

While pre-budget publicity listed aged care as a focus of the budget, the initial sector reaction is that it appears to be a mixed result for aged care providers and recipients of care. The sector was hoping that this budget might address the previous funding cuts in residential aged care, the waiting list for home care packages and the reforms and recommendations of the various reviews of the sector that have taken place in recent times. The budget does address a number of these issues and hints at addressing others, however significant structural funding issues remain, in particular with residential aged care.

### ACCESS TO CARE

**An additional 14,000 new “high-level” home care packages over the next four years from 2018-19 in addition to the 6,000 high level packages delivered in the 2017-18 MYEFO.**

**The total number of high care packages available by 2020-21 should be in excess of 74,000.**

The current waiting list for Level 3 and Level 4 packages at 31 December 2017 was 82,237 out of a total number of consumers on the National Priority queue at that date of 104,602. There were 56,856 persons waiting for a Level 4 package and of those, 14,795 had not received an interim package. So, while this increase in the release of high care packages will be welcomed by both providers and consumers, it will not go anywhere near meeting the current demand for these packages.

In ACFA’s 2017 Annual Report on the funding and financing of the aged care sector, it notes that *“an additional 62,000 home care packages will need to be allocated between 2015-16 and 2021-22 in order to meet the target of 140,000 operational home care places by 2021-22.”*

**13,500 residential aged care places and 775 short term restorative care places in the 2018-19 Aged Care Approvals Round will be released, with a \$60.0 million capital investment to support new places.**

Given that there was no ACAR in 2017-18, this is in effect a catch-up with the growth in places that is required. In ACFA’s 2017 Annual Report on the funding and financing of the aged care sector, it notes that *“around 49,000 additional residential care places will need to be made operational in order to meet the target residential provision ratio by 2021-22.”*

**The Government will provide funding of \$105.7 million over four years from 2018-19 (including \$32.0 million from within the existing resources) to support the National Aboriginal and Torres Strait Islander Flexible Aged Care Program to deliver additional residential aged care places and home care packages in remote Indigenous communities.**

Any increase in funding to support those requiring care in regional and remote areas will be welcomed.

**The Government will provide funding of \$61.7 million over two years from 2018-19 to make the My Aged Care website easier to use and will develop simpler assessment forms for people to access aged care services.**

This is a significant amount of funding for further development of the My Aged Care Website. A recurrent complaint is that the MAC website is difficult to navigate for both care recipients, potential care recipients and service providers. Improving the experience for all involved is warranted and should be properly targeted.

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**The Government will provide capital grants funding of \$40.0 million over four years from 2019-20 for aged care facilities in regional, rural and remote Australia.**

This is for minor capital and maintenance requirements and should provide some welcome assistance to regional and remote facilities that often do not have access to the capital inflows from large bonds or accommodation payments that are routinely received by providers in the major capital cities and larger regional centres.

**The Government will provide \$0.3 million in 2018-19 for an impact analysis of allocating residential care places to people seeking care, rather than to the providers of that care in response to the 2017 Legislated Review of Aged Care.**

The Government will support in-principle the proposal to transition the allocation of residential care places through the Aged Care Approvals Round (ACAR) to alternative arrangements that provide real choice for older Australians. An impact analysis will be undertaken to understand the effect of such changes, as recommended by the Legislated Review of Aged Care 2017 (Tune review).

The analysis will assess the potential impacts on consumers, providers, the financial sector and any structural adjustment that may be required. It will also examine the impact of any changes in areas with limited choice and competition, such as rural and remote areas.

The Government will consider future reform in this area as part of moving towards a simplified aged care system. This will provide greater choice for older Australians through a continuum of care, from extra support to stay in the home longer through to when they chose to enter residential care. The specific approach to this reform will be identified once appropriate consideration has been given to the complexities, risks and implementation arrangements.

The outcomes from this study is likely to inform policy decisions in relation to other Tune recommendations that have not been addressed as part of this budget and provide greater clarity around future policy directions. It would be hoped that, given the small amount involved, much of this work will have already been done and this process will be conducted expediently.

