



12 April 2024

The Hon Dr Jim Chalmers MP
Treasurer
PO Box 6022
House of Representatives
Parliament House
Canberra ACT 2600

Via email:

CC:

The Hon. Anika Wells MP

The Hon. Mark Butler MP

Dear Treasurer

Aged Care Pre-budget submission for 2024-25 Commonwealth Budget

Catholic Health Australia (CHA) is Australia's largest non-government grouping of health, community, and aged care services accounting for approximately 12 per cent aged care facilities across Australia, in addition to around 20 per cent of home care provision. Catholic aged care providers have a vital interest in working with the Australian Government to ensure the sustainable provision of aged care and support services for older Australians meet community expectations of safety and quality of care.

CHA appreciates the opportunity to provide input into the Commonwealth Budget's priorities for 2024-25, and looks forward to continuing to work constructively with the new government in the execution of our joint commitment to improving health and aged care outcomes nationally.

Please note that CHA has also communicated our health priorities in a separate detailed submission. Many of the measures outlined there are applicable across the care sectors.

Financial sustainability amid rising costs

The aged care sector faces numerous economic headwinds while simultaneously working through the most comprehensive set of aged care reforms in decades. Broadly, cost pressures on residential and community aged care are rising, particularly labour costs. In addition to each individual staff member becoming more expensive to obtain and retain, there are significant shortages of staff which has been exacerbated by expanded staffing responsibilities under ongoing Commonwealth Government reforms. In addition to increases in costs associated with CHA Members' own workforces, this has led to a sector-wide increase in the use of agency staff in the second half of 2023. It remains to be seen if the market can adjust to this expensive increase in the use of agency staff.



The aged care sector is rarely profitable. Since 2020, just two quarters have seen an average sector marginal operating surplus (in each case, this surplus was very small). In those instances full year results indicated a loss.

Despite these cost challenges, early evidence suggests that the sector has passed on additional funding provisioned for Fair Work Commission funding increases in full. In some cases, providers appear to be offering higher pay to staff not covered by current Fair Work Commission decisions¹.

CHA's submission should be read in the context of the challenging financial circumstances that Catholic aged care providers – and the sector more broadly – are facing.

I am very happy to meet with you, or arrange for you to meet with Catholic aged care providers from around the country, to provide any further information you need in support of these recommendations.

Yours sincerely,

Jason Kara
Chief Executive Officer
Catholic Health Australia

¹ StewartBrown. Aged Care Financial Performance Survey Sector Report (September 2023)



Catholic
Health
Australia

Catholic Health Australia – Pre-budget submission on Aged Care 2024-25

January 2024

Catholic Health Australia

www.cha.org.au

Catholic Health Australia (CHA) is Australia's largest non-government grouping of health, community, and aged care services accounting for over 15 per cent of hospital-based healthcare in Australia. Our members operate hospitals in each Australian state and in the Australian Capital Territory, providing about 30 per cent of private hospital care and 5 per cent of public hospital care in addition to extensive community and residential aged care. CHA Members also provide approximately 12 per cent of all aged care facilities across Australia, in addition to around 20 per cent of home care provision.

CHA not-for-profit providers are a dedicated voice for the disadvantaged which advocates for an equitable, compassionate, best practice and secure health system that is person-centred in its delivery of care.

Recommendations

1. Considering options for expanded user contributions to their aged care experience:
 - CHA is awaiting the release of the Aged Care Taskforce's review into funding options for the

aged care sector.

- CHA recommends the review – and the Government’s response – focus on permitting user contributions from those with adequate means, to support fairness and sustainability in the aged care system.

2. Invest in addressing critical workforce shortages in the aged care sector and create incentives to attract and retain staff:

- Support the Stage 3 Work Value pay equity case before the Fair Work Commission (FWC).
- Restore national leadership to care workforce planning through the re-establishment of Health Workforce Australia.
- Provide rental assistance by ensuring rents up to a specified amount be exempted from the salary packing ceiling, for nurses and other aged care staff renting within a certain proximity to their work.
- Investors and hospitals developing specific housing for nurses should receive taxation incentives where these homes are in proximity to a health service.
- Create a national ‘Health & Care Worker Passport’ to centralise and align compliance checks for hospital, aged, and disability care workers.

