



**Australian Government  
Aged Care Financing Authority**

**DISCUSSION PAPER**

**ACCESS TO CARE  
FOR SUPPORTED  
RESIDENTS**

*Submissions due  
9 June 2015*

## Introduction

The Aged Care Financing Authority (ACFA) is an independent statutory committee whose role is to provide independent, transparent advice to the Australian Government on financing and funding issues in the aged care sector. ACFA considers issues in the context of maintaining a viable, accessible and sustainable aged care industry that balances the needs of consumers, providers, the workforce, taxpayers, investors and financiers.

Under its operating framework, ACFA is required to provide advice by 31 December 2015 to the Assistant Minister for Social Services on cost neutral mechanisms to ensure access to care for supported residents, including reviewing the supported resident ratio. This work entails analysing the efficiency, effectiveness, and appropriate level of:

- the supported resident ratio for each aged care planning region; and
- the 25 per cent discount applied to the maximum accommodation supplement amount where a service does not provide more than 40 per cent of its eligible care recipient days to supported residents.

In order to assess these two mechanisms it is important to have a clear understanding of what is meant by 'effective', 'efficient' and 'appropriate'. For the purposes of this paper a basic definition of each term may include:

Effective: successful or capable of producing a desired or intended result

Efficient: achieving maximum productivity with minimum wasted effort or expense

Appropriate: suitable or proper in the circumstances

To assist in the development of its advice to the Assistant Minister, ACFA is seeking the views of stakeholders.

## Background

A principle underlying aged care means testing is that people who can afford to contribute to the cost of their care should do so, and those that cannot afford to pay should not be denied access to services. While aged care accommodation is considered a personal expense, in line with the above principle, the Australian Government has a safety net for those who cannot afford to pay all or part of their accommodation costs.

For the purposes of this paper, supported residents are considered to be those residents who are eligible for Government support toward the cost of their accommodation. This includes the current group of residents who are subject to the 1 July 2014 means testing arrangements (see Appendix A for how the current arrangements operate), supported residents who are subject to the 20 March 2008 to 30 June 2014 arrangements and the pre 20 March 2008 concessional and assisted residents. A definition of each group is provided at Appendix B.

A previous requirement of this project was that ACFA deliver a data book on access to care trends to the Assistant Minister by 30 April 2014. The [Supported and Non-Supported Residents Data Book](#) provides an overview of access trends for supported and non-supported residents in residential aged care from 2008-2009 to 2012-13. It describes the number and distribution of residents by supported status, examines the entry period for residents – the elapsed time between assessment by Aged Care Assessment Team (ACAT) and entry into residential care - and describes the proportion of residents within aged care services who are supported residents. The data book can be found on [the Department's website](#) at [www.dss.gov.au](http://www.dss.gov.au).

## Current Arrangements

The Government supports access to care for supported residents by a combination of the following policy settings:

### *1. Paying an accommodation supplement in respect of supported residents.*

The Government pays an accommodation supplement on behalf of supported residents (in full or part) to the aged care provider. Where the Government pays only a part amount, the supported resident may be asked to also make a contribution but it cannot be more than the maximum accommodation supplement less the Government funded amount.

Of the 231,515 people receiving permanent residential care during 2013-14, financial support with accommodation costs was provided for around 92,000 supported, concessional and assisted residents. In 2013-14, a total of \$656.9 million was paid to approved providers as supplements for accommodation costs for residents who were unable to meet the full cost of their accommodation.

### *2. Setting minimum target ratios for supported residents that providers are required to meet.*

Regional supported resident ratios were introduced for new residents entering care from 1 October 1997 to ensure all residents, including the financially disadvantaged, received fair access to care.

All residential aged care services are required to meet the supported resident ratio for the region in which they are located. The only exceptions to this requirement are services that offer only extra service places, or the distinct part of a service that has extra service places.

The target ratios were derived from comprehensive regional socio-economic data, including the number of full pensioners, home-owners, persons aged over 70, and the wealth of people living in a particular region.

The lowest regional ratio is 16 per cent and the highest is 40 per cent.

The supported regional ratio that applies to each aged care planning region is provided at Appendix C.

In 2013-14, all aged care planning regions exceeded their legislated regional supported ratios by a significant margin, with over 90 per cent of services exceeding their regional ratio.

Variations between the states and territories in relation to the number of services exceeding the supported resident ratio for their region were minimal.

