



Fixing the Aged Care Crisis

Party:

Australian Labor Party

Summary of proposal:

The proposal would:

- implement the following components relating to recommendations from the *Royal Commission into Aged Care Quality and Safety* (the Royal Commission), with the specified start dates
- help deliver better aged care services for seniors from Culturally and Linguistically Diverse (CALD) backgrounds.

Component 1 – Increase aged care carer hours

- From 1 October 2022, the minimum staff time standard should require approved providers to engage registered nurses, enrolled nurses and personal care workers for at least 200 minutes per resident per day for the average resident, with at least 40 minutes of that staff time provided by a registered nurse.
- From 1 October 2024, the minimum staff time standard should increase to require approved providers to engage registered nurses, enrolled nurses and personal care workers for the average resident for at least 215 minutes per resident per day for the average resident, with at least 44 minutes of that staff time provided by a registered nurse.

Component 2 - Increase working hours of a registered nurse onsite

- From 1 July 2023, provide funding to have at least one registered nurse onsite per residential aged care facility at all times. A registered nurse that is onsite 24/7 may contribute to carer hours as needed, but is a separate requirement to providing the minimum carer hours for residents.

For the 2 components above:

- The minimum staff time standard would be linked to the casemix-adjusted activity-based funding model for residential aged care facilities. This means that approved providers with a higher than average proportion of high-needs residents would be required to engage additional staff, and vice versa.
- Approved providers of residential aged care facilities would need to meet a minimum staff time quality and safety standard. This requirement should take the form of a quality and safety standard for residential aged care. The minimum staff time standard should allow approved providers to select the appropriate skills mix for delivering high quality care in accordance with their model of care.
- Approved providers would be able to apply to the System Governor for an exemption from the quality and safety standard relating to staff skills mix, but not the standard relating to numbers of staff. Any exemption should be granted for a limited time, and details of the exemption should be published on My Aged Care.

- The Australian Government would mandate and absorb 100% of the cost of residential aged care mandatory staffing requirements.

Component 3 – General duty to provide quality and safe care

From 1 January 2023, implement Recommendations 14, 101 and 102 from the Royal Commission, which relate to establishing a general duty of care and associated penalty and compensation regimes. This component would be implemented as part of the new *Aged Care Act* and is due to become active from July 2023.

- In addition to the civil penalties included in Recommendation 101, an additional regime of criminal penalties would be included for the most serious breaches to the general duty.

Component 4 – Home care fee reporting

From 1 October 2022, implement Recommendation 124 from the Royal Commission which would mandate standardised reporting statements on services delivered and costs in home care.

Component 5 – Home care fee caps

From 1 January 2023, introduce caps to the administration fees charged by home care providers to home care package holders.

- The exact figure for these caps and implementation timeline would be determined by the Government after the 2022 Federal Election.

Component 6 – Reporting on care minutes

From 1 January 2023, implement Recommendation 122 from the Royal Commission relating to the reporting of minimum staffing hours. In addition, aged care providers would be required to report against clear categories of what constitutes 'care time', as referred to in Recommendation 86.

Component 7 – Provider reporting on expenditure

From 1 January 2023, require all aged care providers to provide a breakdown of their expenditure into broad top-level categories as part of the Aged Care Financial Report. The Department of Health would publish this breakdown on the My Aged Care website.

- No additional resources would be provided to aged care providers or the Department of Health to manage this process.

Component 8 – Ensure the Quality Regulator is fulfilling its role

- Implement a capability review of the Aged Care Quality and Safety Commission (ACQSC) under Recommendation 104, excluding Section 2, with an earlier start date of 1 July 2022.
- Implement Recommendation 105 from 1 December 2022.

These recommendations relate to conducting a capability review of the ACQSC and increased transparency regarding its performance.

Component 9 – Fast track an improved complaints process

From 1 July 2022, implement Recommendation 98 which relates to setting up an improved complaints process and complaints commissioner.

- The Complaints Commissioner will be appointed under interim arrangements by the end of 2022 and in due course established formally under the new *Aged Care Act*, expected to come into effect in July 2023.

- In addition, the new *Aged Care Act* will include civil penalties for providers and workers that have taken retaliatory actions against aged care users who have made formal complaints.