3. Create an aged care innovation fund or other mechanism to support investment in new models of care, practices, partnerships and technologies that improve access to services, promote better care or enable cost reductions.

- The new fund will support investment and trials of new models of care, including virtual assistance to support on-site staff with care. It will also play a critical role in fostering innovation to responding to supply gaps and barriers to operating in regional, rural and remote areas.
- Additionally, the Aged Care Quality and Safety Commission should be tasked to foster and share sector innovation through the fund.

4. Support sector capital renewal to ensure older Australian’s have access to safe, comfortable facilities.

- To ensure that communities across Australia remain supported by local, quality aged care, the Commonwealth should prioritise an expansion and increase of the Aged Care Capital Assistance Program, at least doubling available funds to \$300m per year.

Aged Care Taskforce recommendations

CHA notes that at time of writing, the Aged Care Taskforce is yet to release its review into funding options for residential and in-home support aged care services. While CHA will offer further observations to Government based on the Taskforce Review, we are able to make the following in-principle recommendations based on our engagement with the sector. CHA recommends that:

- Where their means allows, older Australians can and should make a co-contribution to the cost of their residential aged care services.
- Where their means allows, older Australians can and should make a co-contribution to the cost of their in-home support aged care services.

For residential aged care, it is particularly important for fairness and sustainability that aged care consumers be able to make contributions to lifestyle related components of their experience. For example, accommodations or other customised experiences. While the intention is not to create a ‘two-track’ system, if properly designed this could:

- Allow additional funding to enter the system from non-government sources, helping to sustain a high standard of care for all older Australians.
- Allow those Australians with the means to do so to benefit from a more tailored aged care experience, while contributing to an overall uplift in the standards of care for their peers with less financial resources.

There are other considerations that relate to aged care funding that the Government should review as it works through its current aged care reform schedule.

CHA is aware that the Modified Monash Model is not necessarily an effective tool for establishing funding needs for the aged care sector. CHA would endorse a review of whether this model is fit for purpose, and the most appropriate remoteness classification system available.

CHA would also welcome consideration of a model that involves a partial retention of the refundable accommodation deposit (RAD) for aged care. New Zealand currently uses a system that permits aged care services to retain a portion of a resident’s RAD when they pass away, in recognition that some costs relating to their stay were not covered through available funding, and as an explicit means to allow capital investment to support and care for future residents. While many older Australians are financially vulnerable, others have significant assets to contribute to their aged care, and it is reasonable that some of these assets help to maintain an aged care system that supports all older Australians.

Workforce challenges

In October 2023 the respected thinktank the Committee for Economic Development Australia (CEDA) released their report *Duty of care: Aged-care sector running on empty*. The report noted increasing costs, insufficient staff, poor wages (despite recent increases), the cost of living which is deterring people from taking low paid jobs in the aged care industry and lack of available affordable housing for workers.

For providers the report noted that new mandated staffing levels mean many facilities are operating well below full capacity because they can't get enough workers. CHA is supportive of changes that increase care and quality however they must be part of a national plan to grow the workforce.

Previous CEDA research found there would be a shortfall of at least 110,000 direct-care workers by 2030. In 2022 a CHA-sponsored survey by the University of Notre Dame and Evaluate found there were almost 60,000 care and nursing vacancies in aged care and over 82,000 for the combined health and aged care sector. There has been no significant shift to these figures in the intervening time; if anything CHA understands the situation has worsened.

CHA's workforce recommendations are designed to provide immediate support to the aged care workforce in Australia, but also to course-correct care sector workforce planning in the long term. CHA appreciates the extensive work the government and Department of Health and Aged Care (the Department) have undertaken recently to understand the workforce issues aged care providers face, and the progress that has been made towards remedying these, for example with sped up visa processing times. Workforce challenges nevertheless continue and will be ongoing until the numbers of locals training, graduating and working in the health and care sectors increase dramatically. No single solution will get us there, but implementing a package of short, medium and long term changes such as those outlined below, will help to move the dial on this problem on a variety of fronts.

