



THE HON JUSTINE ELLIOT MP

Minister for Ageing

MEDIA RELEASE

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AGEING – MEETING CHALLENGES OF THE 21ST CENTURY

Minister for Ageing, Mrs Justine Elliot today said the Australian Government will provide \$2 billion over the next four years through the Conditional Adjustment Payment (CAP) for providers to care for elderly Australians, above and beyond usual aged care subsidies.

Mrs Elliot said the increase in the CAP brings total Commonwealth investment in residential aged care subsidies to \$28.6 billion over the next four years.

“The increase in the level of Conditional Adjustment Payment from 7.0 per cent to 8.75 per cent of the basic aged care subsidy means an additional \$407.6 million over four years for investment in the aged care sector,” Mrs Elliot said.

“Over the last four years the Conditional Adjustment Payment has seen more than \$877.8 million in additional subsidies go to the Aged Care sector.

“It was introduced in 2004-05 to provide additional medium term financial assistance to residential aged care providers while encouraging them to become more efficient through improved management practices.

“We are going to increase the Conditional Adjustment Payment level by a further 1.75 per cent – this will see \$2.0 billion in CAP payments over the next four years – more than twice what the Howard Government put in over the last four years, Mrs Elliot said.

“I have also instructed the Department of Health and Ageing to undertake the review of the ongoing need for and level of the Conditional Adjustment Payment which was promised by the Howard Government but which they failed to get done. (Terms of Reference are attached.)

“This review is far too important to delay any longer,” Mrs Elliot said.

Mrs Elliot said the Australian Government is committed to the long-term viability of Australia’s aged care sector and the protection of the nation’s frail and elderly.

“The first Act of Parliament passed by the Rudd Labour Government on March 20, introduced changes to the funding of aged care in Australia, including the new ACFI (Aged Care Funding Instrument).

“These changes will see more than \$1.13 billion in additional funding over the first four years put into the sector.

“Once fully phased in, the increases in Government and resident payments will deliver more than \$350 million a year in additional revenue, mostly for high care,” Mrs Elliot said.

“We are also providing \$300 million in zero real interest loans to help the aged care sector create beds in areas designated as high need.”

Mrs Elliot said that she was committed to working with senior Australians, providers and peak aged care bodies to ensure the viability of the aged care industry to give the best care possible to elderly Australians.

“The Federal Government is building a modern Australia capable of meeting the challenges of the 21st century,” Mrs Elliot said.

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Review of the Conditional Adjustment Payment Terms of Reference

Background

1. The Conditional Adjustment Payment (CAP) was introduced as part of the Australian Government's initial response to the Report of Professor Warren Hogan's Review of Pricing Arrangements in Residential Aged Care.
2. The amount of CAP payable in respect of a resident is calculated as a percentage of the basic subsidy amount payable in respect of a resident. In 2004-05, the year of its introduction, this percentage was 1.75%. It then rose annually in 1.75% increments, to 3.5% in 2005-06; 5.25% in 2006-07 and 7.0% in 2007-08. The forward estimates contain provision of the CAP to continue at the 7.0% level beyond 2007-08.
3. The Australian Government has provided \$407.6 million in the 2008-09 Budget to increase the level of the CAP to 8.75% ongoing.
4. The CAP was intended to provide medium term financial assistance to providers while encouraging them to become more efficient through improved management practices. Consequently, residential aged care providers are only eligible to receive the CAP if they:
 - a) give their staff information and opportunities regarding workforce training; and
 - b) make audited accounts available each year to residents, potential residents, their representatives and any person or agency authorised by the Secretary of this department; and
 - c) take part in a periodic workforce census.

Scope and timing of the Review

5. Drawing on existing information and data, and on public submissions, the Department of Health and Ageing, together with the Departments of Prime Minister and Cabinet, Treasury, Finance and Deregulation, and Veterans' Affairs, will examine:
 - a) the extent to which the medium term financial assistance provided by the CAP has been effective in encouraging efficiency through improved management practices, including the effectiveness of the three conditions in achieving the objectives of the CAP; and
 - b) the need for and level of any further medium term financial assistance to encourage providers to become more efficient through improved management practices.
6. The review will commence in May 2008 and conclude by the end of October 2008. Written submissions to the review will be received for four weeks in July 2008.