*3. Discounting the maximum accommodation supplement where a service does not meet the more than 40 per cent ratio.*

To receive the maximum amount of accommodation supplement for a supported resident on a particular day the facility must have more than 40 per cent of total residents (excluding extra service residents) who are classified as supported residents. If the facility does not meet this ratio then the amount of accommodation supplement paid is reduced by 25 per cent.

As at 30 June 2014, over 60 per cent of services had a supported resident ratio greater than 40 per cent.

*4. "Supported" residents who enter care after 1 July 2014 do not pay a means tested care fee.*

Post 1 July 2014 residents with assets and income below the relevant threshold do not pay a means tested care fee (see Appendix A).

## Impact of 1 July 2014 changes to aged care arrangements

The broad policy settings outlined above (accommodation costs met in full or part by the Government, regional target ratios and the discounting of the accommodation supplement) are not altered by the 1 July 2014 changes to aged care funding.

However, under the 1 July 2014 arrangements, eligibility for a part or full accommodation supplement is determined by a person's combined assessable income and assets rather than their assessable assets alone.

- Under the pre 1 July 2014 arrangements a single person who entered care before 1 July 2014 would be eligible for some accommodation supplement if their assets were below approximately \$118,363 and this remains the case for these pre 1 July 2014 residents.
- Under the post 1 July 2014 arrangements a single person who entered care on or after 1 July 2014 will not be eligible for accommodation support if they have income over \$64,132 or assets over \$157,051. They will only be eligible for accommodation support if their combination of income and assets is such that they fall below the top (blue) line in the diagram at Appendix A.

In addition, from 1 July 2014 the maximum accommodation supplement payable to aged care facilities has increased from \$34.20 to \$53.39 for services that are either newly built or significantly refurbished on or after 20 April 2012 and meet the relevant criteria.

Under the new arrangements, a supported resident also has the option of making any required contribution to their accommodation costs in the form of a lump sum or periodic payment.

## Policy Context

In the context of considering the best approach by Government for ensuring access to care for supported residents, ACFA notes the following recommendations of the Productivity Commission's 2011 report, *Caring for Older Australians*.

*Recommendation 7.5* - To ensure sufficient provision of accommodation for supported residents, the Productivity Commission recommended retaining mandatory regional ratios for supported residents but abolishing the discounting of the accommodation supplement amount where a service fails to meet the more than 40 per cent ratio. Where the regional ratios are not met the Productivity Commission recommended a sliding scale of penalties be levied on providers based on the severity of the non-compliance.

*Recommendation 17.2* - Whilst recognising the need to protect residents from disruptive change the Productivity Commission recommended the harmonisation of care subsidies and other arrangements. This includes the removal of the exemption from the supported resident ratio obligation provided to some extra services facilities. The Productivity Commission recommended a transition period for the implementation of this recommendation.

*Recommendation 17.6*: The Productivity Commission recommended conducting a pilot to test the workability of a trading scheme whereby a provider could transfer up to 50 per cent of its supported resident ratio requirement per service with other providers in the region or sub-region. The Productivity Commission argued that the flexibility would enable providers to pursue more efficient and innovative business models. As an alternative the Productivity Commission recommended consideration be given to a competitive tendering arrangement, or entitlement funding, for the ongoing provision of accommodation to supported residents as an alternative option.

## Feedback sought

The Authority is seeking views on the issue of access to care for supported residents. Without limiting the feedback, comments are particularly sought on:

- The efficiency, effectiveness and impact of the setting of supported resident ratios by planning region on access to care for supported residents;
- The efficiency, effectiveness and impact of the more than 40 per cent ratio to receive the maximum accommodation supplement on access to care for supported residents;
- Any unintended impacts or consequences of the current arrangements supporting access to care for supported residents;
- The impacts on providers of the rules relating to supported residents;
- The impacts from the 1 July 2014 arrangements on access to care for supported residents; and
- Any possible alternative mechanisms for ensuring access to care for supported residents.

