testing in home care.

Recommendation 14: Processes for determination of classifications and reassessment outcomes should be digitised, streamlining existing manual processes and ensuring interoperability with existing systems.

Recommendation 15:

- a. Include hardship application timeframes in quarterly Services Australia statistics with a 14-day Key Performance Indicator so that there is transparency of the timeframes in which hardship applications are being assessed.
- b. Communications should also be clear and tested with older people as they are being developed.

Recommendation 16:

- a. The Department should provide a clear, table-based, communication product for both providers and consumers on the cut off point for grandfathered and new clients for Home Care Packages, existing Commonwealth Home Support Programme (CHSP) clients and residential aged care.
- b. Guidelines should clarify whether existing HCP clients will be able to have their unspent funds continually roll over, and whether existing HCP clients will be subject to price caps from 1 July 2026.

Recommendation 17: The Support at Home handbook should clarify the mechanism and expectations regarding the treatment of unspent funds in an individuals' account, and consider the role of relevant agencies such as Services Australia in managing the account.

Submission

As stated in the 2016–2017 Social Justice Statement, *A Place at the Table: Social justice in an ageing society*, our society is founded on the contribution of senior Australians.¹ CHA is supportive of the new rights-based Aged Care Act and its supporting draft Rules, but these need to ensure that the system is designed to meet the needs of older people, including the most vulnerable, through stronger protections.

CHA recommends that more extensive supporting information is released with the draft Rules, in plain English, which refers to the corresponding section of the draft Rules, to ensure the sector is understanding them correctly. It will be more efficient for the sector and for the Department for the provisions to be summarised in plain English so that the focus can be on the policy rather than on legal interpretation.

Recommendation 1: Release more extensive supporting information with the draft Rules, in plain English, which refers to the corresponding section of the draft Rules to ensure the sector is understanding them correctly.

Section 1: Rules relating to Support at Home

Care management

CHA appreciates the mechanism introduced by the draft Rules to enable care management funding for all participants to be pooled with their provider in a care management fund.

Unfortunately, in their current form, plans for care management funding represent a significant risk to the success of the transition to Support at Home. Care managers will be the key workforce in successfully transitioning older Australians to SaH and then the primary point of responsibility for ensuring their care is appropriate. Managing these increased demands will not be achievable in an environment where care management funding is being cut so significantly.

Greater flexibility in the care management allocation of up to 15% rather than 10% of SaH packages is required to effectively deliver services to high-acuity older Australians on an ongoing basis. IHACPA will need to set prices to reflect accurate costs so that this essential care component is adequately funded.

As is the case for the timeline for setting prices under Support at Home, CHA recommends that the care management cap should be delayed for 12 months to 30 June 2026. This will enable providers to put in place the necessary ICT system changes and staff training to support this change, which is crucial for providers (particularly smaller ones) encountering a case mix of individuals with significant clinical acuity or other high care needs. It will also enable providers to surge additional support to older Australians during the transition as issues inevitably arise.

¹ [Social Justice Statement 2016-17](#)

This, together with CHA's call to increase the care management allocation to a cap of 15% rather than 10%, is consistent with the overall purpose of SaH – to enable higher acuity older Australians to be cared for in their homes for longer.

Recommendation 2: In relation to the care management allocation under Support at Home:

- a. Allow up to 15% instead of 10% of SaH packages to be used for care management to effectively deliver services to high-acuity older Australians; and
- b. Delay the care management cap for 12 months to 30 June 2026 to enable providers to put in place the necessary ICT system changes and staff training to support this change, which is crucial for providers (particularly smaller ones) encountering a case mix of individuals with significant clinical acuity or other high care needs.

Shortfall in services for interim budget individuals

CHA is very concerned that the interim budgets in Sections 194-5 and 204-5 of the draft Rules embed a rationed aged care system that is not designed to meet the needs of older people when they are needed, but rather, envisages that they will have to wait for the care they require. Interim budget arrangements will result in a significantly worse outcome for older people when compared to providing for sufficient volumes of SaH packages to meet demand.

