Good morning and thank you Tina [Hogarth-Clarke, Chair, Association of Age Service Professionals] for your kind introduction and for inviting me to your meeting.

Before I begin I would like to acknowledge the traditional custodians of the land on which we meet, the Kulin Nation.

I also extend my respects to Elders past, present and future, and to Aboriginal and Torres Strait Islander people here this morning.

May I also thank Angus Kerr [CEO LiveWell Care], Jayne Maini [Director, Millennium Aged Care Consultants] and Anna Lawton [Senior Aged Care Specialist, Financial Adviser, First State Super] for your very informative presentations.

I appreciate and value your views and expert knowledge and see this is a good opportunity to engage.

Aged care in Australia continues to evolve.

As a nation, we need to meet the demographic and cultural challenges not just of today or tomorrow, but for the next 20 years and beyond.

The future of our aged care system is one that produces quality services that are driven by the consumer.

And these services will need to be affordable for individuals, families and for the community.
The Australian Government is the most significant contributor to aged care and currently spends more than $17 billion a year on aged care.

In 2015–16, more than 1.3 million older people received some form of aged care.

Around 235,000 people with higher-care needs were in permanent residential aged care.

In the future, aged care expenditure will continue to grow at a rate of about 6.5 per cent, and is estimated to reach just under $21 billion in 2019-20.

These figures illustrate why affordable and sustainable services in aged care will continue to be key factors in our consultations and decision making.

Since 2012, aged care financing has undergone significant change.

These changes have been even-handed and benefitted consumers, providers and Australia’s taxpayers.

We all want a system that is affordable, sustainable and flexible.

Consumers have increased access to information and transparency, with aged care homes required to publish the maximum price of accommodation on the My Aged Care website.

The changes announced last week in my release of the *Increasing Choice in Home Care* means that consumers are now able to direct their home care package funding to the provider of their choice, and change providers if they wish.

We’ve removed retention amounts for lump sums.

Consumers now have more choice in how to pay for their aged care, through a Refundable Accommodation Deposit or a Daily Accommodation Payment, or a combination of the two.

Consumers also benefit from the increased protection of the Aged Care Pricing Commissioner.

The Commissioner’s role includes:

- the approval of extra service fees; and
- the approval of proposed accommodation payments that are higher than the maximum amount which, is currently a lump sum of $550,000.

Consumers can also draw down on their Refundable Accommodation Deposit to fund their care.

The Government has also provided clarification on additional service fees.
The supported resident ratio has remained at 40 per cent.

Providers taking residents who have lower means — that is, supported residents — receive government assistance to cover their accommodation costs.

The higher accommodation supplement for newly built and significantly refurbished facilities for supported residents is currently valued at $54.39 per resident per day.

We allow providers to accept market-based lump sums from all eligible residents, regardless of the level of care they receive. The bond pool is up to $18.2 billion, which is up from $15.6 billion¹.

We’ve also maintained growth of 5.1 per cent.

In order to ensure the sustainability of the aged care system — so that all Australians receive the care they need, when they need it — the Government requires people to contribute towards the cost of their care, where they can afford to do so.

Arrangements for income and means-testing, to offset government subsidy, are in place.

The aged care financing reforms – introduced by the Australian Government from 1 July 2014 – aim to achieve greater equity and consistency in the treatment of different forms of wealth under aged care means-testing.

This includes:

- a combined income and asset test for residential care;
- counting lump sums paid for residential accommodation as an asset; and
- formalising income-testing in home care.

The changes go a considerable way to making the sector sustainable, however, more needs to be done.

The Legislated Review being led by David Tune is looking at the changes implemented so far.

The details of the scope of this review are available online at the Department of Health website.

I expect to receive David Tune’s report later this year.

I will study the report, and along with the valuable discussions I am having with a cross section of the aged care sector, I will take this all into account when I consider the next steps in aged care reform.

It is imperative that the sector remains viable.

¹ ACFA’s latest report July 2016 (data as at 2014-15 FY) pg 113:
Innovative financial products will no doubt be part of the solution.

The settings however, must look to balance the interests of all three parties – providers, consumers and the government.

I want to make the point that no government owns or controls Australia’s aged care system.

We are in partnership with you, and with the wider Australian community, to deliver the right conditions for a strong aged care sector.

And together, we will build better communities and a better, kinder and more cohesive society will be the result.