



# **Towards an Aged Care Pricing Framework**

## **Feedback on Consultation Paper**

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## Contacts

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### **About UnitingCare Australia**

UnitingCare Australia is the national body for the Uniting Church's community services network and is an agency of the Assembly of the Uniting Church in Australia.

We give voice to the Uniting Church's commitment to social justice through advocacy and by strengthening community service provision.

We are the largest network of social service providers in Australia, supporting 1.4 million people every year across urban, rural, and remote communities.

We focus on articulating and meeting the needs of people at all stages of life and those that are most vulnerable.



## UnitingCare Australia Submission

UnitingCare Australia believes that Australians deserve quality care and support to ensure they can live to their full potential with dignity.

We support the recommendations from the Aged Care Royal Commission Final Report and recognise that the Government is also committed to quality aged care.

The most important aspect of the Aged Care Pricing Framework will be the sustainable delivery of sufficient pricing for the sector. This is essential to Australian's receiving the care they need to live with the dignity they deserve.

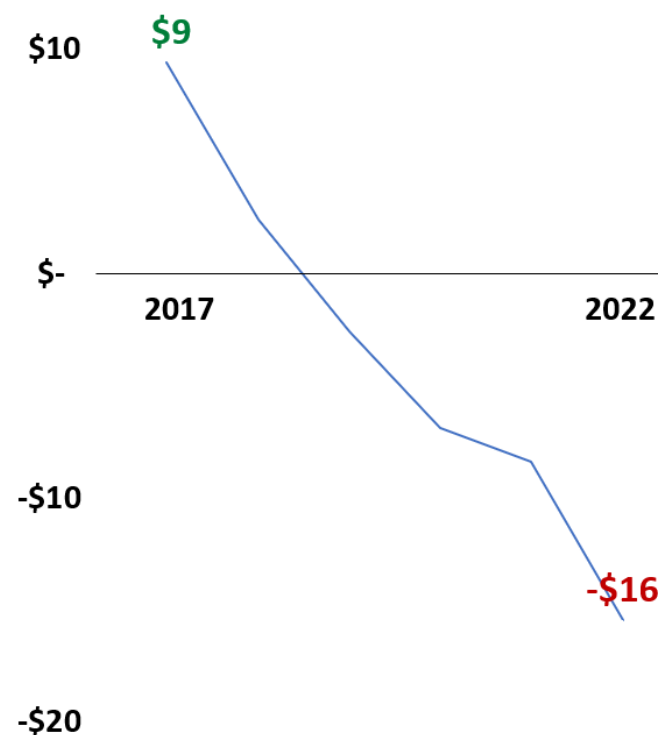
### Lifting funding to a functioning level

The priority of the Independent Health and Aged Care Pricing Authority needs to be to assess the adequacy of the level of initial funding provided under AN-ACC considering the estimated shortfalls in funding.

Sector feedback suggests that the proposed starting price will not provide sufficient funding to deliver the necessary direct care minutes.

Aged care funding has been decimated over the past five years. Financial results in residential aged care have plummeted from \$9 operating profit per bed, per day in 2017 to a \$16 loss in 2022. (See Figure 1.)

**Figure 1: Aged care profitability has collapsed over the past five years**  
Operating result per bed, per day from 2017 to 2022  
\$20



Source: StewartBrown 2022

If the government fails to address this situation, many parts of the aged care service system will be at risk of underperformance and failure.

The primary driver of this collapse is insufficient revenue into the sector. The problem has also been severely aggravated by COVID and related costs.

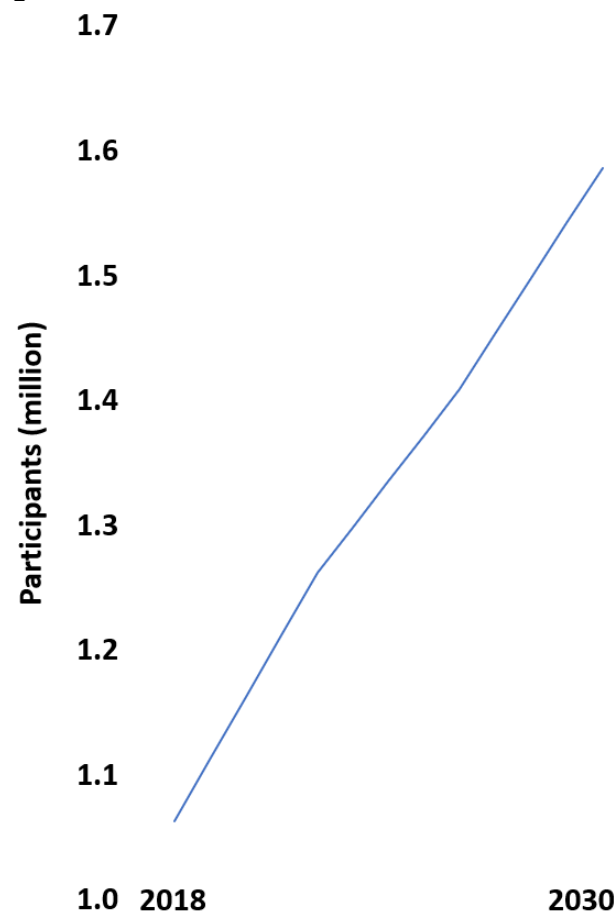
The Royal Commission estimated lifting aged care funding to meet its recommendations would see the cost of aged care to the Federal Government increase by \$10 billion annually. But total annualised reforms and commitments to date amount to around \$5 billion.