CHA members are also very concerned that they will be put in a difficult situation whereby they are not funded to provide adequate services for an individual on an interim budget, yet they have a duty to provide high quality care to the individual under the enhanced Aged Care Quality Standards. Government needs to fund the required number of packages to meet demand, consistent with the Royal Commission's recommendation 39, informed by accurate modelling.

If interim budgets are retained, they should correlate to the SaH package level immediately below that for which an individual is approved instead of being a percentage of the approved package level. Interim budget arrangements result in a significantly worse outcome for older people when compared to providing for sufficient volumes of SaH packages to meet demand. Certainty is also needed as to what period 'exceeds expectations' refers to when individuals are to be categorised as 'interim budget individuals.' This does not appear to be included in the Rules to date.

Recommendation 3: In relation to the concept of interim budget individuals under Support at Home, CHA has the following recommendations:

- a. Remove the concept of interim Budget individuals from the draft Rules and instead fund sufficient Support at Home packages to meet demand as recommended by Royal Commission recommendation 39.
- b. If interim budgets are retained, they should correlate to the SaH package level immediately below that for which an individual is approved instead of being a percentage of the approved package level to be clearer for older people and more administratively efficient for providers.
- c. Provide a clear definition as to when individuals are to be categorised as 'interim budget individuals' to ensure consistent application across the sector.
- d. Set a maximum period for which an individual can hold an interim budget before receiving a package – for example 1 month.

Certainty is also needed as to what period 'exceeds expectations' refers to when individuals are to be categorised as 'interim budget individuals.' This does not appear to be included in the Rules to date.

Financial Hardship

CHA has long advocated for fairer individual contributions to the daily living expenses for those who can afford it, while retaining a safety net for others. The introduction of means-tested contributions from older Australians to their aged care under Support at Home is necessary to ensure high quality aged care is available in sufficient quantities in all regions to meet future demand. Hardship provisions need to be sufficient in coverage for individuals unable to contribute to the cost of their care and/or find the process to access or apply for hardship support challenging. This is a crucial safeguard to prevent some older Australians from missing out on quality care when they need it.

It is the experience of CHA and its members that the current provisions for Support at Home are insufficient in practice, due to inconsistencies between thresholds for calculating hardship in Support at Home and residential aged care compared to the asset threshold in residential aged care. Application for a fee reduction supplement to address financial hardship in Support at Home and residential aged care involves reaching the required threshold, in Section 197-5(2) of Part 5 and Section 231-15 of Part 7 respectively, of \$44,000 in assets (1.5 times the basic pension), whereas a provider can charge a maximum of 2.25 times the basic pension as a maximum Refundable Accommodation Deposit.

The financial hardship threshold amount should be 2.25 times the basic pension to bring the financial hardship provisions into alignment with the maximum Refundable Accommodation Deposit amount and enable clear and simple messaging to older people and their loved ones.

In addition, there are significant barriers to access and apply for financial hardship. The current communications regarding eligibility for financial hardship also lacks detail and evidence requirements are onerous. This is unacceptable for such a vulnerable group in our society. This issue is outlined in Section 3 'Implementation Issues' below.

Recommendation 4: The financial hardship threshold amount should be 2.25 times the basic pension to bring the financial hardship provisions into alignment with the maximum Refundable Accommodation Deposit amount and enable clear and simple messaging to older people and their loved ones.

Fairness for new entrants

The proposed grandfathering arrangements may omit an important cohort. The current arrangements include:

- existing Home Care Package care recipients will receive a Support at Home budget that matches their Home Care Package; and
- people with an approved but unallocated package on the National Priority System will receive a Support at Home budget that aligns to their approved Home Care Package when available.²

² [support-at-home-program-handbook_0.pdf](#) page 56.

CHA and its members are concerned about fairness for a new entrant to Support at Home who agrees to receiving services from an aged care provider between 1 September 2024 and 1 July 2025 for a given fee, and due to government policy changes, should not have to pay an increased and as yet unknown fee. This cohort is not covered by the No Worse Off principle because they don't have an approved package on the National Priority System.