A. Supporting and funding the Fair Work Commission Stage 3 Value case

CHA recommends that the Commonwealth Government fully fund the outcome of the FWC Work Value Stage 3 case.

Stage 2 of the FWC Work Value Case offered a significant step forward – a 15 per cent uplift in pay for clinical staff in aged care settings, as well as for some non-clinical senior staff. However, this case ultimately paid for clinical quality, but not quality of life.

Over 100,000 members of the aged care workers did not receive a wage increase as their roles were not considered to be direct care. This is despite many of these workers performing tasks critical to sustaining care and quality of life for aged care consumers, such as maintenance, administration and gardening. In many instances, the distinction makes little sense.

For example – head chefs received a pay rise. However, kitchen hands did not. Kitchen hands are responsible for quality control and food presentation. Meals are a fundamental and social part of a residential aged care facility resident's day to day life. Stage 2 – in isolation – has created circumstances where some staff in the same kitchen have received a pay uplift, and others have not. CHA and other providers have noted that

examples such as this have led to friction in their workforces. It also exacerbates circumstances in which staff like kitchen hands are incentivised to leave aged care for other industries.

Beyond the division created by the Stage 2 decision, it also failed to make provision for the full quantum of the 25 per cent pay uplift sought by the aged care sector labour unions – Fair Work Australia is now hearing evidence on this claim. CHA strongly supports the FWC finding that the pay uplift from Stage 2 should be increased to 25 per cent and expanded to all aged care sector workers in Stage 3. CHA notes that vacancies in the aged sector remain high as workers can find higher paying jobs in other industries.

Ultimately, if the FWC does support expanded eligibility for a pay uplift and/or a shift to a 25 per cent uplift, it is imperative that the Commonwealth Government fully fund the outcome of the FWC Work Value Stage 3 decision, as the Government committed to do as part of its election platform.

B. Restoration of Health Workforce Australia

CHA recommends that national leadership be restored to health workforce planning through the re-establishment of Health Workforce Australia.

The health, care and disability sectors face a structural deficit of available workforce participants, with every provider competing for a limited pool of potential staff. This problem is replicated globally.

In Australia, no central agency has sufficient oversight of either current or future workforce needs in Australia's health and aged care sectors. It is impossible to train adequate numbers of staff in the disciplines that will be required in the future without an understanding of the composition and attributes of the current workforce and a view of what is over the horizon. This structural deficiency has led to our current state: state and territory governments have been announcing workforce incentives and development initiatives without a clear idea of how additional promised care workers will materialise. Further, this is being done without properly accounting for the fact that, in the short term, workers will inevitably be poached from other jurisdictions or the private sector, shifting workforce gaps around rather than filling them. State and territory governments adopt these short-term measures as they lack the independent capacity to deliver wider structural solutions.

CHA recommends the reconstitution of Health Workforce Australia (HWA) or similar. The Council of Australian Governments established HWA in 2008 to act as the national agency to address health workforce reform including understanding the skills and volume of workers needed, and where in the country they will need to be distributed. This included developing national workforce projections for doctors, nurses and midwives, allied health professionals and assistants in nursing through to 2025. A reconstituted HWA should add aged and disability support workers to the list of roles it develops workforce plans for.

HWA was abolished in 2014 by the Commonwealth Government, citing the perception HWA was additional bureaucracy, and alleged confusion regarding the division of roles between HWA and the Department. Ostensibly HWA's functions were rolled into the Department, however given the sector is now experiencing a workforce crisis with no line of sight into where care workforce gaps are and will be, it is clear that stronger workforce guidance in the form of a separate organisational structure focused on the workforce crisis is needed.

In the absence of an accurate picture on the scale of the workforce challenges facing the sector, CHA commissioned research to identify the current vacancy rate for key health care roles nationally. That research, conducted by CHA and Notre Dame University in 2022, indicated a national health and aged care workforce shortage of over 82,000 staff, including over 11% of enrolled nurse and 6% of registered nurse positions being vacant.

