



## Residential Aged Care Services & Sustainability (Pillar 2 of the Royal Commission response) – Improving choice for senior Australians through a more innovative, resilient and competitive market

In response to the Aged Care Royal Commission, the Australian Government will improve choice for senior Australians, foster investment and innovation by providers, and boost their resilience. The Government will invest \$102.1 million to help transition providers to a more competitive market and improve the sustainability and capability of the sector.

Under this measure:

- \$3.1 million is being provided to create a more innovative and competitive residential aged care market.
  - The Aged Care Approval Round will be discontinued. From 1 July 2024, residential care places will instead be allocated according to consumers' preference, as opposed to bed licences, which will give them greater choice and control over which approved residential provider delivers their care. Government funding will be directed to the provider the consumer chooses.
  - This measure will improve the quality of the residential aged care sector by increasing competition amongst service providers. It will benefit providers that develop high quality and innovative models of care and accommodation that best meet consumer preferences.
- \$55.3 million will be provided to fund the phased introduction of a new financial and prudential monitoring, compliance and intervention framework from 1 July 2021 to build the financial sustainability and capability of aged care providers.
  - This will strengthen the financial oversight of the aged care sector, introducing new standards for around 2,000 approved providers of aged care services and providing new enforcement powers and capability for Government.

- This will allow the Government to better protect taxpayers' investment in aged care services and help identify potential risks to the quality and safety of care of residents.
- A Structural Adjustment Program will be established with funding of \$32.6 million to support residential aged care providers to improve or change their operations, building on the success of the aged care Business Improvement Fund. This will allow eligible providers to adjust their operations to a more competitive market, and help minimise risks to the continuity of care for residents.
- The Business Advisory Service program will receive an additional \$5.9 million to continue supporting eligible providers with free, independent and confidential business advice and introduce a new workforce planning stream service to support providers to attract and retain staff.
- The Remote and Aboriginal Torres Strait Islander Aged Care Service Development Assistance Panel will also receive an additional \$5 million to continue improving the capacity and capability of providers to sustainably deliver quality care.

These measures build on the \$90 million in targeted support for residential aged care providers announced on 1 March 2021 to assist providers facing financial stress, outlined in Factsheet: *Further support for preparedness, workforce and viability*.

### Why is this important?

The Aged Care Approval Round system is no longer meeting the needs of senior Australians or residential aged care providers. Under the current system people are only able to choose from a residential care provider that has an available allocated place through the Aged Care Approval Round. This limits their choice and also restricts the ability for providers to grow and innovate.

Empowering senior Australians, their families and carers to select a provider of choice will create a more competitive market for residential aged care. It will also support existing high quality providers to expand their service footprint, and will allow new providers to enter the market.

Monitoring and supporting providers is key to minimising the risk of business failures and protecting consumers from potential disruptions to the care services they receive. Improving the capability, financial sustainability and resilience of the sector is also critical to ensuring aged care providers continue to deliver high quality care and meet the needs of consumers now and into the future.

This measure implements in full or in part *Recommendations 25 and 41, 91, 130, 131, 132, 133, 134, 135, 136 and 137* of the Royal Commission's final report.

**Who will benefit?**

Senior Australians considering entering residential aged care or changing their provider will benefit from improved quality and choice as a result of increased competition. It will give senior Australians greater control by allowing them to choose a provider which best meets their needs.

Around 240,000 people live in residential aged care services each year, and at any one time there are around 180,000 residents in facilities nationally.

New and existing residential aged care providers will no longer be bound to approval rounds, reducing red tape and giving them greater freedom to adjust and expand their service offering to better meet demand.

Residential aged care will benefit through greater investment, a push to more innovative offerings and improved financial sustainability of providers. In particular, support programs and advisory services will help aged care providers to improve their business operations. To date, the Australian Government has supported over 100 applications from providers wishing to improve their business operations and enhance their long term viability, with nearly \$45 million in approved funding from the Business Improvement Fund. In addition, over 230 business reviews have also been completed under the Business Advisory Service program.

**How much will this cost?**

The Australian Government will invest \$102.1 million over 4 years, from 2021–22.