It is not possible for providers to alert these aged care recipients to the new fees they will need to pay as this information has not been provided to them as it applies to their particular circumstances. The general information released as part of the Transitional documents was only released on 11 February 2025 and does not contain information for providers to convey to this cohort about what their particular co-contribution arrangements will be.³ For example, will this group have their approval converted to approved services under the Support at Home Service List that defines the support plan a provider can claim under? Will they pay a Basic Daily Fee and an Income Tested Care Fee under current rules, and will this convert to a client co-contributions matrix from 1 July 2025?

Agreements in Home Care (and it is expected - SaH) can take an extended period to be finalised. They often involve multiple rounds of consultation with the older Australian, their family and other legal representatives. Beyond the question of fairness to the older Australian and administrative burden to the provider, this change will be challenging to communicate as part of the broader reforms.

CHA recommends that it should be clearly stated that this cohort should be grandfathered with those under the No Worse Off principle to ensure that vulnerable older Australians, particularly those receiving pensions, know that they won't have to pay more for aged care than at the time of their agreement. In addition, so that older people with agreements post 12 September are not required to sign up under a set of arrangements and start receiving care then have all those costs and arrangements change again from 1 July 2025, the grandfathering date should be moved to 1 July 2025.

Recommendation 5: Provide clear grandfathering arrangements for the cohort of older people who don't have an approved package on the National Priority System prior to 1 July 2025 but who have an agreement with a Support at Home provider to receive Home Care Package services. CHA recommends moving the grandfathering date to 1 July 2025.

³ For example the Support at Home Program: A guide for older people in Australia, families and carers. [Support at Home program: A guide for older people in Australia, families and carers](#)

Section 2: Rules relating to Residential aged care

Accommodation concepts

Accommodation supplement

The accommodation supplement is an important mechanism to ensure people who can't contribute to the costs of their accommodation are able to access care. Under current arrangements, the 40% threshold has acted as a critical incentive for aged care providers to deliver residential aged care to higher ratios of supported residents.

The new Act introduces changes to accommodation funding mechanisms, such as retentions, Maximum Permissible Interest Rate % and indexation of DAPs. By adjusting pricing contributions to the costs of accommodation, these changes will support the sector to move to a more sustainable footing. However, the Accommodation Supplement has not been subject to the same changes.

The average accommodation price with a full RAD, is approximately \$500,000 with an equivalent DAP of \$114.79 per day. The highest maximum accommodation supplement is \$69.49 for providers meeting the criteria as set out in the Schedule of Subsidies and Supplements.⁴ This means the gap between funding for a supported resident and a non-supported resident is \$45.30 per day, meaning providers are financially penalised and must absorb costs to care for residents who cannot afford to contribute to the cost of their care. The gap of \$45.30 would be expected to increase further following the new accommodation price cap of \$750,000, if this increase leads to increased accommodation prices.

It is the experience of CHA and its members that the 40% threshold does not have a buffer for when the threshold is not quite met, and a clear process for providers to seek exemptions due to extenuating circumstances. There are some circumstances surrounding the older person that are outside the control of providers, therefore being penalised on account of these circumstances may act as a disincentive for providers to take on supported clients.

CHA recommends that the review of the accommodation supplement be accelerated and an interim increase be provided to ensure there are adequate incentives within the system to care for supported residents. Doing so would also make it more viable for aged care providers to invest in new residential aged care facilities by removing financial barriers to growth.

Some residents have come into residential care without declaring gifts received from previous years. They were also unaware that they needed to declare these amounts as part of their application for the 'supported resident' status. The provider is then required to backdate the amounts from the point in time in which the re-assessment was completed (typically 12-18 months).

