



**THE HON MARK BUTLER MP
MINISTER FOR MENTAL HEALTH AND AGEING**

The Hon John Murphy MP
Chair
Standing Committee on Petitions
Parliament House
CANBERRA ACT 2600

Dear Mr Murphy

Thank you for your letter of 16 March 2011 to the Minister for Health and Ageing, the Hon Nicola Roxon MP, regarding the petition 366-647 made to the Speaker of the House of Representatives on the matter of aged care funding. I am responding as the Minister for Mental Health and Ageing.

I have enclosed a formal response to the subject petition for the consideration of the Standing Committee on Petitions.

I appreciate you bringing the contents of the petition to the Australian Government's attention and trust that the attached information assists the House in responding.

Yours sincerely

MARK BUTLER

11 MAY 2011

Petition to the Honourable the Speaker and Members of the House of Representatives

This petition of citizens of Australia, draws to the attention of the House the inadequacy of the proposed 1.7 per cent increase in funding for aged care services from July 1, 2010.

Aged care providers should not be forced to cut vital services in order to meet a government funding shortfall which fails to address the rising cost of staff salaries along with general amenities such as electricity, gas and water.

We therefore ask the House to support an increase in funding for aged care services to better reflect the increased costs faced by aged care providers.

Response:

The Australian Government is committed to a sustainable aged care sector so that frail older people can continue to receive the quality care that they deserve. This is why it has increased the level of funding provided for aged care by more than 30 per cent over the last three years. A total of \$48.7 billion will be provided for aged care over the next four years.

This financial year, the Australian Government will provide \$10.9 billion for aged care, including \$7.5 billion for residential aged care. On average, the Government will pay residential aged care providers \$44,700 to care for each resident this year. Providers also derive income from residents, who will contribute, on average, \$22,000 this year on top of the Government's payment. These amounts represent a substantial increase on previous years.

The income that providers earn in respect of each resident has increased over the last three years by more than 6 per cent per year. By contrast, average wages in residential aged care increased by less than 4 per cent per annum and the Consumer Price Index rose by an average of 3 per cent per year over the same period. That is, over at least the last three years the rate of growth in revenue for residential aged care providers, on a per resident basis, has exceeded the increases in their costs experienced.

The Government does recognise, however, that the aged care industry is facing challenges. That is why it asked the Productivity Commission to examine all aspects of Australia's aged care system, and to develop detailed options to ensure that Australia's aged care system can meet the challenges facing it in coming decades. The Final Report of the Productivity Commission's inquiry is due to be given to the Government in June 2011.