

Bills Digest
No. 156 2003–04

Aged Care Amendment Bill 2004

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Aged Care Amendment Bill 2004

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Aged Care Amendment Bill 2004

Date Introduced: 2 June 2004

House: House of Representatives

Portfolio: Health and Ageing

Commencement: 1 July 2004. If the Bill is not enacted until after 1 July 2004, it will still operate from that date.

Purpose

This Bill seeks to make two amendments to the *Aged Care Act 1997*, which regulates residential aged care in Australia. The first amendment seeks to simplify the aged care assessment process and the second seeks to impose ongoing accommodation charges for certain residents in high care residential facilities (formerly called nursing homes).

Background

Overview

The amendments arise out of recommendations from the recently released *Review of Pricing Arrangements in Residential Aged Care* by W.P. Hogan¹ (the Hogan Report). This comprehensive report contained many recommendations, including the call for additional funding for residential aged care. Many of the recommendations were addressed in the context of the 2004-05 Budget.

Both of the amendments in the Bill are essentially minor but the second one, relating to accommodation charges, will have an adverse financial impact on certain elderly people who enter high care residential facilities on or after 1 July 2004.

Simplifying the Aged Care Assessment Team (ACAT) Process

Before anyone is eligible to enter a Commonwealth funded residential aged care facility they must be assessed by an Aged Care Assessment Team (ACAT) as needing either high level (nursing home) or low level (hostel) care. Residents are classified into 1 of 8 categories on the so called Residential Classification Scale (RCS) – with categories 1 to 4

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being classed as high care and categories 5 to 8 being classed as low care. The level of Commonwealth recurrent funding that the residential aged care facility receives largely depends on the RCS rating for each resident. The higher the RCS classification, the greater the level of funding from the Commonwealth.

Assessment of residents by an ACAT team is given before entry into a facility and the assessment remains effective for 12 months or until the resident leaves the facility. Under current arrangements, an ACAT must reassess a resident before they can move from low level care to high level care in the same facility.

The Hogan Report argued that there would be 'greater clarity and better delineation of the relative responsibilities' if ACATs 'focused primarily on initial entry to care' and if the relevant Departmental and accreditation systems concentrated on monitoring the appropriateness or otherwise of any change in classification from low to high care.² The Department operates a Residential Classification review program which monitors resident classifications. Other measures, such as auditing, would also be relevant to monitoring changes in classification.

The proposed amendment in this Bill would see, from 1 July 2004, the removal of the requirement for an ACAT assessment before a resident can move from low level care to high level care in the same facility.

Abolishing the Time Limit on Accommodation Charges

Residents in residential aged care facilities can be asked to pay two sets of fees, one to help cover ongoing costs (daily care fees) and one to help cover capital costs (accommodation payments). Accommodation payments are called accommodation bonds (when applied to low level or hostel care) or accommodation charges (when applied to high level or nursing home care). These payments are designed to help ensure that residential aged care facilities have enough funding to meet their various capital needs including expansions, upgrading and maintenance.

The second amendment in this Bill relates to accommodation charges that are paid by certain residents in high level care. Residents who do not have to pay an accommodation charge include - those with assets worth less than \$29,000; users of respite care; those who were living in a nursing home prior to 30 September 1997 and those receiving care on an extra service basis. All other residents must pay an accommodation charge, the amount of which varies according to the value of assets that they own. People with assets between \$29,000 and \$54,386 pay an accommodation charge that is based on a sliding scale, according to the margin of assets above \$29,000. At present, the maximum accommodation charge payable is \$13.91 per day (or about \$5,080 a year) and applies to residents who have assets of \$54,386 or more. However, as announced in the 2004-05 Budget the maximum accommodation charge payable is to be increased to \$16.25 per day

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for all new residents entering high level care from 1 July 2004. This change does not take effect as a result of this Bill.

Also included under the current arrangements is the provision that the accommodation charge is limited to a 5 year period. The second amendment in this Bill removes the 5 year limit so that new residents entering high level care on or after 1 July 2004 will pay the accommodation charge for the whole time they are in the aged care facility. This change was also recommended in the Hogan Report.

It should be noted that, apart from the accommodation charge changes mentioned above, there have been other funding changes as a result of the recent Federal Budget. The residential aged care industry has been arguing for many years that they do not receive enough capital funding, from either the Commonwealth or via resident contributions, to meet their needs. In recognition of this the Government, in the 2004-05 Budget, has allocated additional capital funding to the sector, including \$438.6million for increases in the level of the concessional resident supplement and the respite supplement and a one-off payment to aged care providers of \$3,500 per resident, totalling \$513.3 million.

Main Provisions

The effect of **item 1 of Schedule 1** is to remove the requirement for an ACAT assessment where an approved provider has notified the Secretary that a resident's care needs have increased.

The effect of **item 3 of Schedule 1** is to remove those provisions that impose a five-year limit on the requirement to pay an accommodation charge.

Item 4 of Schedule 1 provides that the removal of the five-year limit on the requirement to pay an accommodation charge will only apply to persons who first enter residential care on or after 1 July 2004.

Concluding Comments

A possible concern with the removal of the requirement for a further ACAT assessment before a resident can move from low level care to high level care in the same facility is the fact that some aged care providers may inappropriately classify residents into more highly subsidised RCS classifications and thereby receive additional funding from the Commonwealth. However, in the Explanatory Memorandum it is contended that this 'risk' will be managed by additional resourcing of the Residential Classification review program which will 'ensure that the classifications based on those appraisals are correct'.³

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If passed, the second amendment will mean that certain long term residents who enter aged care facilities after 1 July 2004 will have to pay substantially more for their care. For those residents who stay more than 5 years and who pay the maximum daily accommodation charge (\$16.25 from 1 July 2004) it will mean an additional impost of \$5,915 ($\$16.25 \times 7 \times 52$) per year after the first 5 years of care. It is unclear just how many potential residents may be affected by this change but the Hogan Report did note a recent tendency for residents to stay longer in residential aged care facilities. The Report stated that the proportion of residents staying more than 5 years rose from 13.6% in 1999 to 14.6% in 2002.⁴

Increased accommodation charges resulting from this amendment will not begin to flow to residential aged care facilities until 1 July 2009. There will be no direct impact from this amendment on the funding provided by the Commonwealth to the aged care sector.

If this Bill is not enacted until after 1 July 2004, it will have retrospective effect from that date until the date of Royal Assent.

Endnotes

- 1 WP Hogan Review of Residential Pricing Arrangements in Residential Aged Care Report (presented to the Hon Julie Bishop, Minister for Ageing, 5 April 2004).
<http://www.health.gov.au/investinginagedcare/report/index.htm> (site visited 9 June 2004).
- 2 *ibid.* p. 173.
- 3 Explanatory Memorandum Aged Care Amendment Bill 2004 p. 2.
- 4 *op.cit.* n. 1 p. 156.

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