

SUSTAINABLE AGED CARE = STRONGER COMMUNITIES, JOBS AND ECONOMIC GROWTH

Over 1.3 million people every year are supported by the aged care industry through services to support people at home, independent housing and residential care.

The aged care industry employs 2.8% of the Australian labour force. The aged care sector has a large and diverse workforce, from nurses and care workers to management, hospitality and administrative staff, that directly employs more than 366,000 workers.¹ The health and aged care industries were among the fastest growing industries on SEEK in 2017 with job ads rising by 11.1%.²

Forty per cent of aged care jobs are regionally based,³ underpinning the economies and communities in those areas of Australia.

The Reserve Bank has observed that: “strong growth in household services employment was underpinned by a large increase... [in demand] for aged and home-based care services as the population ages.”⁴

The aged care industry utilises inputs from other industries, such as food, accommodation and medical services. This indirectly generates economic activity by facilitating production and paying wages and returns in these other industries, with estimates of this indirect economic contribution being a further \$4.1 billion.

The direct contribution of the industry is approaching that of other important Australian industries such as residential building construction and the sheep, grains, beef and dairy cattle industry. Aged care contributes 1.1% to Australia’s GDP.

FUTURE DEMAND

- Government estimates an additional 83,500 aged care beds are required over the next decade with an investment requirement in the order of \$35 billion.⁵
- This compares with 33,667 new places that came online over the previous decade.
- Four out of five people who turn 85 years - a growing proportion of the population - will require some support from the aged care industry.
- There are over 100,000 people waiting for a Home Care Package.⁶
- Up to 980,000 aged care workers will be needed by 2050⁷ to meet demand for aged care services.

THE CURRENT SITUATION

Residential aged care is now characterised by an increased number of frailer, older people with chronic and complex health conditions staying for shorter periods of time. This is in part due to the success of home care.

There are some residents, notably those with dementia, who stay for a long time and receive lower levels of Government funding but require significant time to manage behaviours and provide respectful care.

In the past, providers had more mixed resident populations with people with high and low needs enabling the budget to be managed for the population overall. This is generally not the case now.

¹ Australian Government, Department of Health, The Aged Care Workforce, 2016, March 2017, p.xvi.

² <https://insightsresources.seek.com.au/australias-booming-industries>

³ HESTA, Transforming Aged Care, Reimagining the aged care workforce of tomorrow, May 2018, p.19.

⁴ Deloitte Access Economics, Australia’s aged care sector: Economic contribution and future directions, Aged Care Guild, June 2016, p.ii.

⁵ Australian Government, Aged Care Financing Authority, Fifth report - Funding and Financing of the Aged Care Sector, July 2017, p.xiv.

⁶ <https://www.gen-agedcaredata.gov.au/Resources/Reports-and-publications/2018/Mar/Home-care-packages-program-data-report-1-October-%E2%80%93>

⁷ Productivity Commission, Caring for Older Australians, Final Report, 2011.

Funding changes and rising costs are cutting into providers' ability to deliver accessible, affordable, quality care and services to older Australians. The changes have also impacted on building activity.

The recent independent StewartBrown financial survey (data used by Government) shows that 43% of residential aged care providers were making a loss at March 2018⁸ compared with 31% in 2015-16⁹. This loss increases to 58% in outer regional and remote facilities. And the situation is predicted to get even worse.

The StewartBrown report calculates a \$7.30 per day, per resident shortfall.

In addition, the data shows that there has been a significant drop in return on assets across all providers indicating that there is an immediate and longer term funding issue that needs to be addressed.

The Government's policy agenda outlines a move to consumer focussed and market driven aged care services but its regulatory arm is not in sync with its intent. For example, there is a desire to increase user pays for those who can afford to contribute, but arrangements for Additional Services are being constrained.

While there are a range of initiatives underway, none of them deal with the increasing and significant financial challenges aged care providers are facing. Without immediate action the economic fundamentals that underpin sustainable care will continue to erode. Degradation of care funding will – without redress – lead to failures in the system.

Aged care is important for the people who use it and to the economic and employment future of the nation, particularly in regional Australia

WHAT CAN BE DONE

The independent report¹⁰ on the *2012 Living Longer, Living Better* legislation, noted the need for measures to ensure long-term sustainability of the sector.

In the medium to long term, Government and industry must agree on a funding strategy, including taxpayer funding and individual contributions from individuals with means, that ensure sustainability and certainty for providers and the services that people need and want into the future.

But before we can get to that point immediate action must be taken to stem the financial issues being experienced:

- **A \$675 million Industry Transition Package (or equivalent) to bridge the financing gap and ensure that older Australians get the care they need and deserve.**
- **This Transition Package should be in place while industry works with Government on the necessary structural reform to meet the fundamental changes in consumer demand and the financing requirements that are essential to the future.**
- **Additional targeted support should be provided for those residential aged care providers that are struggling in regional and remote Australia,**
- **Additional \$10 million per year for those looking after the homeless for their more challenging needs and to ensure they receive safe, secure and compassionate care and support.**
- **A review of the overall level of investment to ensure the roll-out of additional HCPs keeps up with the actual numbers of people waiting for them.**

ACSA is the peak body for Australia's not-for-profit, church, charitable and community-based aged care providers.

⁸ StewartBrown, Aged care financial performance survey, Residential Care Report, March 2018.

⁹ Australian Government, Aged Care Financing Authority Report 2015-2016.

¹⁰ <https://agedcare.health.gov.au/reform/aged-care-legislated-review>