

Budget 2006-2007 – Aged Care & Retirement Sector

The Australian Government 2006-2007 budget was presented in Parliament last night. The direct impact on the aged care industry was only small given the overall budget result. The budget provided \$108.3 million over 5 years in new initiatives and funding totalling \$311.3 million over four years to extend existing programs. There is \$152.7 million in improved provision of hospital care, including small rural hospitals to older people who are eligible for aged care, as part of an agreement reached at COAG in February 2006. The overall budget is \$6.9 billion. The actual for 2005-2006 was \$6.3 billion.

The funding measures announced in the budget include¹:

- *\$8.6 million over four years to pay for additional unannounced aged care home visits by the Aged Care Standards and Accreditation Agency;*
- *\$1.8 million over four years to extend police checks to all volunteers participating in the Community Visitors Scheme;*
- *\$4.7 million over three years for a major expansion of the aged care Community Visitors Scheme;*
- *\$21.6 million over four years to identify and replicate best practice clinical care in aged care homes;*
- *\$13.4 million over four years for training for the community care workforce;*
- *\$24.2 million over five years to improve arrangements for aged care assessments;*
- *\$65.9 million over four years to continue two vital training programs for nurses and aged care staff;*
- *150 additional flexible places for care of older Aboriginal and Torres Strait Islander people; and*
- *\$19.4 million over four years to help offset the higher costs and recruitment difficulties faced by community aged care services in rural areas.*

Some of the major activities reported to be undertaken by the Department during 2006-2007 include²:

- Implementation of the remaining measures in response to the *Review of Pricing Arrangements in Residential Aged Care*;
- Development on the implementation of a new funding model to provide fewer categories and two new supplements targeted towards residents with challenging behaviours related to dementia or complex health and nursing needs;
- Development of a new payment system by Medicare Australia to support the funding model and make information exchange with service providers more efficient;
- The Office of the Prudential Regulator within the Department, will implement the accommodation bond guarantee scheme established by the *Aged Care (Bond Security) Act 2006* and work with approved providers holding accommodation bonds;
- Implementation of reforms under *A New Strategy for Community Care – The Way Forward*;
- Strengthening of the protection of care recipients from sexual and physical abuse;

¹ Media Release Minister for Ageing Budget 2006-2007 9 May 2006

² Budget papers Department Outcomes -4 Aged Care and Population Ageing

- The number of unannounced visits to aged care homes will be increased to comprise around 60% of all visits. Every home will receive one unannounced visit each year with the average being in overall visits 1.75 per year.
- Manage the allocation of 8,771 new aged care places to reach their target of 108 operational places per 1,000 people aged 70 or over in 2007;

The government also announced further harmonisation for Aged Care and Pensions. This is where the aged care assets test does not treat gifts and complying income streams in the same way as the pension assets test. These rules will be brought into line from 1 January 2007 with those for pension purposes also applying to aged care asset testing. Gifts made by prospective residents in excess of \$10,000 in any financial year or \$30,000 over five years will be deemed to still be part of the resident's assets for the purposes of the aged care asset test. A 50% exemption from the aged care assets test will also apply to other complying income streams purchased after 20 September 2004. Complying income streams purchased before 20 September 2004 will continue to have 100% if their value exempted from the aged care asset test. It is estimated to save the Government \$71.7 million over 5 years.

Our Perspective

The direct financial benefits for aged care were relatively small from this budget. However the overall investment in aged care is significant.

It was announced that there will be a continuation of funding of Community Aged Care Services in Retirement Villages. The Government will continue funding of \$24.2 million over four years to improve access to community aged care services across the retirement village sector. This direction provides support for what we have previously said in that there will be continued growth in community care and flexibility in the delivery of care. There will be a greater emphasis in maintaining people in their own home and it is now accepted by Government that this includes retirement villages. We see a significant increase in the investment in the retirement sector in the future. This will be supported by more flexible care arrangements and changes in the superannuation scheme. However any investment will need to monitor the demands of a changing generation to ensure the projects remain relevant to their customers. In the future operators in aged care will need to look for additional complementary services and revenue streams to provide support to their traditional aged care operations as margins continue to be squeezed.

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