Component 10 – National Registration Scheme

From 1 July 2023, implement *Recommendation 77 – National Registration Scheme* from the Royal Commission into Aged Care Quality and Safety (the Royal Commission) which seeks to establish a national registration scheme for the personal care workforce, with the following alterations:

- Exclude *Section 1a*, which would stipulate a mandatory minimum qualification of a Certificate III.
- Exclude *Section 3*, which would propose the Australian Health Practitioner Regulation Agency (AHPRA) examine professional regulation of personal care workers under National Registration and Accreditation Scheme (NRAS) requirements.

The response to *Recommendation 77* would be implemented by 1 July 2023, instead of 1 July 2022.

Component 11 – A pay rise for aged care workers

Provide funding for pay rises for aged care workers. The level of pay rise is subject to the decision by the Fair Work Commission.

Component 12 – Develop and implement mandatory nutrition standards

Provide \$2.7 million in 2022-23 and \$2.6 million in 2023-24 to develop and implement mandatory nutrition standards for aged care homes.

Component 13 – Funding for CALD aged care centres

Provide \$20.8 million over 2 years from 2022-23 to help deliver better aged care services for seniors from CALD backgrounds.

Costing overview

The quantifiable components of the proposal would be expected to decrease the fiscal and underlying cash balances by around \$2,550 million over the 2022-23 Budget forward estimates period.

The proposal would have an impact beyond the 2022-23 Budget forward estimates period.

A breakdown of the financial implications (including separate PDI tables) over the period to 2032-33 is provided at Attachment A.

For Components 1 and 2, the financial implications are sensitive to changes in wage levels and the projected number of aged care workers that would be required in response to this proposal. These become more uncertain over the medium term. The Parliamentary Budget Office (PBO) has not assessed:

- whether the supply of aged care workers including registered nurses is sufficient to work the specified minutes.
 - The aged care workers including registered nurses could be sourced through skilled migration, new trainees of registered training organisations and transfers from the health and disability sectors. Due to the complex nature of the labour market and interactions with this proposal, the PBO cannot assess the supply constraints which are highly uncertain.¹
- any broader implications for the health, hospital and aged care systems under the proposal, including the specified wage increases and the competition for labour within the health sector.

¹ <https://grattan.edu.au/wp-content/uploads/2021/04/The-next-steps-for-aged-care-Grattan-report.pdf>

The PBO has determined that the estimated impact of Components 3, 5, 9 and 11 of this proposal cannot be quantified due to a lack of available data and the level of uncertainty surrounding these components. The financial implications of Component 4, Component 6 and Component 7 of this proposal would have nil financial impact.

The PBO has not made any assessment as to whether the specified funding amount is sufficient to meet the objectives of the proposal for Components 12 and 13.

Table 1: Financial implications (\$m)^{(a)(b)}

	2022-23	2023-24	2024-25	2025-26	Total to 2025-26
Fiscal balance	-12.3	-160.3	-1,001.5	-1,374.8	-2,548.9
Underlying cash balance	-12.3	-160.3	-1,001.5	-1,374.8	-2,548.9

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) PDI impacts are not included in the totals.

Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

Component 1

- Wages in the aged care sector under the current arrangements would grow in line with average weekly earnings.
 - A similar scale of behavioural response was applied in costing the relevant aged care measures in the 2021-22 Budget.

Component 2

- Only small facilities, with an average 34 of residential care places per affected facility, would require additional funding under the proposal.
- A night loading of 30% would be applied to the hourly wage rate for registered nurses working onsite at affected aged care facilities.

Components 1 and 2

- There is no interaction between Components 1 and 2 as the hours provided at night by the onsite registered nurse would be unlikely to satisfy the requirements of the minimum minutes of quality care per resident requirement.

Component 10

- In the absence of the proposal, the 2021-22 Budget measure *Aged Care — Government response to the Royal Commission into Aged Care Quality and Safety — workforce* would be fully implemented by 1 July 2022.
- Under the component, half of the funding currently allocated to this measure for 2022-23 would be returned to the Budget and the remainder would have been irrecoverably committed by the beginning of that year.

- Under the component, excluding *Recommendation 77, Section 1a* from the measure would not have a Budget impact as the implementation of mandatory minimum qualifications would not be associated with significant additional expenditure.
- Under the component, excluding *Recommendation 77, Section 3* from the measure would not have a Budget impact as implementation of this part of the recommendation was also excluded from the Budget measure.

Methodology

Component 1

The expense of increasing aged care carer minutes were estimated based on the aged care costing model of 2021-22 Budget measure — *Government response to the Royal Commission into Aged Care Quality and Safety — residential aged care services and sustainability*.

