

**Senate Community Affairs Committee**

**ANSWERS TO ESTIMATES QUESTIONS ON NOTICE**

**HEALTH AND AGEING PORTFOLIO**

**Supplementary Budget Estimates 2012-2013, 17 & 19 October 2012**

**Question: E12-168**

**OUTCOME 4:** Aged Care and Population Ageing

**Topic:** AGED CARE FUNDING INSTRUMENT

**Type of Question:** Written Question on Notice

**Number of pages:** 2

**Senator:** Senator Boyce

**Question:**

- a) In relation to ACFI, is the department aware that there is concern in the sector that it was not informed about the extent of the reduction in ACFI growth rates that were being contemplated by the government?
- b) Was the sector and the Australian people misled by the information provided in the Living Longer Living Better [LLL] documentation which indicated that the budget allocation for care subsidies in 2012-13 was only being reduced by \$50M (compared with the forward estimate)?
- c) Only when providers did their own modelling of the effects of the ACFI changes that the government acknowledged that the changes were designed to pull back growth by about \$500M in 2012-13. Do you agree that the information provided in the LLLB documentation was deceptive?
- d) Why did the LLLB gloss over the real extent of the pull back in growth i.e. the reference to \$50M and \$500M above?
- e) Would you please reconcile the \$50M in the LLLB documentation with the \$500M pull back.
- f) Why is the government cutting back on care subsidies when the sector is already struggling?
- g) Was the consultative committee established by the Minister to review the ACFI advised of the pull back in growth? If not why not when the purpose of establishing the committee was to review the ACFI?
- h) Would you please document the nature and content of the consultations with the sector in the lead up to the May budget?

**Answer:**

- a) The Department of Health and Ageing has engaged with the aged care sector since December 2011 on the need to moderate growth in the Aged Care Funding Instrument (ACFI). We are aware of concerns from some stakeholders that this moderation of growth was not well understood.
- b) No.
- c), d), and e)  
The changes implemented to the ACFI are designed to both moderate growth and redirect funding to other aged care reforms. The overall impact of this measure is expected to bring expenditure in line with the 2012-13 estimates and reduce those estimates by \$50 million in 2012-13 compared with what they were before these changes. This and other changes are now built into the forward estimates for residential care. The \$500 million is a claim made by some parts of the sector and does not appear in the government's estimates.
- f) The government is not reducing residential aged care subsidies. The changes to the ACFI will not reduce overall funding for residential aged care. Residential care subsidies will increase by \$378 million in 2012-13. The government has projected that residential care subsidies will increase from \$8.7 billion in 2011-12 to \$11.2 billion in 2015-16.
- g) The initial ACFI Monitoring Group (the Group) was established in November 2011 to monitor expenditure and the ACFI claiming trends within the residential aged care sector. The Group, which included aged care providers, peak bodies and consumer representatives, was made aware of the need to moderate growth in order to return it to the long-term trend. The Group considered a number of options for moderating growth.
- h) The Department has met frequently with a wide range of aged care stakeholders to respond to their questions about the changes. The Department established the previous ACFI Monitoring Group in November 2011. It held four meetings on: 19 December 2011, 6 February, 5 March, and 30 March 2012.