

28 December 2022

The Hon Josh Frydenberg MP  
Treasurer  
PO Box 6022  
House of Representatives  
Parliament House  
Canberra ACT 2600

Submitted online

Dear Treasurer

## **2022/23 BUDGET SUBMISSION FROM THE AGED CARE SECTOR**

Thank you for the opportunity to make a pre-Budget submission ahead of the 2022/23 Commonwealth Budget.

### **ABOUT US**

Everyone deserves quality care as they get older. All of us should be able to get quality care, with dignity, when we need it. That's why we need an aged care system that works. Aged care providers care for more than 1.3 million older Australians, employing more than 430,000 workers.

The Australian Aged Care Collaboration is a group of six aged care peak bodies: Aged & Community Services Australia (ACSA), Anglicare Australia, Baptist Care Australia, Catholic Health Australia, Leading Age Services Australia (LASA) and UnitingCare Australia. Collectively we represent more than 1,000 private, not-for-profit and government run organisations, accounting for about 70 per cent of aged care services in home and residential care.

### **THE CURRENT CRISES**

Despite recent announcements, aged care is experiencing a workforce crisis and the financial viability of residential aged care operators continues to be compromised. These pressures are greatly amplified by COVID-19, with more than 9,000 infections among residents, at least 11,000 infections among staff, and more than 418 deaths since the start of 2022.

Australians know that fixing aged care is a national priority. The News Corp *'Pulse of the Nation'* survey (4010 people taken in September and published on 21 November) found that quality aged care is the second most important issues for voters overall, ranking first for Coalition voters, and for all voters in Queensland, South Australia, and Tasmania.

### **The workforce crisis**

Fixing aged care means fixing the workforce crisis.

Reports during the Omicron wave suggest that providers have had to furlough between 5% and 50% staff with around 25% per cent of shifts going unfilled despite the remaining staff working double and sometimes triple shifts.

Unless urgent action is taken, providers anticipate an enormous wave of resignations in coming months,

undermining efforts to improve quality and hamstringing any response to future COVID-19 waves.

In December 2020, data revealed annual attrition rates of 34% in home care and 29% in residential care, including an attrition rate of 37% of registered nurses.<sup>1</sup> The situation has since worsened dramatically, posing real risks to quality of care and overall progress on the reform agenda.

While attrition and vacancy rates rise, demand for aged care workers is increasing. The National Skills Commission has projected that over the five years to November 2025, 249,00 new jobs (more than a quarter of all jobs created) will be in health care and social assistance.<sup>2</sup> The Grattan Institute estimates that home care alone will require 58,000 more employees by 2024-25.<sup>3</sup> To meet new minimum staffing requirements, we estimate that residential care will need close to 23,000 additional staff including more than 13,000 new registered nurses by October 2023.

A key issue is that aged care workers are not paid enough. The sector will never attract and retain the quantity and quality of staff that it needs without more competitive wages. The current Work Value Case before the Fair Work Commission offers a potential long-term solution – if it is supported by Government – but it leaves a gaping short-term hole in the Government response to the Royal Commission. Actions to address this issue are proposed in the packages outlined below.

### The funding crisis

Fixing aged care also requires fixing the funding model so that providers can hire enough staff and pay a competitive rate, whilst also maintaining financial viability and re-investment back into services and infrastructure.

The latest data on the financial position of residential aged care providers shows that losses worsened in the September Quarter of 2021 to \$7.30 per resident per day, despite the additional \$10 per resident per day announced as part of the Government's Royal Commission response.<sup>4</sup> This is a consequence of inadequate indexation of just 1.1% (contrary to the Royal Commission's recommendations), new COVID-19 outbreaks and preventative costs with limited new COVID funding, and ongoing increases in costs including more nurses and rising administrative overheads as a consequence of regulatory change.

Pressures are dramatically worse in rural and regional areas, with an average loss of \$10.67 in inner regional areas. Price controls mean that there is little opportunity to raise prices to cover these costs.

Pressure also remains on the financial performance of home care providers with government encouraging a focus on price-based competition that means providers are unwilling to raise prices to pay higher wages or cover important infection control costs such as rapid antigen tests.

