

Federal Budget 2004-05

Summary of Outcomes

General

The 2004-05 budget has delivered some real positives for the residential care sector, which has certainly been welcome, but has failed to address fully the capital needs for high care and the adequate funding of subsidy to meet wages parity with other parts of the health care system.

ANHECA will analyse the impact of the budget outcomes on the forward subsidy estimates and provide to members shortly an updated subsidy projection for each state incorporating the COPO index for 2004-05 and the additional 1.7% subsidy contained within the budget.

A summary of the budget outcomes is set out below:

Subsidy

There will be an immediate injection of \$513.3M distributed to aged care facilities during June 2004 based on the bed occupancy level as at the 31st March 2004. This translates to a one off cash injection of \$3500 per resident.

The Government has allocated \$877.8M over four years which represents 1.75% compounding increase to the subsidy in addition to the COPO index per year. This will mean that in financial year 2004-05 subsidy should increase by approximately 3.8% based upon a COPO of 2.02% and the additional subsidy component.

This recognises ANHECA's regular call for the Government to adjust the subsidy to reflect the real cost pressures in the sector, which COPO certainly hasn't managed to do.

ANHECA is still concerned that this additional subsidy will be insufficient to meet the wages parity pressure on the sector as most states are facing wage cost increases or demands in excess of 4% per annum.

This will be a matter of ongoing discussion with Government as the long term funding formula must be reflective of the real cost pressures on residential care.

Capital

- The budget will increase the concessional resident supplement from \$13.49 to \$16.25 per day effective 1st July 2004 and indexed annually.
- Increase the transitional resident supplement to \$16.25 per day effective 1st July 2004.
- Increase the accommodation charge up to \$2.34 per day to a maximum of \$16.25 per day effective 1st July 2004 for all new residents.
- Remove the five year limit for accommodation charges for high care residents who enter the system after 1st July 2004.

Planning Ratios

Change the planning ratios to the following:

- 20 community aged care places per 1000 people aged 70 and over
- 48 operational low care places per 1000 people aged 70 and over
- 40 operational high care places per 1000 people aged 70 and over

Aged Care Places

In future indicative numbers of aged care places will be announced three years in advance.

Approximately 27,900 new places will be allocated over the next 3 years with 13,030 being allocated in 2004 we believe within the new year planning framework.

Training

An additional \$101.4M will be allocated to assist with attracting qualified staff, which will include:

- 1600 additional student registered nurses
- 8000 language and literacy programmes for aged care workers
- Up to 21,000 places to assist aged care workers particularly enrolled nurses to upgrade their qualifications in medication management

Resident Classification Scale

In 2006 it is proposed to do away with the existing eight tier classification system and replace it with a three tier classification system plus two major supplements.

This issue will obviously require considerably more discussion between the sector and government to ensure that the final proposal is viable and effective.

It is also proposed that the requirement for Aged Care Assessment Teams to review residents moving from low care to high care will be removed.

Centrelink will undertake the task of assessing the assets of new residents whilst the Department of Veterans Affairs will undertake this task in respect of veterans.

Information Technology

\$62.2M will be provided over four years to simplify the payments system and assist with the introduction of e-Commerce.

The Hogan Report

The abridged version of the Hogan Report was released with the budget papers and a summary of the recommendations and Governments response is attached to this summary.

The full Hogan Report is now on the Department of Health and Ageing's website and can be accessed via www.health.gov.au