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The Secretariat  
The Senate Community Affairs Legislation Committee  
By email: [community.affairs.sen@aph.gov.au](mailto:community.affairs.sen@aph.gov.au)

Friday 20 November 2020

### **Inquiry into the Aged Care Amendment (Aged Care Recipient Classification) Bill 2020**

Thank you for the opportunity to submit a response to the Community Affairs Legislation Committee on the proposed *Aged Care Legislation Amendment: Aged Care Recipient Classification Bill 2020* (the Bill).

The Aged Care Guild is a member-based organisation formed to advocate for long term policy settings. In collaboration with government and other stakeholders, we work to ensure the industry can meet the growing needs of Australia's ageing population by pursuing policy and regulatory settings that support sustainable, quality aged care underpinned by consumer choice and affordability.

The Aged Care Guild supports, in principle, the proposed amendment to the Bill. First and foremost, the main priority must be to ensure senior Australians receive the quality of care where and when they need it, noting that appropriate funding is a key component.

The shadow assessment is an important step in readying the sector for implementation of the Australian National Aged Care Classification (AN-ACC) in 2022, which will help ensure the true cost of care is adequately funded.

The AN-ACC, as a case mix funding mechanism, is an important cornerstone in funding reform for residential aged care and will assist the sector to reduce variations in claiming practices, providing a standardised basis for funding assessments to enable more equitable outcomes. It is important to acknowledge that AN-ACC is only a funding allocation tool and does not address issues regarding the volume of funding.

The current Aged Care Funding Instrument (ACFI) is meant to be indexed to keep pace with increased costs associated with care delivery. The Royal Commission has found current ACFI is no longer fit for purpose and is insufficient in meeting the care needs of senior Australians; something the aged care sector has been highlighting for many years.

Previous decisions to cap or freeze funding increases have been made based on Government's fiscal situation, not on the care needs of senior Australians. Following the reduction in ACFI from MYEFO 2015-2016, Budget 2016-2017, and subsequent indexation pauses, residential aged care providers have been operating in an environment of reduced care funding per resident, increasing labour costs and increased expectations regarding quality.

The Aged Care Financing Authority (ACFA), the Australian Government's independent advisor on aged care funding and financing issues, reaffirmed in their eighth annual report the overall financial performance of residential aged care providers continues to decline. ACFA's report highlighted ACFI changes continue to restrict funding indexation and growth below growth in provider costs, particularly staffing costs.



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The proposed AN-ACC funding system, determined by Government, must be fit for purpose and case mix adjusted in relation to resident acuity to ensure it accounts for the true cost of delivering quality aged care services.

To ensure funding keeps pace with care needs, as recommended by Royal Commission Counsel Assisting, the Government should establish an independent pricing authority to depoliticise aged care funding and set levels of support based on regular data and frequent cost of care studies.

The aged care sector is committed to the necessary reform, but we cannot do it alone. Long-term change requires long-term commitment. This means taking lessons learnt from the Royal Commission and COVID-19 to develop a long-term and consumer-centred plan for reform, to ensure senior Australians receive the quality of care they need and deserve.

The Aged Care Guild looks forward to working with Government to ensure successful implementation of funding reform in the sector and would welcome the opportunity to discuss further.

Regards,

Nicholas Brown  
Acting Chief Executive Officer  
Aged Care Guild