



Residential aged care services and sustainability – improved funding for residential aged care

The Australian Government has implemented the first year of an \$18.8 billion, five year aged care reform program, in response to the recommendations of the Royal Commission into Aged Care Quality and Safety. The once in a generation reforms are based on five pillars – home care, residential aged care services and sustainability, residential quality and safety, workforce and governance – to deliver respect, care and dignity for senior Australians.

As part of the Royal Commission into Aged Care Quality and Safety response, the Australian Government committed \$7.8 billion to residential aged care services, including the \$10 per resident per day Basic Daily Fee supplement, and \$3.9 billion to support delivery of more care minutes.

The 2022–23 Budget further invests \$20.1 million in this pillar of reforms, with the Government's total investment climbing to \$129.9 billion over the next four years.

The new Australian National Aged Care Classification (AN-ACC) funding model for residential aged care is scheduled to begin from 1 October 2022.

The AN-ACC funding model incorporates the current viability and homeless supplements, and the 2021–22 Budget funding uplifts. The AN-ACC replaces the existing funding model, the Aged Care Funding Instrument (ACFI).

The AN-ACC is a key reform that aligns residential aged care funding to the care needs of each resident, and increases funding to regional, rural and remote services to reflect additional care costs in those locations.

The AN-ACC funding model starting price is \$216.80. At this starting price, average resident AN-ACC funding is expected to be approximately \$225 per day.

The Government will invest a further \$20.1 million into the AN-ACC Transition Fund to provide a smooth transition between the models.

Importantly, the Government is ensuring the AN-ACC funding model Base Care Tariffs increase funding and support to regional, rural and remote services, reflecting their additional costs of care delivery.

Increased funding for the AN-ACC Transition Fund builds on the \$53.3 million provided in 2021–22, bringing the commitment to \$73.4 million.

Why is this important?

The new AN-ACC funding model will be more equitable, particularly in supporting care in rural and remote locations, and Indigenous and homeless specialist services.

The funding model will reflect the needs of aged care residents and associated costs required to enable a sustainable, efficient and transparent aged care system.

Funding assessments will no longer be conducted by residential age care staff and will instead be undertaken by independent assessors. This will ensure the outcome of AN-ACC assessments and classifications assigned to residents are consistent across the sector, in addition to releasing valuable staff time for providing direct care.

The AN-ACC funding model starting price of \$216.80 is the cost of a standard day of care, with appropriate care requirements, such as dementia-related care, receiving additional funding.

The AN-ACC model will support aged care residents and providers through:

- new classifications and way of funding permanent residents
- an independent assessment to determine classification levels for funding, and
- independent costing studies to provide pricing advice and understand changes in cost.

The model is an outcome of a study undertaken by the University of Wollongong, commissioned by the Government in 2017. Researchers produced a new case mix funding model based on evidence of the relative costs of delivering care to different types of aged care residents.

The 2022–23 Budget funding will enhance critical support to the aged care reforms, consolidating investment announced in the 2021–22 Budget and 2021–22 MYEFO processes. This measure responds to *Recommendation 120* of the Royal Commission into Aged Care Quality and Safety.

Who will benefit?

Aged care residents will be supported by a funding model that better reflects care needs and costs. Providers delivering aged care services will be able to access improved and stable funding to support sustainability and encourage a focus on the care needs of senior Australians.

The Australian community will have confidence in the quality and safety of aged care, where and when they need it.

Australia's aged care reforms are expansive and will impact virtually every aspect of the sector. The Government is working closely with the sector, including providers and workers, peaks and advocacy groups, senior Australians, their families and carers, to engage, inform and implement the system changes.

How much will this cost?

The Australian Government will invest \$20.1 million over three years, from 2022–23 to 2024–25.