The ongoing departmental expense of the proposal was calculated based on an existing program of similar size and complexity.

Component 2

The administered expense was estimated by multiplying the additional number of registered nurse hours required that would be required under the proposal by the hourly registered nurse wage rate, inclusive of night loading.

Component 3

The impact of any revenue from civil or criminal penalties for contraventions of general duty proposed in Component 3 cannot be quantified because of a lack of available data on expected penalty volumes and penalty value amounts.

Component 4

The impact of changes to home care fee reporting proposed in Component 4 are anticipated to be absorbed by existing resources within the Department of Health and would not be expected to have a financial impact to the Budget balance.

Component 5

The impact of implementing home care fee caps proposed in Component 5 cannot be quantified until an exact figure is determined for the cap.

Component 6

Mandatory reporting requirements proposed under Component 6 would not be expected to require additional departmental resources as funding for reporting on minutes of care (albeit under a different definition) has already been allocated.

Component 7

The PBO has not assessed if Component 7 would require additional resources, as the proposal specified no additional funding would be provided. The administrative complexity is likely to be similar to Component 6.

Component 8

Component 8 was calculated by shifting the departmental expenditure provided by Department of Health in response to Recommendation 104, to the earlier start date under this proposal. The earlier implementation start date for Recommendation 105 under this proposal would not have a financial impact.

Component 9

Departmental expenditure for the interim appointment of an Aged Care Complaints Commissioner was estimated based on a similar departmental program and indexed to the relevant Wage Cost Index (WCI). The impact of any revenue from civil penalties for aged care providers and workers proposed in this component cannot be quantified because of a lack of available data on expected penalty volumes and penalty unit amounts.

Component 10

The Department of Health provided modelling associated with the 2021-22 Budget measure through to 2029-30, these projections were extrapolated through to 2032-33.

The timing of projected administered and departmental expenses of the National Care and Support Worker Regulation program were shifted forward to commence 1 July 2023. The impact of the proposal was calculated as the difference between the current profile of expenditure and the shifted profile.

Component 11

The impact of implementing a pay rise for aged care workers proposed in Component 11 cannot be quantified as it is contingent on the decision of the Fair Work Commission, and the size, nature and timing of the decision are not clear.

Component 12

The departmental expense for Component 12 is as specified in the proposal.

Component 13

The administered expense for Component 13 is as specified in the proposal.

The departmental expense was based on the cost of administering similar programs and are in addition to the funding amount.

Financial implications were rounded consistent with the PBO's rounding rules as outlined on the PBO Costings and budget information webpage.²

Data sources

The Department of Finance and the Treasury provided the economic parameters as at the *Budget 2022-23*.

The Department of Health provided aged care funding models as at the *Budget 2022-23*.

² https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Costings_and_budget_information

The Department of Health provided estimates of departmental expenditure for the capability review of the Aged Care Quality and Safety Commission as at 12 April 2021.

The Department of Health provided information on the 2021-22 Budget measure *Aged Care — Government response to the Royal Commission into Aged Care Quality and Safety — workforce*, as at 3 March 2021.

Aged Care Complaints Commissioner (2018) [Annual Report 2017-18](#), Australian Government, accessed 23 March 2022.

Australian Government (2017) *2017-18 Budget*, Australian Government.

Australian Institute of Health and Welfare (2021) [Size of residential aged care services over time](#), Australian Government, accessed 12 June 2022.

Department of Health (2021) [2020 Aged Care Workforce Census Report](#), Australian Government, accessed 10 November 2021.

Department of Health (2021) [Budget 2021-22: 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](#), Australian Government, accessed 1 February 2022.

Department of Health (2021) [The Royal Commission into Aged Care Quality and Safety, Recommendations and Government Response](#), Australian Government, accessed 1 February 2022.

The StewartBrown (2021) [Aged Care Sector Report](#), The StewartBrown, accessed 23 March 2022.