A reconstituted HWA would bring together critical workforce research as well as planning and development functions under one roof at a national level. It would collaborate with states, territories, and the private sector to understand workforce needs, coordinate appropriate levels of training, incentivise greater participation in the care workforce and provide recommendations to the Commonwealth government on where further skilled immigration is appropriate. HWA would also help maximise the use of the current workforce by researching, collating and disseminating successful improvements to scope of practice, retention, uses of digital technologies to improve workforce productivity and exploration of other models of care.

C. Affordable housing for nursing staff

CHA recommends rent subsidisation up to a specified ceiling be exempted from salary packaging caps, for nurses renting within a certain proximity to their work.

NURSES AT ONE CHA MEMBER HOSPITAL GROUP TRAVEL ON AVERAGE FOR 1 HOUR EACH WAY TO AND FROM WORK. OFTEN THEY ARE DRIVING PAST 2 OTHER OUTER HOSPITALS ON THE WAY.

The increasing cost of housing across Australia (no longer limited to major metropolitan areas) is contributing to challenges in recruiting and retaining nursing and other aged care staff. This is particularly evident in geographical areas where nurses cannot easily afford to live near the population they serve.

While the changes in work patterns brought about by COVID-19 have meant many sectors of the workforce have enjoyed opportunities to work from home, aged care staff have simultaneously suffered at the frontline of COVID-19 prevention and treatment, while also enjoying none of the benefits of working from home which COVID-19 offered. Many aged care services are clustered in suburbs where affordable housing and rental properties are not available. As a consequence, nurses and other aged care workers need to travel significant distances to get to work each day, which is a disincentive to retention.

To counter this, CHA recommends changes are made to promote and subsidise suitable accommodation close to where nurses need to work in a similar way to how Nurses' Homes once provided this advantage. Specifically, rent subsidisation may be considered by exempting rental deductions up to a certain limit from salary packaging caps, for properties located within a certain proximity to work.

The benefit for frontline staff would help to offset inequitable housing access that is impacting workforce shortages for many hospitals. This investment from the Commonwealth Government would deliver a pay advantage to a workforce that is falling behind general market rates for equivalent university graduate roles and is struggling to attract new entrants. It would also alleviate a key barrier that not-for-

profit aged care providers face in recruiting staff. Further, by incentivising nurses and other aged care staff to work at facilities local to them, it may lead to reduced appeal of leaving stable work for costly agency roles.

Investors may be induced to consider acquiring apartment complexes that would operate as quasi ‘Nurses’ Homes’ in geographical locations with high barriers to entry. Where aged care facilities provide these homes themselves, they should receive similar taxation advantages enjoyed by other community housing providers. Due to proximity, staff can more easily build camaraderie with both junior and senior colleagues outside of their immediate work area. Informal debriefing occurred socially especially after particularly tough shifts, building support networks and resilience. Resilience and burnout factors remain prevalent in this workforce with solutions requiring a multifactorial approach – housing considerations is one step in a range of many that will be necessary for sustainability of a high quality aged care system.

D. ‘Health & Care Worker Passport’ to centralise and align compliance checks for hospital, aged, and disability care workers

CHA recommends the creation of a national ‘Health & Care Worker Passport’ to centralise and align compliance checks for hospital, aged, and disability care workers.

Compliance requirements for workers across the health, disability and aged care sectors vary by sector and by jurisdiction. This is both an unnecessary cost burden and an unnecessary bottleneck when it comes to recruiting and on-boarding new staff. A streamlined approach at the federal level for care industry workers would make a tangible difference to industry. It is also important that compliance checks cover **both** registered and unregistered providers on a mandatory basis.

Many compliance checks draw information from the same databases. Rather than these databases being accessed separately and repeatedly by different agencies and departments, a ‘Health & Care Worker Passport’ or equivalent would reduce on-boarding times and cost, and would allow better scalability across the available health and care workforce. Over time, additional on-boarding requirements such as proof of immunisation could be added to the Health & Care Worker Passport to provide further efficiencies. This passport could also support the future introduction of aged care worker registration, as recommended by the Aged Care Royal Commission.