**The Government will provide funding of \$14.8 million over two years from 2018-19 to support preparatory work for a new national assessment framework for people seeking aged care.**

The Government will design and implement a new framework for streamlined and faster consumer assessments for all aged care services, to be delivered by a new national assessment workforce from 2020. The framework will be developed in consultation with groups across the aged care sector, including aged care service providers, consumers including Aboriginal and Torres Strait Islander people, and existing assessment workforce organisations – Regional Assessment Services and Aged Care Assessment Teams.

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**The Government will provide further funding of \$7.4 million over two years from 2018-19 to trial navigator services to assist people seeking information about aged care to make decisions that are right for them.**

Four programs will be trialled:

- ✦ 30 aged care information hubs to provide locally targeted information and build people’s capacity to engage with the aged care system;
- ✦ 20 community hubs where members support each other in navigating aged care and healthy ageing;
- ✦ six full-time specialists placed in consumer-focused organisations to offer one-on-one support for vulnerable people; and
- ✦ six full-time aged care Financial Information Support Officers (FISOs) in the Department of Human Services – to complement the existing generalist FISO service – to give additional support to people with the complex financial decisions they need to make when entering aged care.

**The Government will provide funding of \$32.8 million over four years from 2018-19 for a trial to improve palliative care for elderly Australians living in residential aged care facilities, contingent on matched funding from the States and Territories**

This will support new approaches to how care is delivered by state and territory governments that improve palliative and end-of-life care coordination.

It will also strengthen national efforts to improve access to quality palliative care as a key component of an integrated health–aged care system.

Quality palliative care plays a vital role at the end of life for Australians, reducing the physical and emotional distress of dying for individuals and the carers, family and friends supporting them.

Many older Australians living in residential aged care facilities transfer in and out of hospital multiple times as they approach the end of their lives. This measure will provide early access to specialist palliative care support in aged care facilities that will reduce the need for many of these hospitalisations and may limit the associated emotional and financial impacts on older Australians and their families.

It will further enable people to die in their place of choice, supported by increased capacity in aged care, improved care coordination, and better clinical governance.

There are no details yet as to how this program will work. Given the qualification that it relies on the States and Territories matching the funding, then it might be expected that the States will play a role in the provision of these services to residential care facilities or possibly partnering with aged care providers to provide the services. Any additional funding for providing palliative care services into residential care facilities is welcomed as it is currently not properly funded under the ACFI funding system.

**The Government will provide funding of \$82.5 million over four years from 2018-19 for mental health services for people in residential aged care facilities.**

It is important that older Australians have access to mental health services, both in residential care and in the community.

Mental illness in later life is associated with increased rates of chronic or serious health conditions, reduced capacity for independent living and increased suicide risk.

Loneliness and social isolation are also strongly associated with a range of physical and mental health conditions, including depression, reduced capacity for independent living, and increased suicide rates.

This initiative for persons in residential aged care will be in addition to a \$20 million trial to improve mental health services for Australians over 75 years of age whose mental and physical health are at risk because of social isolation and loneliness. The Australian College of Mental Health Nurses will lead the development of a mental health nurse led service focused on reducing the detrimental health and mental health impacts of social isolation.

## QUALITY AND COMPLIANCE

**The amount of \$4.8 million has been allocated over four years to develop and monitor compliance with stronger prudential standards applied to accommodation bonds and refundable accommodation deposits held by service providers. They will also introduce a compulsory retrospective levy on residential aged care service providers where defaults exceed \$3 million in a fiscal year.**

There is no detail yet on what the strengthening of regulations and monitoring ability will look like at this stage. The Government has yet to respond in detail to the Ernst & Young review of the Prudential Regulations and compliance environment so it is a matter of wait and watch.

The power to levy the aged care providers has been available to the Government under the existing Guarantee Scheme, however it has never been applied. This has meant uncertainty for providers. This new measure, while adding to the cost to providers should there be a financial failure, will provide certainty in regards the Government's response.

**The Government will establish a new Aged Care Quality and Safety Commission from 1 January 2019 and will provide \$253.8 million over four years from 2018-19 to support the functions of the new Commission.**

The Commission brings together the functions of the Australian Aged Care Quality Agency, the Aged Care Complaints Commissioner and,

from 1 January 2020, the aged care regulatory functions of the Department of Health. The Commission will be led by an independent Aged Care Quality and Safety Commissioner and supported by an advisory group. A new Chief Clinical Advisor will provide advice and strengthen quality assessors' access to clinical advice in assessing complex clinical care matters. A single statutory office will enable flexible and responsive regulatory powers and build a holistic and joined up risk-based approach to aged care regulation.