⁴ Average accommodation price: [StewartBrown Taskforce Funding Reforms Analysis September 2024.pdf](#). DoHAC (2024). Schedule of Supplements and Subsidies, effective 1 January 2025. Available at: [Schedule of Subsidies and Supplements for Aged Care | Australian Government Department of Health and Aged Care](#)

Recommendation 6: To address these issues relating to the accommodation supplement, CHA recommends the following:

- Complete the accommodation supplement review by 1 December 2025;
- As part of the review, investigate the impact of the 40% threshold of supported to non-supported residents and feasibility of implementing greater flexibility to incentivise providers to take on supported residents;
- Increase the accommodation supplement within 3 months of completion of the review based on review recommendations; and
- Provide an interim increase to the accommodation supplement to address shortfalls and to mitigate the risk of significant changes in provider behaviour that

Refurbishment requirements

Despite over a third of older Australians living in rural, remote or very remote areas, only 21% of residential care services are located in these areas (Modified Monash Model (MMM) 4–7). The level of frailty in these areas is expected to increase at a faster rate compared to metropolitan areas.⁵ With an ageing population and a dearth of capital investment in the sector due to financial stress, the supply of aged care services will remain constrained in these areas. This means older people will be unable to access appropriate aged care equitably. While the draft Rules largely replicate existing arrangements, there is an opportunity for the new Act to provide greater flexibility and support for providers in regional, rural and remote areas.

Number of individual rooms in the home

Under the draft Rules, refurbishments need to consist of an extension to the residential care home that increases the number of individual rooms in the home by at least 25% in order to qualify for an amended building status. The building status categories are associated with a range of key supplements designed to support the viability of aged care providers. This means that should a specific home fall short of the 25% threshold, it is deemed as being not qualified for a range of these key supplements.

Many regional, rural and remote areas require more beds, but not all areas do. Some regional, rural and remote services require renovation or refurbishment to uplift the standard of the accommodation to support the high quality delivery of care and

support the unique needs of the community (for example adapting the built form for people living with dementia, and/or moving from double or triple beds in a room to one bed per room). Requiring an expansion in the number of beds would be unfeasible for these communities. CHA recommends that the 25% threshold identified as refurbishment

One member in a remote area reported that increasing the number of beds in an existing care home would likely result in unoccupied beds at the same time as other communities do not have access to a service.

⁵ Royal Commission into Aged Care Quality and Safety Final Report (2021). *Care, Dignity and Respect*, Volume 2, Section 2.3.1.

requirement is reviewed to mitigate the risk of unintended consequences of disincentivising providers from genuinely addressing the care needs of their community.

Consideration for significant weather events

Additionally, given that many key supplements are associated with the building status determination, there should be consideration in the criteria about how significant weather events are treated. Australia has seen an increase in significant weather events, including more intense fire seasons, more ocean heatwaves and sea-level rises.⁶ These events have serious implications for Australian communities, particularly those in regional, rural and remote areas. As these events occur, it is important that aged care providers needing to undertake significant refurbishment in short periods of time are not penalised for not meeting the existing refurbishment criteria. Providers should be supported to meet the needs of their community, especially during periods of crises.

CHA members note that insurance requirements outline the timeframe in which refurbishments are needed to be completed so that claims can be processed. This means that providers may not be supported to undertake large-scale refurbishments for homes, as set out in the existing criteria.

Recommendation 7: To address the issues relating to the provision of accommodation in regional, rural and remote areas, CHA recommends the following:

- A review of the 25% threshold increase of number of individual rooms in a residential care home to qualify for a “significantly refurbished” building status determination; and
- Review the 25% threshold increase of number of individual rooms in a residential care home to qualify for a “significantly refurbished” building status determination; and
- Inclusion of an opportunity to seek exemptions in building status determinations to accommodate for the occurrence of significant weather events.

