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‘Diabolical state’: Aged care providers heading for loss of \$12 per bed per day



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Aged care homes will lose up to \$12 per bed per day by the end of the year, causing a catastrophe in the already failing system, if the government does not make immediate funding changes that operators and the opposition say are necessary to keep the sector afloat.

Year-on-year funding for the sector has almost doubled in the past eight years, but the amount of funding per bed per day has been in steady decline as more people enter aged care facilities with higher levels of need and costs increase.



Aged care facilities were struggling with declining per capita funding. GETTY IMAGES

Former NSW premier and new chief executive of not-for-profit provider HammondCare, Mike Baird, said anyone who spent a night at an aged care home could see the pressure they were under.

“As I stood there, late one night, there’s no doubt that an additional staff member, an additional number of staff, could have been helpful,” he said. “The demands are significant. The pressures on staff, huge.”

In 2016, aged care homes had a \$12 per bed per day surplus. By the end of the 2020 financial year, that had declined to an almost \$10-a-day loss, according to the June 2020 aged care sector report from chartered accounting firm StewartBrown.

That loss is projected to reach as much as \$12 a day by the middle of the year, StewartBrown senior partner Grant Corderoy said, based on the firm’s six-monthly December report published on Wednesday.

The figures from the report, which was commissioned by aged care providers, were presented to the Royal Commission into Aged Care Quality and Safety, which recommended an immediate injection of funds to cover the \$10-a-day loss.

The federal government is responsible for the aged care sector, which had stark failings during the coronavirus pandemic, with outbreaks in Melbourne and Sydney leading to the deaths of 685 residents.

In the aged care royal commission’s final report, the commissioners blamed successive governments’ desire to rein in spending across the sector for many of the sector’s failings.

Mr Corderoy said a \$10-a-day cash injection alone would cost roughly \$700 million a year.

“Residential aged care funding is underfunded and it’s underfunded significantly,” he said.

Residential aged care average operating results in decline

The average per bed, per day operating results of residential aged care homes continue to decline.

The number of aged care facilities operating at a loss has risen to 64 per cent and StewartBrown expects that to increase to 70 per cent by the end of the year. StewartBrown estimated all providers could have had a combined operating loss of close to \$1 billion for 2019-20, Mr Corderoy said.

Aged Care Services Minister Richard Colbeck said the government would respond to the royal commission’s report in the May budget but had committed an immediate \$452 million to help the sector.

“This included additional funding of \$189.9 million for residential care providers to be paid as a one-off payment in April 2021 and is in addition to the \$1.8 billion in additional support to assist the aged care sector during the COVID-19 pandemic,” he said.

The new funding also includes \$280 million through two measures to help providers deliver quality services. One of those measures is \$90 million in targeted support to providers facing financial stress.

Opposition aged care services spokeswoman Clare O’Neil said while funding had increased – from \$13.3 billion in 2012-13 to almost \$24 billion in 2020-21 – the government was not spending enough to cover care.

She said the Morrison government introduced changes to aged care funding in 2015 and 2016 that caused many of the current problems.

“The sector is absolutely in a diabolical financial state because of these cuts,” she said.

Founder of Hope Aged Care, Afif Hadj, describes how he was able to keep COVID-19 out of his three facilities around Melbourne.

“We’ve got a crisis, we’ve got a genuine crisis already, but people will leave the sector in droves because they can’t survive today, that’s what these numbers are telling us.”

Speaking in a Committee for Economic Development of Australia livestream on Friday, Senator Colbeck said the government would not shy away from the challenge of reforming the system.

“It’s clear that we need to go back to the very foundations of the aged care system,” he said.

Sean Rooney, speaking for the Australian Aged Care Coalition, said



the decline in funding had forced many operators to find ways to save money. Some of the first things to be restricted include group activities, off-site trips and the number of meal options.

“You can’t run a service if you go broke,” he said. “At the end of the day, we don’t have the money to make sure that we’ve got enough staff and that they’re adequately skilled and trained to do the job that is required.”

Bupa ANZ chief executive Hisham El-Ansary said the sector had been chronically underfunded for years.

Losses had been exacerbated by COVID-19, with Bupa spending almost \$10 million on personal protective equipment.

“Our capacity to absorb significant losses is greater than most but it can’t be sustained indefinitely,” Mr El-Ansary said.

Without stability, he said providers might be forced to quit.

“If these providers leave the sector, there will be a significant gap for government to fill and there will also inevitably be greater pressure on our hospitals.”

HammondCare was determined to deliver “best possible care” despite costs, Mr Baird said, but the future would be dicey without help. Mr Baird said he was “challenging the government to provide funds”.

“We’re investing in people whose lives have helped to shape our country, they need us now, and they deserve every care and support that they should get,” he said.



Former NSW premier Mike Baird. EDWINA PICKLES

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