While there is \$253.8 million allocated to this new Agency, it will have no net fiscal impact, rather it will reallocate funding from each of the existing agencies.

This should make it easier for aged care providers to deal with one regulatory agency rather than several. Aged care providers will know who to contact in relation to their accreditation, assessment, quality monitoring and compliance requirements.

**The Government will provide \$50.0 million over two years from 2018-19 for a Quality Care Fund to improve the quality of residential aged care.**

The new standards have been developed as part of the Single Quality Framework and are expected to be in place from 1 July 2018, with assessment against the new standards starting from 1 July 2019. The focus of the new Aged Care Quality Standards is on outcomes for consumers rather than the current Accreditation Standards' focus on systems and processes. This measure provides additional funding for residential aged care services to assist them to prepare for the new quality standards. Transition to the new consumer-focused standards will ensure people in residential aged care can be confident of safe, quality aged care.

While this is likely to be welcomed by the sector, there is no detail yet on how this assistance can be accessed, what it can be used for and how it will be directed.

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**The Government will provide \$32.6 million over four years from 2018-19 to enhance the regulation of aged care provider quality to better identify risks and respond more quickly to care failures.**

The Government will establish a robust risk profiling approach to support the new Aged Care Quality and Safety Commission to better identify risks to consumers and enable regulatory processes to respond quickly to care failures by aged care providers. This enhanced risk-based approach will identify and respond to individual and systemic risks to aged care consumers. It will determine the frequency and rigour of site audits to assess compliance against quality standards and will build a more responsive regulatory system. The current regulatory system does not meet best practice principles for risk profiling.

While the vast majority of aged care homes provide excellent service all year, there are unfortunately some exceptions.

The new Aged Care Quality and Safety Commission – which will bring together aged care regulatory functions and create a new Aged Care Commissioner – needs to be able to better target sub-standard care through improved regulatory effort, risk identification and unannounced visits to aged care services. The design of a Serious Incident Response Scheme is also essential to protecting aged care recipients from abuse and mistreatment.

This measure responds to recommendations of the *Review of National Aged Care Quality Regulatory Processes 2017 (Carnell-Paterson Review)*.

**Providers will not be required to pay a levy for unannounced site visits until 1 July 2020.**

Further details on this measure will need to be provided, specifically whether it is deferring the existing plans for charging for the new unannounced reaccreditation visits.

**The Government will provide additional funding of \$8.8 million over four years from 2018-19 to improve the transparency of information on aged care provider quality.**

The Government will introduce a performance rating for residential aged care service providers against the new quality standards and improves complaints processes for older Australians in residential care. In a staged process from July 2018, a single Charter of Rights for consumers will continue to be developed – replacing the four current charters – and an open disclosure framework will encourage care providers to discuss adverse care-related incidents with residents and their families.

From July 2020, differentiated performance ratings of residential service providers will be published on the My Aged Care website, together with a tool to compare providers. Simplified, plain English accreditation reports will be published with the existing Consumer Experience Reports, and providers who obstruct the resolution of complaints can be publicly identified.

This is a response to the *Review of National Aged Care Quality Regulatory Processes 2017 (Carnell-Paterson Review)* which identified that improvements were required to the current system to help older Australians understand and exercise their rights and be able to compare provider performance.

While transparency and provision of information for consumers is important to maintain and grow the trust in service providers, a concern for providers would be any additional compliance or administrative burden that would be attached to this process when the cost of compliance is already an overwhelming financial burden for aged care providers.

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## BETTER AGEING

There were a number of measures included in the budget to encourage better health outcomes for the elderly which may also provide opportunities for service providers.

**The Government will provide funding of \$29.2 million over two years from 2018-19 to undertake a trial of support strategies to help older Australians stay independent for longer.**

The Government will trial innovative approaches to supporting older Australians to stay living independently in their own homes for longer, whilst still receiving the support and services they need to remain active and engaged. Regional Assessment Services (RASs) and Commonwealth Home Support Programme (CHSP) providers will be supported to deliver services that promote greater independence, mobility and autonomy, reducing or delaying the need for more complex aged care support services.