This funding shortfall has led to a staffing crisis that is growing more and more expensive to fix as it matures.

Demand for aged care services is forecast to skyrocket because of our ageing population. (See Figure 2).

## Figure 2: Aged care demand is forecast to skyrocket over the next eight years

Forecast participant count across residential and home aged care from 2018 to 2030



Source: Deloitte Access Economics 2018

### Maintaining funding at a functioning level

Appropriate indexation processes are essential to sufficiency of funding. Over the past quarter of a century, the Australian aged care sector has provided a case study in the pitfall on inadequate indexation.

Costs in aged care delivery have risen significantly more than funding. Since 1998, aged care funding has risen by 53 per cent. However, over the same period the growth in the cost of goods was 84 per cent. The gap is even bigger between aged care funding and wages, which grew at 111 per cent from 1998. Meaning wage growth in Australia has been more than double aged care funding growth over the same period. (See Figure 3.)

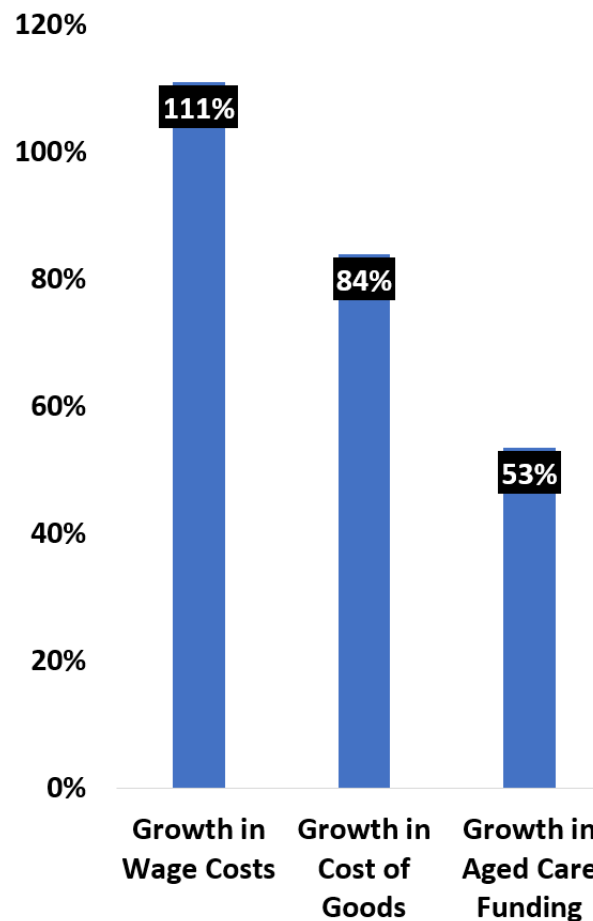
Funding changes over time need to be better linked to the external factors that drive underlying cost changes in aged care such as aged care specific wage indexation and inflation.

Changes in resident health status that may not be covered in the current classification criteria will require ongoing review and monitoring by government.

Effective services funding should not shrink over time when compared to the goods and services that are inputs to their delivery.

### Figure 3: Aged care funding has not kept pace with aged care costs

Wage Price Index, Consumer Price Index, and aged care funding growth since 1998



Source: StewartBrown 2022

### **An effective Pricing Framework**

There is insufficient detail on how the current National Weighted Activity Unit weightings have been established, making the request for sector wide consultation and review an unnecessarily laborious one.

Clearer language should be used to outline the limits of responsibility for IHACPA. Where the majority of documentation refers to the responsibility to provide *advice* on aged care pricing matters to the Commonwealth Minister for Health and Aged Care, section 2.2 of this consultation paper outlines that:

IHACPA therefore has the power to *approve* prices for residential aged care accommodation and extra services.

Full transparency of the independently determined efficient price and the price government chooses to pay will be critical for all stakeholders to understand and retain confidence in the process and resultant pricing.

Sustainable and appropriate aged care service pricing needs to consider the adequacy of other funding streams. If pricing advice from IHACPA does not sum to the available funding streams the need for policy reconsideration would be laid bare including the current model of care recipient contributions.

Under the current system, care services provided outside metropolitan areas have unaccounted costs if they are categorised below Modified Monash Model 5. These costs include the availability of workforce, goods, and services costs and costs associated with agency including travel and accommodation.

The Framework needs to consider the additional onset costs of introducing a care recipient into care, including getting to know the resident and their story. Learning about a person in a holistic way, socially, emotionally, clinically, to establish a relationship of trust.

## Recommendations

### **Lifting funding to a functioning level**

- Increase government funding and care recipient contributions into the aged care sector by \$5 billion in keeping with the recommendation of the Royal Commission into Aged Care Quality and Safety.

### **Maintaining funding at a functioning level**

- Improve indexation processes for aged care funding to ensure funding retains real value, including any efficiency dividend. This is essential in both residential and home care.

### **An effective Pricing Framework**

- Publish the calculation of the National Weighted Activity Unit.
- The exact powers of the IHACPA need to be clearly articulated.
- IHACPA advice should be publicly available and where the government does not implement IHACPA advice, the gap should inform future discussions relating to revenue streams including consumer contributions.
- Location based allocations need to be reassessed with a focus on regional services that are classified below MMM 5.
- The Framework needs to consider the unique costs associated with bringing a new resident into living at a facility, including through residential respite.
- The success of IHACPA should be measured by the quality of care provided within the sector.
- The aged care industry and those who provide residential aged care should be included in any consultation for ongoing design principles.