

695/1127

695/1135



**THE HON MARK BUTLER MP
MINISTER FOR MENTAL HEALTH AND AGEING
MINISTER FOR SOCIAL INCLUSION
MINISTER ASSISTING THE PRIME MINISTER ON MENTAL HEALTH REFORM**

The Hon John Murphy MP
Chair
Standing Committee on Petitions
PO Box 6021
Parliament House
CANBERRA ACT 2600

Dear Mr ~~Murphy~~

Thank you for your letter of 10 September 2012 regarding the petition 695/1127 made to the Speaker of the House of Representatives on the matter of an independent study of the cost of aged care including subsidies for nursing home care.

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

I appreciate you bringing the content of the petition to my attention and trust that the attached information assists the House in responding.

Yours sincerely

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MARK BUTLER

11 OCT 2012

Encl



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

This petition of Aged and Community Services Australia, draws to the attention of the House its deep concern regarding the Government's decision to reduce subsidies to care for people entering nursing homes from 1 July 2012.

This will reduce the level of funding for new residents and subsequently may lead to a reduction in the number of staff therefore impacting on the level of care provided. This is not in the best interests of one of the most vulnerable groups in our society – frail older Australians.

The Department of Health and Ageing is implementing the Government's directive to achieve savings in Aged Care Funding Instrument (ACFI) subsidy payments for 2012-13 which will be in the order of \$430 million. This is additional to the \$50 million in 2012-13 announced in the 20 April *Living Longer Living Better* announcement.

As the representative body of the not-for-profit sector, our members provide services to the most vulnerable older people in our community.

We therefore ask the House to reconsider this decision and determine in a more considered manner what is the real cost of caring for older Australians is through an independent cost of care study so that appropriate funding for care can be provided.

Response:

The Aged Care Funding Instrument (ACFI) changes, announced on 21 June 2012, are intended to bring the future growth in funding back to the long-term trend rate and to redirect funding for other aged care reforms. They are not intended to reduce funding for residential aged care subsidies. The Government has increased funding for residential care by \$310 million to \$9.1 billion in 2012-13, \$496.4 million more than estimated in the 2011-12 Budget. Under these reforms, average care subsidies are projected to grow by 2.7% per annum (above indexation) between 2012-13 and 2016-17.

The changes to the ACFI have been informed by the deliberations of the ACFI Monitoring Group which met between December 2011 and March 2012. The Department of Health and Ageing has established a new ACFI Monitoring Group which will work closely with national peak bodies and aged care stakeholder groups to ensure the changes are implemented as intended and to identify whether there are any unintended outcomes so that they can be addressed. The ACFI Monitoring Group has met twice in Canberra on 10 August and 26 September 2012.

The Government is not planning to conduct a cost of care study at the present time. I support the view that sustainability of the aged care sector as a whole is best measured by looking at indicators of viability across the sector and modelling of influencing factors of viability of individual facilities.

Professor Len Gray in his independent Two Year Review of Aged Care Reforms completed in 2001 supported this approach. This approach is also in line with that adopted by Professor Hogan in his independent Review of Pricing Arrangements in Residential Aged Care, which was completed in 2004.