Secondary person-centred supplements

Outbreak management supplement

Section 231-55 of the draft Rules detail that the outbreak management support supplement is only applicable up until 1 October 2025. CHA and its members believe that current number of active outbreaks in residential care homes is projected to continue, particularly given the increase in infectious diseases following the COVID-19 pandemic.⁷ As of January 2025, there were approximately 289 active outbreaks affecting aged care homes, reflecting continued risks to older people and residential care staff in these circumstances.⁸ CHA recommends that the wording relating to the outbreak management supplement is amended

⁶ [State of the Climate 2024: Australia is enduring harsher fire seasons, more ocean heatwaves and sea-level rise - CSIRO](#)

⁷ [Infectious and communicable diseases - Australian Institute of Health and Welfare](#)

⁸ [COVID-19 reporting | Australian Government Department of Health and Aged Care](#)

to reflect the unpredictability of the impact of infectious diseases in residential care homes to ensure that providers and staff are well-resourced to continue quality care provision to all residents. This proposed amendment would ensure that aged care providers and staff are supported with the resources required to enact infection control measures in line with broader public health measures. As part of this, it is important that public health advisors, such as the interim Australian Centre for Disease Control (CDC) are regularly consulted on these matters to ensure alignment on such policy priorities given the increased risks and frequency of public health emergencies.⁹

Recommendation 8: To account for the unpredictability of infectious diseases impacting residential care homes, CHA recommends that S231-55(1) is amended to: “The circumstances in which outbreak management support supplement will apply to an individual for a day are that **the outbreak relates to an event occurring at more than X% of approved residential care homes.**” This percentage amount should be determined in consultation with the interim Australian Centre for Disease Control (CDC).

Provider subsidies

Base provider amount

The Base Provider amount reflected in the draft Rules is the same formula as for Australian National Aged Care Classification (AN-ACC) funding model and is as follows:

$$\text{Base provider amount} = \text{National Efficient Price} \times \text{NWAU} \times \frac{\text{Operational beds}}{\text{Occupied beds}}$$

Part 1, Section 5 defines operational beds as being “a bed covered by the approval of the home that is not an offline bed for the home.” Given that the concept of ‘bed licences’ will cease as of 30 June 2025 where mainstream residential care providers will no longer need an allocation of places to deliver government-funded aged care services,¹⁰ it is unclear to CHA and its members how the volume of operational beds will be determined from 1 July 2025. It is the understanding of CHA that the definition of operational beds may not reflect the proposed changes to residential aged care places, and as such, CHA recommends that the definition is reviewed and amended accordingly.

Recommendation 9: Clarify the definition of operational beds with a view to align the base provider amount calculation with existing changes to residential care places.

⁹ [About the interim Australian Centre for Disease Control \(CDC\) | Australian Centre for Disease Control](#)

¹⁰ [Places to people – Embedding choice in residential aged care | Australian Government Department of Health and Aged Care](#)

Fees and contributions payable in an approved residential care home

Individual accommodation class

The supporting guidance document relating to Stage 2b Rules refers to the following: “an individual’s accommodation class may change if they leave care for more than 28 days, and they may be subject to DAP indexation and refundable accommodation deposit (RAD) or refundable accommodation contribution (RAC) retentions.”¹¹ CHA and its members are unclear about how this concept around individuals “[leaving] care for more than 28 days” is operationalised in the draft Rules. CHA recommends that future iterations of these supporting guidance documents have specific references to the Rules to support meaningful consultation. Moreover, CHA and its members are also concerned about the practical implications of this concept, whereby an individual can have their accommodation class change after they leave care for more than 28 days, and the potential for unintended consequences on the residential care sector. It is the understanding of CHA and its members that individuals can move residential care places and choose to not opt into the new arrangements. This means that providers can be disincentivised to accept new residents that do so, as these new residents may not be subject to DAP indexation or RAC retention amounts which may produce unintended financial implications for providers. It is concerning to CHA and its members that this flexibility, as described in the supporting guidance document and the use of the word “may” without a clear reference to the Rules, enables some providers to decline admission of particular residents into their homes based on financial implications of the individual’s choice to opt-out of the new arrangements under the Act.

Recommendation 10: Monitor the implementation of potential changes in individuals’ accommodation class for unintended consequences on providers’ behaviours.

