

**SENATE STANDING COMMITTEE ON  
EDUCATION, EMPLOYMENT AND WORKPLACE RELATIONS**

**QUESTIONS ON NOTICE  
BUDGET ESTIMATES 2009-10**

**Outcome/Agency**                    5

**DEEWR Question No.**            EW0049\_10

Senator Xenophon provided in writing.

**Question**

Given its central role in funding aged care, what instructions has the Federal Government provided to DEEWR to plan to assist with the transition of the aged care sector to modern awards? If so, have these instructions included consideration of additional funding for aged care providers to meet the costs of modern awards?

**Answer**

The Australian Government has not provided any instructions to the Department of Education, Employment and Workplace Relations. On 29 May 2009, the Government made a submission to the Australian Industrial Relations Commission (the Commission) supporting the use of transitional provisions to ensure a smooth and practical transition for all employees and employers to the new workplace relations system.

The submission addressed transitional arrangements for the aged care industry, encouraging the Commission to use the full 5 year transitional period available to allow the aged care industry to absorb any changes in labour costs. The relevant extract from the Government's submission is attached.

Residential aged care is predominantly financed and regulated by the Australian Government. The Australian Government's contribution is provided through subsidies paid directly to approved providers in respect of approved care recipients under the Aged Care Act 1997. Residents also contribute to the cost of the accommodation and care services that they receive.

- Residents pay a basic daily fee as a contribution to the accommodation and hotel services they receive. In general, this fee is 85 per cent of the single base pension (84 per cent after 20 September 2009). This fee increases in line with the age pension on 20 March and 20 September each year.
- Residents with sufficient assets can also be asked to pay an accommodation bond or an accommodation charge. The Government pays an Accommodation Supplement in respect of residents with very few assets. In general, the maximum levels of the Accommodation Charge and the Accommodation Supplement increase in line with the CPI on 20 March and 20 September each year.
- A basic subsidy is paid by the Government, with the level of the subsidy dependent on the resident's care needs. These needs are assessed by providers, subject to audit. Residents with sufficient income contribute to the cost of the care they receive through an income tested fee, which reduces the level of the basic subsidy otherwise payable in respect of them. The levels of the basic subsidy are increased on 1 July each year in line with movements in wage costs and non-wage costs. The wage costs index is based on minimum wage adjustments as a proportion of Average

Weekly Ordinary Time Earnings. The non-wage costs index is based on the Consumer Price Index.

- An additional viability supplement is paid to aged care homes in some rural and remote areas in recognition of the higher costs of providing care in those regions. The maximum levels of the Viability Supplement are indexed in line with the basic subsidy.
- Some minor additional supplements are paid for residents with special needs. These are indexed in line with the basic subsidy.

**Extract of the Australian Government's submission of 29 May 2009 with respect to the use of Transitional Provisions in modern awards**

**Transitional arrangements for the aged care industry**

- 3.24 The aged care industry, which the Commission considered in stage 2 of award modernisation, is an industry of direct interest to the Government.
- 3.25 The Government is committed to the long-term viability of aged care and considers that transitional provisions in modern awards are important to enable the industry to manage any change in labour costs.
- 3.26 Residential aged care is predominately funded and regulated by the Government via a range of subsidies paid directly to approved providers in respect of approved care recipients under the *Aged Care Act 1997*. Subsidies paid to aged care providers are determined on the level of care required by a recipient and are indexed on 1 July each year.
- 3.27 The Government has committed a record \$44 billion dollars towards funding an increased demand on aged care in the community.
- 3.28 In addition, some of the increase to the single age pension recently announced in the 2009-10 Budget will flow through to aged care providers by increasing the basic daily fee from \$233.87 per week to \$256.27 per week, commencing from 20 September 2009. The basic daily fee is the resident's contribution to the cost of their care, which includes food and cleaning.
- 3.29 The Government recognises the strong demand placed on this sector as the population ages. Aged care is a labour intensive industry and the Government recognises the importance of having appropriately skilled staff to meet the needs of aged care recipients. It is committed to supporting a strong and viable aged care sector.
- 3.30 Therefore, the Government encourages the Commission to use the full five-year transition period available to allow the industry to absorb any changes in labour costs.