



by Natasha Egan March 12, 2021

ROYAL COMMISSION

Aged care reforms in realm of \$20b a year



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It will cost up to \$20 billion more a year to implement key recommendations of the aged care royal commission, industry experts have told *Australian Ageing Agenda* and an aged care conference.

In their final report released last Monday aged care royal commissioners Tony Pagone and Lynelle Briggs found that aged care funding was insufficient, insecure and subject to the fiscal priorities of the Australian Government of the day.

There was \$27 billion spent on aged care in 2018-19 including \$19.9 billion from the Australian Government and \$5.6 billion from recipients' co-contributions.

The collective decisions of successive governments have cut more than \$9.8 billion from the budget for aged care in 2018-19, Mr Pagone wrote.

"It is no wonder that there are waiting lists for home care and serious deficiencies in the quality of care," he said.



Royal commissioners Tony Pagone and Lynelle Briggs

The priorities of successive governments' to restrain growth in expenditure means older people may not be able to access care when they need it because services are rationed and may not receive high quality care because funding gives insufficient regard to that, Commissioners Pagone and Briggs said.

They call for sweeping changes in their 148 recommendations to ensure the system provides universal access to high quality and safe care including:

- a single needs-based program with care level and prices determined independently
- similar care subsidies across residential facility and home settings
- an end to consumer co-contributions for care costs
- more allied health in residential and home care
- higher wages, minimum qualifications and training for staff
- a minimum staffing standard in residential care
- clearing the waitlist for home care by the end of this year
- linking funding indexation to staff award changes
- a levy to finance the new system from taxpayers.

However, the commissioners did not provide costings for their recommendations.

How much will it cost?

In his analysis of the recommendations, Research Analytics principle Mark Sheldon-Stemm estimates it will cost \$10.6 billion a year to implement the most expensive elements in the report.

His costings include:

- care finders to support navigation (\$2 billion)
- funding allied health in residential care (\$1 billion)
- planning based on need (\$2.5 billion)
- increases in award wages (\$2 billion)
- minimum staff time standard for residential care (\$750 million)
- amendments to residential care indexation (\$440 million)
- immediate changes to the Basic Daily Fee (\$800 million)
- maximum funding amounts for care at home (\$1.14 billion)



Mark Sheldon-Stemm

"These are the recurrent amounts for the industry and doesn't include the one-offs or running cost of the new bureaucracies," Mr Sheldon-Stemm told AAA.

Panellists at Leading Age Services Australia's Aged Care Transformed forum on Wednesday were asked their views on the price tag for key recommendations.

Centre for the Health Economy at Macquarie University director Dr Henry Cutler suggested it would be between \$10 billion and 20 billion a year.

"There is first of all a lot to catch up on. The system has obviously been chronically underfunded for the last 20 years," Dr Cutler told the forum.

The reforms need to ensure a greater return generated for providers and the commissioners expect it to deliver a very high level of quality, he said.

"My estimates would be a minimum \$10 billion per year, up to \$20 billion per year because there is such a significant amount of change that will have to occur in the sector.



Dr Henry Cutler

"There is such a significant amount of funding that needs to be pumped into home care and into residential care to deliver the quality that's required. Aged care is expensive. And good aged care, good quality aged care is very expensive," Dr Cutler told the forum.

Grant Thornton Principal and national head of health and aged care Darrell Price agrees the price would be high.

"I'm too scared to say the number that's in my mind," Mr Price told the forum.

He said he couldn't quantify it yet but expected to have an answer within three weeks.

It will be "north of the order of twice or double what we're currently spending, and I think well north of that," he said.

StewartBrown senior partner Grant Corderoy told the forum it would cost around \$7-8 billion a year for "a better version of what we do now".

That covers funding to lift staffing hours, provide significant additional training and development, introduce a subsidy in addition to the basic daily fee and additional money for rural and remote areas and improve the financial viability of providers, he said.

"I feel it is premature to estimate the additional funding required for a new aged care model until there is more clarity as to how it will look," Mr Corderoy told AAA.



Darrell Price



Grant Corderoy