We are conscious that the Government announced an unprecedented \$17.7 billion investment in aged care in the 2021/22 Budget. This funding commitment addressed a number of serious issues in the sector, including making available enough home care packages to significantly reduce the size of the home care queue and the wait times being experienced by older Australians. It also made available some funds to mitigate financial pressures in residential care, and will make available funds from October 2022 to employ more carers and registered nurses in residential aged care. The creation of an

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<sup>1</sup> <https://www.health.gov.au/resources/publications/2020-aged-care-workforce-census>

<sup>2</sup> <https://www.nationalskillscommission.gov.au/sites/default/files/2021-12/2021%20State%20of%20Australia%27s%20Skills.pdf> page 108

<sup>3</sup> <https://grattan.edu.au/report/unfinished-business-practical-policies-for-better-care-at-home/>

<sup>4</sup> [https://www.stewartbrown.com.au/images/documents/StewartBrown\\_-\\_Aged\\_Care\\_Financial\\_Performance\\_Survey\\_Sector\\_Report\\_September\\_2021.pdf](https://www.stewartbrown.com.au/images/documents/StewartBrown_-_Aged_Care_Financial_Performance_Survey_Sector_Report_September_2021.pdf)

independent pricing authority also offers the promise of more appropriate funding in the future.

However, modelling for the Royal Commission estimated structural underfunding of aged care at almost \$10 billion a year, thanks largely to decades of supply constraints and deliberately discounted indexation of subsidies.<sup>5</sup> This would be equivalent to \$40 billion over the forward estimates period so it is unsurprising that major funding gaps remain.

Long-term, a national conversation is needed about how to pay for the costs of quality aged care. In the short-term action is needed to address the current funding crisis.

### The COVID-19 crisis

The events of the ongoing Omicron wave demonstrate the catastrophic effect that widespread community transmission has on the aged care sector.

Providers do everything they can to protect older Australians, but it's impossible to put 430,000 staff in a bubble. And with staff exposed in the community it is inevitable that many people in care will be infected.

Evidence suggests that the risk of death for frail older Australians from COVID-19 remains relatively high despite the dramatic reduction in risk provided by vaccination. The crude Case Fatality Rate for the Delta wave in residential care appears to be about 14% (though a significant share of these deaths may have been unvaccinated). It is too early to say what the mortality rate will be for the Omicron wave, but we can say there have been more than 250 deaths in a single month.

The attack rate (i.e., the share of residents infected) is also concerning, with a single wave in a single month so far infecting 1 in 20 aged care residents.

The seriousness of the wave has been greatly exacerbated by inadequate planning or provision of workforce, PPE, testing, vaccination, and preparatory funding. Since the crisis has emerged, great efforts have been made to fix the various problems but only so much can be done to solve these problems retrospectively.

We need to be confident that the sector will be better prepared the next time there is a major wave of COVID-19 cases. Noting the looming double threat of a future COVID wave in combination with seasonal influenza.

### REQUIRED ACTIONS

We have divided the measures needed to better support and protect older Australians into two packages: a COVID-19 package, and a workforce and sustainability package.

#### COVID-19 package

1. Testing
  - Government must ensure that there is adequate testing available in both home and community care and residential care. This includes in outbreak scenarios and to provide ongoing screening of staff, clients and (in the case of residential care) visitors.
  - There should be sufficient supply of sufficient rapid antigen tests to allow screening every 72 hours and more frequently where there are outbreaks or exposures.

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<sup>5</sup> <https://agedcare.royalcommission.gov.au/system/files/2020-09/RCD.9999.0522.0001.pdf>

