



Government Response to the Aged Care Taskforce

| Recommendation | Government Response |
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| Recommendation 1: Underpin the Support at Home Program with inclusion and exclusion principles and clearly defined service lists. | <p>The new Support at Home Program will include detailed service lists, underpinned by inclusion and exclusion principles to ensure program clarity, consistency and integrity.</p> <p>The service lists will differentiate services into clinical care, independence or everyday living.</p> |
| Recommendation 2: Continue the significant role for government funding of aged care services. A specific tax or levy to fund aged care is not recommended. | <p>The Government will remain the majority funder of aged care services. The Government has ruled out a specific tax or levy to fund aged care.</p> |
| Recommendation 3: It is appropriate older people make a fair co-contribution to the cost of their aged care based on their means. | <p>Contributions from older people will go towards things people have typically paid for, or done themselves, their whole life, like everyday living expenses and services to maintain independence. This will ensure a high quality aged care system into the future.</p> <p>In residential care, the Hotelling Supplement will be means tested, and a new means tested Non-Clinical Care Contribution (NCCC) will be introduced. The current Means Tested Care Fee will be abolished.</p> <p>In Support at Home, there will be contributions for services relating to independence and everyday living.</p> <p>Clinical care will be fully funded by the Government across both systems.</p> <p>There will be a 4 year cap on contributions to the NCCC. There will also be a \$130,000 lifetime cap on contributions to the NCCC. Contributions to Support at Home will count towards the \$130,000 lifetime cap.</p> |
| Recommendation 4: Ensure a strong safety net for low means participants to meet aged care costs. | <p>Where contributions are required from older people, they will be based on the person's income and assets.</p> |

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In residential care, low means residents will continue to pay only the Basic Daily Fee and will not face an increase in their aged care costs.

In Support at Home, people will only contribute to the costs of services they receive and need.

Existing hardship provisions in residential care will continue, and there will be a hardship process for Support at Home.

A *no worse off* principle will provide certainty to people already in aged care and they won't make a greater contribution to their care.

Recommendation 5: Make aged care fees fairer, simpler and more transparent so people can understand the costs they will incur if they access aged care.

In residential care, the reforms will make the purpose of contributions transparent. Provider set fees will be simpler and have stronger protections for residents.

The contribution arrangements for Support at Home will be based on the Age Pension means test, which considers income and assets.

Commonwealth Seniors Health Card holders will also have a means tested contribution that is lower than what other self-funded retirees pay.

Recommendation 6: Establish appropriate arrangements to allow older people and providers to smoothly transition to any new arrangements, including grandfathering arrangements for those already in residential aged care and phasing in for home care.

A *no worse off* principle will provide certainty to people already in aged care and they won't make a greater contribution to their care.

Everyone in residential aged care on 30 June 2025 will have their current contribution arrangements maintained until they leave care. They will also be exempt from changes to accommodation payments.

People who, on 12 September 2024, were either receiving a Home Care Package (a package), on the National Priority System, or assessed as eligible for a package will make the same contributions, or lower, than they would have had under Home Care arrangements.

When these participants move to residential care, they will stay on the existing contribution arrangements unless they opt to move to the new program. Changes to accommodation payments in residential care would still apply to these participants, since accommodation payments are an agreement negotiated between the resident and their provider.

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Recommendation 7: Establish a fee-for-service model for Support at Home that ensures participants only pay a co-contribution for services received.

The contribution arrangements in Support at Home will be easier for participants to understand as they will only pay for services that they actually receive.

Recommendation 8: Introduce Support at Home participant co-contributions that vary based on the type of service accessed.

There will be different contribution rates for supports for independence and everyday living. Clinical care supports will be fully funded by the Government.

The Support at Home program will include detailed service lists that outline the supports that are included in clinical care, independence and everyday living.

Recommendation 9: Continue to focus government funding in residential aged care on care costs, with a significant role for resident co-contributions in non-care- components.

The current Means Tested Care Fee, which applies to all care costs, will be abolished. The Hotelling Supplement will be means tested and a new means tested Non-Clinical Care Contribution will be introduced.

The Government will fully fund clinical care services in both residential aged care and the Support at Home program.

Recommendation 10: Funding for daily living needs to cover the full cost of providing these services. It is recommended this be composed of the Basic Daily Fee and a supplement.

The Independent Health and Aged Care Pricing Authority (IHACPA) will provide advice on the Hotelling Supplement in line with its responsibilities to provide independent advice on residential aged care costs and prices.

Recommendation 11: Enable residents and their representative and providers to negotiate better or more daily living services for a higher fee, subject to at least:

- publishing prices and services
- only allowing agreement to higher fees for agreed services to be made after a participant has entered care
- a cooling off period and regular review opportunities to ensure the resident still

The current complex Additional Service Fees and Extra Service Fees will be replaced with a new Higher Everyday Living Fee. This will enable residents to purchase additional daily living services, while providing consumer protections that ensure these fees are only applied for additional services and only taken up by those who genuinely want and can make use of these services.