This is more than a convenience. There are genuine cost burdens for providers in meeting the requirements for compliance requests from multiple agencies including criminal record checks, working with children checks, insolvency checks and vulnerable people checks.



An aged care innovation fund to support technological development in the sector and new models of care

CHA recommends that the Commonwealth Government create an aged care innovation fund or other mechanism to support investment in new technologies and models of care that promote better care or enable cost reductions.

Technology is enabling new ways to reduce pressure on the aged care and health systems that should be embraced, especially while other workforce initiatives help deliver a larger and better trained staff in the longer term.

Realising the benefits derived from new technology requires funding commitments the aged care sector is unable to facilitate. Existing financial challenges, exacerbated by COVID-19 mean providers will be unable to meet the capital investment needs whilst maintaining the quality of care for residents.

The intention of this fund is not necessarily that the Commonwealth directly pay for the expansion of technology solutions throughout aged care. Rather, the fund would support pilots and innovative models in partnership with providers, to demonstrate the efficacy of solutions in improving patient care, reducing costs, expanding workforce productivity or some combination of these factors.

Examples would include technological supports for residents in aged care (e.g. new mobility aids), virtual assistance to support on-site staff with care, new platforms to manage workforce deployment, etc.

Where solutions are proven to be effective, the Commonwealth will need to consider how they are funded in instances where they involve significant upfront capital costs. Future budgets could consider direct grants or sector-wide funding. Another option would be low-cost loans to the aged care sector to provide transitional support while the base cost of new technologies and models of care are incorporated into the Australian National Aged Care Classification Funding Model.

CHA is keen to discuss governance models for this innovation fund, but initially suggests that the Aged Care Quality and Safety Commission could have carriage of the fund. This is appropriate given the Fund's focus on innovation and quality.

Supporting capital renewal

CHA recommends an expansion of the Aged Care Capital Assistance Program (ACCAP).

There are extensive instances of aged care providers owning assets which are either not fit for purpose or will cease to be appropriate in the near future. However, many of these facilities could continue to provide essential community services with some investment to modernise or expand them. Unfortunately a range of factors make it untenable for many aged care providers to make significant investments in these facilities. Factors include:

- Most aged care providers having run at a loss in recent years
- Increased construction costs since the COVID-19 pandemic, and
- Expanded care requirements under recent reforms, exacerbated by the high marginal cost of attracting and retaining staff.

While these facilities are nearing the end of their useful lifespan in their current state, in many instances modernising or repairing them will be significantly cheaper than:

- A knock-down-rebuild in the event the facilities become unusable; or
- The service associated with a facility closing, and the Commonwealth Government being required to fund alternative arrangements for current and future clients in the local area.

CHA believes the solution lies in an expansion of ACCAP. Currently, ACCAP is scheduled to provide \$603.7m to 30 June 2027, and a minimum of \$156m per year thereafter. This funding was determined based on the goal of improving access to quality aged care services in thin market settings for people from:

- Indigenous communities
- Rural, regional and remote areas
- Homeless Australians
- Others with complex needs, including dementia.

While the intention of the program is admirable, the funding to support it is insufficient. CHA notes and appreciates that eligibility will be broadened to more rural and regional areas when the next round of grant applications opens in 2024. However, the Commonwealth's aged care reforms recognise that vulnerability in aged care is pervasive.

While CHA supports the prioritisation of rural and regional areas and groups facing particular vulnerability, the funding attached should be at least doubled. All aged care providers that can demonstrate they are providing high quality aged care to a vulnerable population and are financially constrained in their efforts to do so should be eligible to apply (while continuing to prioritise the greatest need in assessing grants).

Significant parts of the sector are facing challenges with attracting and retaining staff. An expansion of the ACCAP would ensure greater investment in staff housing solutions to address critical staff shortages in the sector. While the Commonwealth's focus on expanded care minutes and the staff to provide them is



admirable, reforms will ultimately fail if those staff and the elderly Australians they care for are not housed in suitable accommodation.