A TURNING POINT IN TIME FOR AGED CARE

THE NEW FINANCIAL YEAR OUTLOOK

July is often a cross-over point for the APS to implement its many policy decisions, especially those related to the financials.

With the Aged Care sector raising concerns about workforce shortages, staff's increased expectation of wages and pressures to the bottom lines – the Department of Health and Aged Care (DoHAC) responses are at the forefront of many minds.

Increases wages for aged care workers.

Across the Aged Care sector, providers are highlighting budgetary pressures brought about by two announced wage increases.

Firstly, the Fair Work Commission's decision to raise wages on the 30th of June 2023 by 15% for in-scope care and support workers (i.e., direct care workers such as nurses).

In addition, as part of the Annual Wage Review, the Fair Work Commission has also increased award minimum wages by 5.75% from 1 July 2023.

Cumulatively, as of 1 July 2023, wages related to those in-scope for both decisions can increase by 21.6%.

Government fundings have increased in response, however not fast enough.

Wages is typically a large on-cost within a business operating model.

In response to providers' concern, DoHAC have responded through its 'business-as-usual' funding mechanisms.

For Home Care Package providers, an increase of 11.9% have been applied to home care subsidies from 1 July 2023.

As for Residential Care providers, there was a funding uplift of approximately 17% across services on average. This was determined by AN-ACC; an external body responsible for advising DoHAC on the residential care funding model.

However, funding increases through the business-as-usual mechanisms (home care package increases and AN-ACC) are after the fact. That is, factors happening on the ground now will not be entirely factored into pricing modelling and consequently funding until 1 July next year.

While not an issue for wages (as this has been known), funding on-costs associated with wages that are provisioned overtime is a challenge. For example, leave liabilities which have been accounted for up to 30 June 2023 will be increased by 15% - this was not completely factored in through either the home care packages nor AN-ACC increases.

One-off funding to supplement cashflow.

Recognising that this is a cashflow issue (i.e., providers cannot pay out leave in its entirety as they have been provisioned for at a lower wage), DoHAC have announced a grant to fund historical leave liabilities for providers that provide services across 8 separate aged care programs.

As details of the grant implementation emerges, it is important to note there are risks associated with a grant program. Specific to this grant, enforceability around compliance and acquittal processes are front of mind. This is because it is difficult to distinguish between cash that have been provisioned for when an employee takes leave versus cash that will be spent on the businesses' general operations. Secondly, a grant, being a new (one-off) funding mechanism does not have established data collections to support administration like a home care subsidy would. Therefore, it is important that the grant be designed to balance between getting money out quickly to providers (and support their cashflow) with enough integrity to ensure money is going to the right people for the right purpose.

Providers want flexibility in addition to funding.

Across the Aged Care programs, providers are also asking for more flexibility in how they can use their funding. In response, DoHAC have released further guidances for a number of programs.

For example, in the newly released Commonwealth Home Support Programme (CHSP) manual, providers can now only move half of their unspent funds as opposed to the entire amount previously.

Similarly, with Home Care packages, there continues to be increased communications to seek clarification on what a client can spend their home care packages on; for instance, can fundings be spent on beauty services?). In response, DoHAC have publicly released guidance around inclusions and exclusions FAQs for providers to reference.

CHANGES STILL TO COME

There are still lots of work for DoHAC if the 'shopping list' of 148 recommendations within the Aged Care Royal Commission report are to be implemented.

Centralisation is making a return.

As the APS see-saw back and forth between centralising for efficiency and simplicity versus de-centralising for focus, Aged Care appears to be in its centralisation phase. An example of this is the Support at Home Program.

Some Aged Care programs are ending.

The Support at Home program aims to replace three funding programs: Commonwealth Home Support Programme (CHSP), Home Care Packages (HCP) and Short-Term Restorative Care (STRC). Part of the rationale behind this decision was to centralise the support available to Senior Australians that would like to remain at home.

While simple in theory, there is considerable headwind with implementation.

Firstly, there is a need to combine different assessment tools (and their associated workforces) given currently, CHSP assessments are conducted through the Regional Assessment Services (RAS) whereas the Aged Care Assessment Team (ACAT) is used for the other two programs.

To further complicate, the three programs are funded under different models with fee for service as it relates to CHSP and STRC versus subsidies under home care packages.

Getting agreement on a model that ensures funding equity under the new *Support at Home* program while seamlessly implementing that model such that there is continuity will be a challenge for Government. This is recognised through DoHAC pushing back the implementation date of the *Support at Home* program to 1 July 2024.