Residents will only be able to agree to pay a Higher Everyday Living Fee after they have entered care, and will have a cooling off period and regular review opportunities.

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wants the services and can still use them.

Recommendation 12: Following an independent review in 2030, transition the sector by 2035 to no longer accept Refundable Accommodation Deposits (RADs) as a form of payment for aged care accommodation and move to a rental only model, provided that the independent review finds there is improved financial sustainability, diversified and adequate sources of capital to meet future demand and residential aged care is affordable for consumers.

The Government will take progressive steps to ensure providers reduce their reliance on RADs and consider phasing out RADs, subject to an independent legislated review by 2030, to confirm the sector's financial state and access to capital.

Recommendation 13: Require providers to retain a portion of the RAD in the near-term to make an immediate improvement to sector financial sustainability. Base the amount on length of stay, with a cap on the number of years a RAD is subject to retention to protect residents who stay for a long time.

Providers will be required to charge retention amounts of 2% per annum up to a limit of 5 years.

The Government will continue to support a range of investments and changes to ensure residential aged care providers have the funds they need to invest in residents' comfort, keeping facilities open, and building new facilities in areas of need.

Recommendation 14: Review the Accommodation Supplement, including improving incentives to meet the accommodation design principles.

The Government will commission an independent Accommodation Pricing Review, including a review of the Accommodation Supplement. The review will include consideration of the current rates of accommodation supplement, incentives for providers to develop and maintain good quality accommodation and incentives to accept low means participants.

Recommendation 15: In addition to the other accommodation recommendations, develop a package of measures to improve accommodation funding, equity between residents and transparency in the near-term. This will help place accommodation income on a long-term- sustainable

The maximum room price providers can charge (without prior regulatory approval) for new residents will increase to \$750,000 from 1 January 2025, and from 1 July 2025, Daily Accommodation Payments (DAPs) will be indexed twice-yearly so their value does not decline in real terms.

The Accommodation Pricing Review will give further consideration to making the DAP the default way of pricing accommodation and the relationship between RADs and DAPs.

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| <p>footing and position the sector for the ultimate phase out of RADs.</p> | |
| <p>Recommendation 16: Establish appropriate safeguards and incentives to protect access to residential care for supported residents.</p> | <p>The Accommodation Pricing Review will consider safeguards and incentives to ensure providers offer high quality aged care to those without the means to contribute to the cost of their accommodation and non-clinical care.</p> |
| <p>Recommendation 17: Consider the appropriateness of the current remoteness classification system.</p> | <p>The Government will undertake a review of appropriateness of the current remoteness classification system.</p> |
| <p>Recommendation 18: Continue block funding in thin markets where appropriate and necessary. Consider any other supports necessary to ensure access to care in under serviced markets.</p> | <p>The Support at Home program will include grants to help ensure that services are available in areas where costs are higher like rural and regional Australia as well as for services that have higher costs because they specialise in supporting people with particular needs, such as those at risk of homelessness.</p> <p>Additional funding supports for mainstream residential care providers will also continue to be made available under the Australian National Aged Care Classification (AN-ACC) funding model.</p> |
| <p>Recommendation 19: Consider ways to encourage providers to develop and scale innovative care models, invest in technology and conduct research into best practices, including through:</p> <ul style="list-style-type: none"> • the recommendations outlined in this report to improve the viability of the aged care sector • tasking the Aged Care Quality and Safety Commission with supporting innovation by identifying innovative practices and promoting these across the sector. | <p>The Government will continue support for Aged Care Research and Industry Innovation Australia, and will establish a Data and Digital Support panel to support providers to invest in technology.</p> <p>The Government will support the Aged Care Quality and Safety Commission to recognise providers engaging in innovative practices.</p> |
| <p>Recommendation 20: Raise awareness of existing financial products that enable older people to utilise their wealth in retirement</p> | <p>The Government will explore options on ways to enable people to better utilise their wealth in retirement.</p> |

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and provide confidence they can afford future aged care costs.

Recommendation 21: Task the Behavioural Economics Team of the Australian Government (BETA) to provide advice on how to encourage people to consider their future aged care needs at an appropriate stage of life.

The Government notes this recommendation.

Recommendation 22: Review and streamline financial reporting to government where possible to ensure reporting is genuinely enhancing transparency.

The Government will undertake a review of financial reporting.

Recommendation 23: Improve communications between the IHACPA and providers and participants regarding its pricing advice and decisions, and task IHACPA with:

- a review of its pricing in rural and remote areas
- costing of the supplement for everyday living.

The IHACPA will provide advice on pricing in rural and remote areas and the Hotelling Supplement in line with its responsibilities to provide independent advice on residential aged care costs and prices.