- Access to PCR testing must also be available for more rigorous screening, particularly of asymptomatic exposures, to rule out infection and minimise the need for isolation.
2. PPE
    - Providers need reliable access to PPE. Commitments to supply PPE in the event of outbreaks should not be made unless they can be fulfilled.
    - Government should invest in strengthened logistics chains and provide additional outbreak stock that can be stored onsite by services in the event that outbreaks occur.
  3. Surge staffing
    - Surge staffing solutions need to be designed to be capable of addressing shortages on the scale experienced during the Omicron wave (i.e., an average 25% of shifts unfilled). Agency workforce is not sufficient for this task and largely draws on the same pool providers already have access to.
    - There is likely little that can be done to dramatically increase staff availability in the current wave. However, scalable solutions such as arrangements with nursing schools to access nursing students, access to private hospital staff, military personnel, volunteers, and training of a migrant surge workforce need to be explored and ready for deployment in future waves.
  4. Shift allowances/retention
    - There must be financial recognition of the immense efforts that staff undertake in responding to COVID-19, in home and community care as well as residential care.
    - Previously the Government has paid one-off retention bonuses.
    - Moving forward there needs to be an allowance paid to staff reflect the additional workload and pressure on staff as they strive to keep protection residents and clients from infection; and to acknowledge the risk they are exposed to in the event of an outbreak. These payments are needed to retain staff who have been on the frontline in the fight against COVID for the past two years, as fatigue and frustration takes its toll.
  5. Precautionary costs
    - Standard operating procedures in services have changed in order to mitigate the risk of infection. The introduction of Infection Prevention and Control Leads in every RACF, additional staffing requirements for visitor screening, increased RAT and PPE use, etcetera, are all incorporated into 'business as usual' cost of operations. However, current funding for COVID-19 costs is largely through grant arrangements that remain linked to responding to COVID-19 exposures rather than preparing for them.
    - Previously general funding uplifts have been made available in residential care and home care for prevention measures to mitigate infection risks
    - With the likelihood of ongoing COVID-19 cases these funding increases need to be added to base funding for the sector. This can be adjusted as needed in the future through the pricing authority. However, funding is urgently needed to cover these costs now.
  6. Vaccines and antivirals
    - We do not have an accurate estimate of the mortality rate for COVID-19 among aged care residents, but it appears to remain relatively high. Ongoing booster clinics should reduce that risk significantly.
    - With evidence emerging from other jurisdictions that immunity granted by boosters may also wane, plans must be in place to ensure further doses can be delivered ahead of when they are needed.

- With antivirals now being approved by the TGA, there must also be clear plans to ensure that people in aged care can access this medicine where appropriate.

### Workforce and sustainability package

We continue to urge government to adopt the package of workforce measures put to the in November 2021. This includes the following measures:

1. Supporting aged care providers to pay a competitive wage:
  - Increase indexation payments to ensure they cover, as a minimum, the Fair Work Commission Minimum Wage increase for 2021-22 and 2022-23 as recommended by the Royal Commission.
  - Commit to support any aged care pay rise approved by the Fair Work Commission in the current wage increase case.
2. Incentivising nursing students to work in aged care:
  - Subsidise university fees to undertake a nursing degree.
  - Require graduating nurses to complete a period of time at an aged care facility prior to gaining their qualifications.
  - Create incentives for registered nurses to work in regional and rural areas where there are so few nurses.
3. Incentivising prospective care and support workers:
  - Have a re-skilling program for people in other sectors who are unemployed because of COVID who may come across to aged care.
  - Redesign the right training with credentials that are recognised and allow for career progression.
  - Incentivise older students and school leavers to become aged care workers. Incentives could include: improved financial conditions, training, paid re-education fees.
4. Implementing a plan for foreign workers to fill vacancies on a short and long-term basis depending on demand:
  - Include skilled occupations for aged care workers (ANZSCO Unit Codes 4231 and 4233) on the Immigration Skilled Occupation List Medium and Long-term Strategic Skills List (MLTSSL).
  - Remove the restrictions on aged care providers, in line with what is already in place in the Designated Area Migration Agreement (DAMA).
  - Establish pathways to Permanent Residency (include partners).
  - Provide exemption, reduction, or simplification of the Skilling Australian Fund (SAF) levy.
  - Provide visa concessions for Regional Australia.
  - Reduce/remove the VISA application fee for aged care providers in regional Australia.
  - Expand the reach of the Seasonal Worker Program to include aged care.
5. In conjunction with State and Territory Education Departments, developing a VET pathway program for secondary school students into aged care, with a particular focus on a pathway into home care.
6. Offering enrolled nurses subsidies to upskill as registered nurses.

Regards,



**Claerwen Little**  
**Chair**  
**Australian Aged Care Collaboration**

On behalf of

Paul Sadler  
Chief Executive  
Aged & Community Services Australia

Nicole Hornsby  
Executive Director  
Baptist Care Australia

Sean Rooney  
Chief Executive  
Leading Age Services Australia

Kasy Chambers  
Executive Director  
Anglicare Australia

Nick Mersiades  
Director, Aged Care  
Catholic Health Australia