## How to provide input

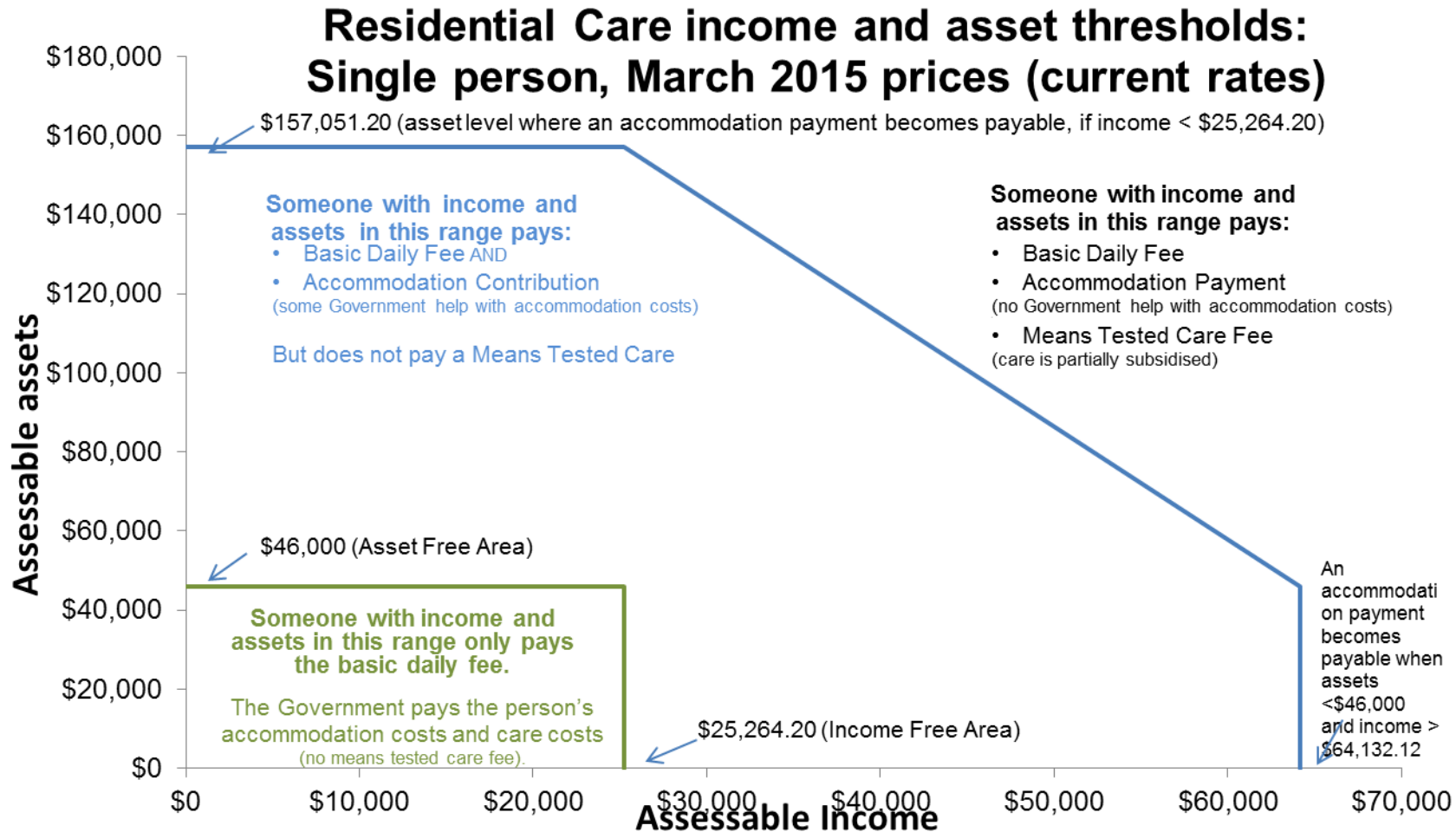
In order to have your feedback considered it needs to be submitted by close of business Tuesday 9 June 2015.

Feedback can be submitted by email to [Consultations@acfa.gov.au](mailto:Consultations@acfa.gov.au)

or by post to:

**Director, Subsidies and Supplements Section**  
**Aged Care Policy and Reform Group**  
**Department of Social Services**  
**PO Box 7576**  
**Canberra Business Centre ACT 2610**

Appendix A – Diagram of Income and Assets Thresholds



Some residents will only be required to pay the basic daily fee.

- Someone with income of less and \$25,264.20 and assets worth less than \$46,000 will only be required to pay the basic daily fee. The Government pays the person's accommodation costs and care costs (no means tested care fee).

Some residents will only be required to pay the basic daily fee and may make a limited contribution to their accommodation.

- An accommodations payment becomes payable when assets <\$46,000 and income >\$64,132.12
- When an asset level of \$157,051.20 is reached, where income <\$25,264.20, an accommodation payment becomes payable.

Someone with income and assets in this range pays

- Basic Daily Fee and
- May be required to make an Accommodation Contribution (some Government help with accommodation costs)
- And may pay a Means Tested Care

Some residents will be required to pay the basic daily fee, pay a means tested care fee and make an accommodation payment based on a price agreed with the aged care facility.