A revised assessment model for older Australians accessing entry-level aged care services will be trialled in up to four RAS sites.

Complementary support strategies for the broader sector will also be implemented nationally. These will include training programs, resources and practical supports to assist service providers, older Australians, and their families and carers, to adopt active support approaches.

A national evaluation over the trial period will further assess the effectiveness of the revised model, as part of a future aged care system based on greater independence and choice.

**The Government will provide \$5.3 million over four years from 2018-19 for the development of technological solutions to support people living with dementia to better manage their care.**

The Government will fund the design and pilot of a program to improve care for people living with dementia, with an emphasis on using innovative technologies.

This will enable further development of, and investment in, technological solutions that help people living with dementia, their families and carers to understand dementia, and develop skills and strategies for caring. This will enable the health and aged care sectors to better respond to increased rates of dementia in the community. The technologies will be showcased through programs such as the National Dementia Support Program and through community organisations providing services for people living with dementia. Primary Health Networks will also help disseminate information about project results.

Dementia-focused care technology is a relatively new market with untapped potential to help people with dementia to live at home for longer. Further investment by the Government in technology-enabled projects could help to develop new and scalable options for use across the community, aged care, health and education sectors to improve care.

Other programs to encourage better ageing include:

- ✦ \$22.9 million over two years from 2018-19 to encourage and increase physical activity in older Australians;
- ✦ \$6.5 million over four years from 2018-19 for the development of website checks for 45 and 65 year olds which will be supported by reminder letters so they can assess their health, employment options and finances, so as to remain healthy, active and independent;
- ✦ \$0.3 million over two years from 2018-19 to the Australian and New Zealand Hip Fracture Registry to collect more data to improve patient outcomes

- ✦ \$20.2 million to amend the pension means test rules to encourage the development and take-up of lifetime retirement income products that can help retirees manage the risk of outliving their savings; and
- ✦ \$11.0 million to expand the Pension Loans Scheme to everyone over Age Pension age and to increase the maximum fortnightly income stream to 150 per cent of the Age Pension rate. This will enable Australians to use the equity in their homes to increase their incomes.

## GENERAL MEASURES

**The Government will provide an additional \$106.8 million over four years from 2018-19 to modernise the health and aged care payments systems and ensure that the Government continues to own and operate the ICT systems that support the delivery of Medicare, the Pharmaceutical Benefits Scheme, aged care and related payments into the future.**

This measure includes funding for replacing and decommissioning ageing ICT systems, upgrading cyber security, and introducing user experience improvements for consumers and providers of health and aged care services.

## CONCLUSIONS

The measures that have been put in place in this budget will be largely welcomed by both aged care providers and consumers alike. It is the expectation gap that will provide a level of concern for aged care providers and consumer advocates. The sector was expecting a little more in response to the Legislated Review of Aged Care 2017 (Tune review) and the other reviews into the sector over the past eighteen months. Matters that were not addressed included:

- ✦ Additional ACFI subsidy funding for residential aged care, including a commitment in relation to the COPE increase effective from 1 July 2018
- ✦ Mandatory consumer contributions across Commonwealth Home Support Programs and Home Care Packages dependent on their financial means
- ✦ Deregulating the Basic Daily Care fee in residential aged care
- ✦ Increasing the threshold of the family home in the means testing in residential aged care
- ✦ Increasing the maximum accommodation payment threshold before Pricing Commissioner Permission is required to better reflect the property market
- ✦ Linking the Maximum accommodation payment threshold to median house prices
- ✦ Increasing the annual and lifetime fee caps
- ✦ Timeline for the implementation of the agreed Tune Review recommendations in addition those detailed above

## StewartBrown Aged Care Executive Team



**Stuart Hutcheon** | Managing Partner

Stuart Hutcheon is the head of our Audit and Assurance Division, but also provides consulting services to a diverse client base. He has had considerable experience with both commercial and not-for-profit organisations. This experience covers all areas of professional services including auditing, management accounting, budgeting, salary packaging and FBT advice.

Prior to joining StewartBrown Stuart held positions in commerce and undertook various medium-term secondments in various financial accounting roles. He has been a partner since 2004.

Stuart holds a Bachelor of Commerce and is a Chartered Accountant, Registered Company Auditor and Registered SMSF Auditor.