Fees for higher everyday living

CHA and its members are concerned about the higher everyday living fee (HELFF) requirements contained in the Rules. The original intent of the new legislation was to restrict the charging of fees as a condition of entry to a service and to ensure older people are offered a cooling off period. However, the changes proposed go beyond the policy intent of the Bill and are likely to result in unintended consequences for consumer choice.

Requirement to transition to HELFF by 1 July 2026

Under the Rules, residents with existing Extra Service Fee or Additional Service Fee arrangements are required to move to the HELFF arrangements from 1 July 2026. Providers already have contractual arrangements in place with residents on the basis that their current services would not change. CHA members are concerned about the impact of ceasing existing arrangements to transition all residents onto HELFF arrangements in 12 months’ time. In addition to the administrative burden this will cause, the additional rules that are being introduced as part of the replacement of additional services and extra service fees with HELFF will lead to fewer people purchasing services. This will necessitate higher fees for

¹¹ [New Aged Care Act Rules consultation – Release 2b – Consolidated Draft Rules Relating to Funding – Supporting Document | Australian Government Department of Health and Aged Care](#)

those that do want to access these services potentially resulting in some of these services no longer being viable.

When an older person agrees to a service arrangements, they should not be forced to change that arrangements unless something significant happens or they choose to do so. Requiring older people to transition to HELF removes the option of choice and may result in older people being subject to higher fees or a different selection of services than what they agreed to under the existing arrangements.

CHA recommends that the requirement to transition older people to HELF is removed and older people are instead offered the choice of moving to HELF on 1 July 2026.

Unintended consequences of the introduction of HELF

CHA and its members are concerned that the proposed HELF model may exacerbate existing barriers experienced with managing Extra Service Fee or Additional Service Fee arrangements and lead to reduced choice for older people.

Managing a fee for service payment system is challenging for a range of reasons, notwithstanding the examples below:

- Providers need to invest in a point of sales system and process for managing cash on site;
- Training staff to use systems and take payments from residents, which impacts care delivery;
- Navigating circumstances where residents also have an enduring power of attorney appointed for financial matters which makes the decision-making process complex;
- High degree of variability in consumption patterns means that costs associated with offering a range of additional services will be incurred by the provider regardless of whether individuals use a particular service on a given day.

These administrative barriers already act as a deterrent for service providers offering Extra Service Fee and/or Additional Service Fee arrangements. The introduction of HELF is likely to lead to fewer people purchasing services. This would then necessitate higher fees for some individuals that do want to access these services, whilst reducing the viability of providers offering these services. This is inconsistent with the principle of the Act in promoting the choice and preferences of older people.

As such, CHA recommends the Department perform a review of the impact of the HELF model on choice, cost and viability of additional services and consider amendments based on the outcomes of the review.

Recommendation 11: CHA recommends that the requirement to transition older people to HELF is removed and older people are instead offered the choice of moving to HELF on 1 July 2026.

Recommendation 12: CHA recommends the Department perform a review of the impact of the HELF model on choice, cost and viability of additional services and consider amendments based on the outcomes of the review.

Section 3: Implementation issues

Means testing in Support at Home

CHA welcomes the continuation of means testing provisions. It is imperative to offer clear and detailed guidance to aged care providers and aged care recipients on the means testing process and its implications for aged care recipients. Government should take the lead on informing older Australians about means testing. However, providers will also need guidance on their role in informing older people about changes in aged care funding for SaH, given the shift from income testing to means testing in home care.

Recommendation 13:

- a. Government should take the lead on informing older Australians about means testing; and
- b. The Department should also provide guidance to providers on their role in informing older people about changes in aged care funding for SaH, given the shift from income testing to means testing in home care.

Other implementation considerations for means testing

Process for determination of individual classifications

Many CHA members report that residents receive outdated information from Services Australia detailing outcomes of reassessments, which typically specifies the balance on their accounts, up to 6 weeks from the point at which the resident has been billed. This outdated information often is not provided to the provider, and does not reflect the actual, current balance on their account – rather it provides information from a point in time a few weeks ago. This means that providers typically need to explain the changes to a residents' account since the letter was sent and why these changes have taken place.