- When an asset level of greater than \$157,051.20 is reached,
- where income <\$25,264.20

Someone with income and assets in this range pays:

- Basic Daily Fee
- Accommodation Payment (no Government help with accommodation costs)
- Means Tested Care Fee (care is partially subsidised)



## Appendix B - Definitions

Low means residents are those who:

- entered care for the first time on or after 1 July 2014 or who entered care before this time and have elected to be subject to the 1 July 2014 arrangements; and
- are eligible for accommodation supplement under section 44-28 of the *Aged Care Act 1997*; or
- on the day they entered the service, had a means tested amount less than the maximum accommodation supplement for the entry day.

Supported residents are those who:

- entered care for the first time on or after 20 March 2008 but before 1 July 2014, or who re- entered care on or after 20 March 2008 after a break of more than 28 days; and
- have assessed assets equal to or less than an amount determined by the Secretary to be the maximum asset threshold for supported resident status.

Concessional residents are those who:

- entered care before 20 March 2008 and who have not re-entered care on or after 20 March 2008 after a break of more than 28 days; and at the relevant time
- are eligible to receive an income support payment from the Department of Human Services or the Department of Veterans' Affairs; and
- have not owned a home for the last two or more years (or whose home is occupied by a 'protected' person, for example, the care recipient's spouse or long term carer); and
- have assessed assets of less than 2.5 times (or if the resident entered care from 20 September 2009, 2.25 times), the annual single basic age pension; and
- can not be required to pay an accommodation bond or an accommodation charge.

Assisted resident are those who:

- meet the criteria for a concessional resident but have assets of between 2.5 and 4 (or if the resident entered care from 20 September 2009, 2.25 times and 3.61), times the annual single basic age pension amount; and
- may be asked to pay an accommodation bond or accommodation charge.

## Appendix C - Supported Resident Ratios

### Australian Capital Territory

- ACT 19.00%

### New South Wales

- Central Coast - 19.80%
- Central West - 20.50%
- Far North Coast - 17.10%
- Hunter - 21.60%
- Illawarra - 27.00%
- Inner West - 28.60%
- Mid North Coast - 17.90%
- Nepean - 23.80%
- New England - 18.30%
- Northern Sydney - 16.00%
- Orana Far West - 21.00%
- Riverina/Murray - 18.60%
- South East Sydney - 19.50%
- South West Sydney - 26.70%
- Southern Highlands - 19.10%
- Western Sydney - 29.80%

### Northern Territory

- Alice Springs - 40.00%
- Barkly - 40.00%
- Darwin - 27.00%
- East Arnhem - 40.00%
- Katherine - 33.80%

### Queensland

- Brisbane North - 16.00%
- Brisbane South - 17.80%
- Cabool - 26.30%
- Central West - 19.50%
- Darling Downs - 18.10%
- Far North - 22.10%

- Fitzroy - 24.30%
- Logan River Valley - 31.20%
- Mackay - 17.80%
- North West - 26.00%
- Northern - 25.00%
- South Coast - 17.80%
- South West - 18.10%
- Sunshine Coast - 17.00%
- West Moreton - 21.40%
- Wide Bay - 20.20%

### South Australia

- Eyre Peninsula - 23.00%
- Hills, Mallee & Southern - 18.80%
- Metropolitan East - 21.70%
- Metropolitan North - 27.70%
- Metropolitan South - 20.20%
- Metropolitan West - 23.50%
- Mid North - 19.50%
- Riverland - 22.00%
- South East - 21.20%
- Whyalla, Flinders and Far North - 27.50%
- Yorke, Lower North and Barossa - 16.80%

### Tasmania

- North Western - 19.50%
- Northern - 18.70%
- Southern - 17.90%

### Victoria

- Barwon-South Western - 18.60%
- Eastern Metro - 16.70%
- Gippsland - 18.20%

- Grampians - 18.20%
- Hume - 18.50%
- Loddon-Mallee - 18.20%
- Northern Metro - 23.40%
- Southern Metro - 18.20%
- Western Metro - 24.70%

#### Western Australia

- Goldfields - 24.40%
- Great Southern - 21.80%
- Kimberley - 40.00%
- Metropolitan East - 23.10%
- Metropolitan North 21.50%
- Metropolitan South East - 22.60%
- Metropolitan South West - 22.60%
- Mid West - 20.10%
- Pilbara - 40.00%
- South West - 19.00%
- Wheatbelt - 17.20%