Attachment A – Fixing the Aged Care Crisis – financial implications

Table A1: Fixing the Aged Care Crisis – Fiscal and underlying cash balances (\$m)^(a)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Revenue													
Administered non-tax													
<i>Component 3 - General duty to provide quality and safe care</i>	*	*	*	*	*	*	*	*	*	*	*	*	*
<i>Component 9 - Fast track an improved complaints process</i>	*	*	*	*	*	*	*	*	*	*	*	*	*
Total – revenue	*	*	*	*	*	*	*	*	*	*	*	*	*
Expenses													
Administered													
<i>Component 1 - Increase aged care carer hours</i>	-	-	-840.0	-1,200.0	-1,290.0	-1,390.0	-1,490.0	-1,590.0	-1,710.0	-1,840.0	-1,960.0	-2,040.0	-13,310.0
<i>Component 2 - Increase working hours of a registered nurse onsite</i>	-	-140.0	-150.0	-160.0	-171.0	-183.0	-195.0	-209.0	-223.0	-238.0	-254.0	-450.0	-1,923.0
<i>Component 5 - Home care fee caps</i>	-	-	*	*	*	*	*	*	*	*	*	*	*
<i>Component 10 - National Registration Scheme</i>	0.1	-1.4	-	-	-	-	-	-	-	-	-	-1.3	-1.3
<i>Component 11 - A pay rise for aged care workers</i>	*	*	*	*	*	*	*	*	*	*	*	*	*
<i>Component 13 - Funding for CALD aged care centres</i>	-10.4	-10.4	-	-	-	-	-	-	-	-	-	-20.8	-20.8
Total – administered	-10.3	-151.8	-990.0	-1,360.0	-1,461.0	-1,573.0	-1,685.0	-1,799.0	-1,933.0	-2,078.0	-2,214.0	-2,512.1	-15,255.1
Departmental													
<i>Component 1 - Increase aged care carer hours</i>	-	-	-9.6	-13.7	-14.7	-15.8	-16.9	-18.1	-19.5	-20.9	-22.3	-23.3	-151.5
<i>Component 2 - increase working hours of a registered nurse onsite</i>	-	-1.6	-1.7	-1.8	-1.9	-2.1	-2.2	-2.4	-2.5	-2.7	-2.9	-5.1	-21.8

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
<i>Component 4 - Home care fee reporting</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Component 6 - Reporting on care minutes</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Component 7 - Provider reporting on expenditure</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Component 8 - Ensure the Quality Regulator is fulfilling its role (Department of Health)</i>	1.0	-1.0	-	-	-	-	-	-	-	-	-	-	-
<i>Component 8 - Ensure the Quality Regulator is fulfilling its role (Aged Care Quality and Safety Commission)</i>	0.3	-0.3	-	-	-	-	-	-	-	-	-	-	-
<i>Component 9 - Fast track an improved complaints process (Interim Aged Care Complaints Commissioner)</i>	-9.9	-	-	-	-	-	-	-	-	-	-	-9.9	-9.9
<i>Component 10 - National Registration Scheme</i>	10.1	-2.5	-0.2	0.7	-1.3	0.1	0.1	0.1	0.1	0.1	0.1	8.1	7.4
<i>Component 12 - Develop and implement mandatory nutrition standards</i>	-2.7	-2.6	-	-	-	-	-	-	-	-	-	-5.3	-5.3
<i>Component 13 - Funding for CALD aged care centres</i>	-0.8	-0.5	-	-	-	-	-	-	-	-	-	-1.3	-1.3
Total – departmental	-2.0	-8.5	-11.5	-14.8	-17.9	-17.8	-19.0	-20.4	-21.9	-23.5	-25.1	-36.8	-182.4
Total – expenses	-12.3	-160.3	-1,001.5	-1,374.8	-1,478.9	-1,590.8	-1,704.0	-1,819.4	-1,954.9	-2,101.5	-2,239.1	-2,548.9	-15,437.5
Total (excluding PDI)	-12.3	-160.3	-1,001.5	-1,374.8	-1,478.9	-1,590.8	-1,704.0	-1,819.4	-1,954.9	-2,101.5	-2,239.1	-2,548.9	-15,437.5

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

* Unquantifiable – not included in totals.

- Indicates nil.

Table A2: Fixing the Aged Care Crisis – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
<i>Fiscal balance</i>	..	-2.0	-15.0	-43.0	-78.0	-119.0	-168.0	-225.0	-292.0	-370.0	-461.0	-60.0	-1,773.0
<i>Underlying cash balance</i>	..	-2.0	-14.0	-39.0	-73.0	-114.0	-162.0	-218.0	-284.0	-361.0	-450.0	-55.0	-1,717.0

- (a) As this table is presented as a memorandum item, these figures are not reflected in the totals in the table above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary³.
- (b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.
- .. Not zero but rounded to zero.

³ [Online budget glossary – Parliament of Australia \(aph.gov.au\)](https://aph.gov.au)