While the provisions for means testing in an approved residential care home largely mirrors Division 1 – Means testing in home or community setting, key barriers to transition remain. It is the experience of CHA and its members that there is a significant reliance on manual processes as opposed to digital processes, as prescribed by the mechanisms detailed in the Rules. This reliance on manual processes produces inefficiencies and inconsistencies of messaging around billing arrangements between providers and individuals receiving care, particularly for residents. If these processes are not streamlined at a systematic level, there will continue to be an erosion of trust between the provider and older people.

It is the experience of CHA and its members that some individuals seeking a reclassification of their care needs and/or billing arrangements are unable to notify providers at appropriate timeframes. This is typically due to delays caused by extensive manual processes required to apply for a reclassification. As a result, providers may be over-charging individuals for 9-

12 months prior to receiving the appropriate notifications about a change in classification. This means that providers are required to back-pay significant amount of funds at one point in time, while also exposed to greater risk of eroded trust from individuals.

CHA recommends that providers are appropriately supported to move towards a digital portal or platform that is interoperable between Services Australia, older people, and providers. This should build on existing mechanisms in the My Aged Care portal and proposed single-assessment system to ensure continuity.

Recommendation 14: Processes for determination of classifications and reassessment outcomes should be digitised, streamlining existing manual processes and ensuring interoperability with existing systems.

Financial hardship

Section 2 outlines CHA's recommendation regarding the financial threshold for accessing Support at Home and residential aged care. In addition, there are significant barriers to access and apply for financial hardship. The current communications regarding eligibility for financial hardship lacks detail and evidence requirements are onerous. This is unacceptable for such a vulnerable group in our society. When implementing this important requirement, hardship application timeframes should be included in quarterly Services Australia statistics with a 14-day Key Performance Indicator so that there is transparency of the timeframes in which hardship applications are being assessed. Communications should also be clear and tested with older people as they are being developed.

Recommendation 15:

- a. Include hardship application timeframes in quarterly Services Australia statistics with a 14-day Key Performance Indicator so that there is transparency of the timeframes in which hardship applications are being assessed.
- b. Communications should also be clear and tested with older people as they are being developed.

Clear messaging

There is a lack of clarity on a range of details regarding grandfathering arrangements for existing and post-1 July 2025 individuals, including cut-offs for grandfathered and new entrants post-1 July 2025 for individuals accessing Support at Home and residential aged care services.

- a. The Department could provide a clear, table-based, communication product for both providers and consumers on the cut off point for grandfathered and new clients. This includes for both Home Care Packages, existing CHSP clients and residential aged care. This should set out the various cut-off points and associated implications for older people.
- b. Guidelines should clarify whether existing HCP clients will be able to have their unspent funds continually roll over, and whether existing HCP clients will be subject to price caps from 1 July 2026.

Recommendation 16:

- a. The Department should provide a clear, table-based, communication product for both providers and consumers on the cut off point for grandfathered and new clients for Home Care Packages, existing CHSP clients and residential aged care.
- b. Guidelines should clarify whether existing HCP clients will be able to have their unspent funds continually roll over, and whether existing HCP clients will be subject to price caps from 1 July 2026.

Transfer of individual accounts

It is the understanding of CHA that there is the potential for older Australians to not be sufficiently supported to move between providers under the Support at Home program. The Rules detail circumstances where accounts can be moved from one service delivery branch to another, but do not outline instances where accounts can be moved between different providers. These mechanisms should be included in the Support at Home Handbook on how a care recipient's funding allocation will be transferred to a new provider, or included as a provision in the Rules. These mechanisms should also consider the role of relevant agencies managing the individual's home care account, such as Services Australia. This is important to ensure that relevant information about an individual, including any unspent funds, is communicated to the appropriate stakeholder.

Recommendation 17: The Support at Home handbook should clarify the mechanism and expectations regarding the treatment of unspent funds in an individuals' account, and consider the role of relevant agencies such as Services Australia in managing the account.