**Grant Corderoy** | Senior Partner

Grant is the head of our expanded Consulting division. He specialises in a range of services for his clients including undertaking complex accounting assignments, system reviews, management consulting, specialised audits and general business advice. He also has considerable experience in advising clients on the sale and purchases of businesses, business valuations and due diligence.

Grant has over 40 years' experience in the profession and was previously responsible for the Audit and Aged Care Division which he established in 1990. A partner in the firm since 1995, he has significant professional expertise within the not-for-profit sector and has a lengthy client list including many national aged care providers and community service providers.

Grant has tertiary business qualifications and is an Affiliate of Chartered Accountants Australia and New Zealand.



**David Sinclair** | Partner

David is Partner with StewartBrown specialising in providing services and advice to the aged care and community services businesses with a focus on the not-for-profit sector. Until recently, David managed the StewartBrown Aged Care Financial Performance Survey. David now leads the internal audit team and jointly leads the consulting team in conjunction with Senior Partner Grant Corderoy. David holds a Bachelor of Economics, is a Chartered Accountant, an Associate Member of the Institute of Internal Auditors and Member of the Australian Institute of Company Directors.



**Tracy Thomas**  
Senior Manager | Benchmark Services & Business Analysis

Tracy is a Chartered Accountant and Associate Actuary. Since joining StewartBrown in 2016, she has been involved with the Aged Care Financial Performance Survey and now heads the team undertaking the survey. She has worked with several providers of residential aged care and home care on consulting assignments and produced the Corporate Administration Reports and Listed Providers Analysis updates. She specialises in data analysis and financial modelling.



**Annette Gough**  
Senior Manager | Consulting

Annette is a CPA who has recently joined StewartBrown in the position of Senior Manager within our Consulting division. She has extensive experience in the NFP industry with her most recent role being responsible for budgets, forecasting and reporting for a large not for profit provider. She specialises in business partnering to align the financials and reporting with service delivery. Prior to this, she has held various senior positions within the Commercial sector with a key focus on driving performance.

## StewartBrown - Our Knowledge is your success

StewartBrown, Chartered Accountants, was established in 1939 and is one of the leading boutique accountancy firms in Australia combining a full range of professional services with varied corporate assignments. Our professional mission statement is “we deliver service beyond numbers”, which reflects the commitment to helping our extensive range of clients to achieve their financial goals.

We offer a depth of technical knowledge and varied professional experience, with many of our senior staff now having well over 10 years' of service with the firm, resulting in our clients benefitting from continuity and accountants who really understand their business.

### What a boutique firm offers

Whilst StewartBrown provides a range of professional services, our “point of difference” is our ability to engage in assignments of a complex nature by providing a varied mix of experience and corporate skills. Examples of recent consulting assignments include:-

- Contract accounting
- Payroll processing and billing processing
- Financial modelling and unit costing analysis
- Strategic planning facilitation
- ITSC Project management
- Governance reviews
- Organisation restructures
- Risk management reviews
- Due diligence
- Work-flow building design
- FBT and GST reviews
- Detailed forecasting modelling

### Audit and assurance services

Complementing our consulting services is our dynamic Audit division. StewartBrown adopts a risk based audit approach which is performed strictly in accordance with Australian Auditing Standards. Our engagements involve a detailed analysis of the client’s business and systems of internal control to ensure we fully understand how the client operates and identify areas that pose the greatest risk of being materially misstated in the financial statements.

Our detailed testing procedures are then tailored to meet the risks identified and also ensure an efficient and effective audit is performed.

What we offer our audit clients are a mix of experience and knowledge well beyond that of most other firms. Our audit staff all have regular exposure to consulting and secondment assignments which significantly enhances the “value add” we bring to our audit clients.

### Specialty in the aged care, community and disability sectors

StewartBrown is widely regarded as being a leading specialist within the aged care, community and disability sectors. Our client base includes many large national providers in addition to independent stand-alone providers, faith-based and community providers, culturally specific providers, as well as government and statutory bodies.

Our commitment to these important social sectors each year involve 30+ plus speaking engagements at Conferences, sector briefings, workshops, department briefings, organisation presentations and community consultations.

### Integrity + Quality + Clarity

These terms which appear on our logo are more than aspirations, they appear for a very important reason they encapsulate the professional standards that we strive to continually maintain and ensure best practice

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