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THE SENATE STANDING COMMITTEE ON COMMUNITY AFFAIRS

INQUIRY INTO THE PROVISIONS OF THE *AGED CARE AND OTHER LEGISLATION AMENDMENT BILL 2025* and *AGED CARE (ACCOMMODATION PAYMENT SECURITY) LEVY AMENDMENT BILL 2025*

Abstract

On 31 July 2025, the Senate referred the provisions of the above bills to the Senate Community Affairs Legislation Committee for inquiry and report by 21 August 2025. The *Bill* and accompanying documents are accessed on the Parliament of Australia website.

The Committee invited Grant Corderoy, Senior Partner, StewartBrown to make a submission to this enquiry (refer *Appendix A*).

This submission is on behalf of StewartBrown together with Grant Corderoy in his personal capacity as a member of the former Aged Care Taskforce.

Background

The *Aged Care Bill 2024* (now *Aged Care Act 2024)* was tabled in Parliament on 12 September 2024 with bipartisan support and was passed by Parliament on 25 November 2024 including with a number of amendments to the *Bill*. The *Aged Care Act 2024* responds to certain recommendations of the Royal Commission into Aged Care Quality and Safety (Royal Commission) and the Final Report of the Aged Care Taskforce (Taskforce).

The *Aged Care Act 2024* was to commence on 1 July 2025 however on 4 June 2025, the Government announced that they were recommending to the Governor-General that she proclaim the commencement of the new *Aged Care Act* to be 1 November 2025.

The *Aged Care and Other Legislation Amendment Bill 2025* and *Aged Care (Accommodation Payment Security) Levy Amendment Bill 2025* were introduced to Parliament on 24 July 2025 and referred by the Senate to the Senate Community Affairs Legislation Committee on 31 July 2025. An exposure draft of the *Aged Care Rules 2025* which support the new *Aged Care Act* were released on 31 July 2025.

This submission is only in relation to *Aged Care and Other Legislation Amendment Bill 2025.* Where considered appropriate, reference to the exposure draft of the *Aged Care Rules 2025* has been made in this submission.

StewartBrown

StewartBrown (www.stewartbrown.com.au) is a Chartered Accounting firm located in Chatswood, Sydney. The firm currently consists of 10 Partners and over 90 employees providing professional services including Audit, Consulting, Business Services, Taxation and Financial Planning. StewartBrown provides these professional services nationally to a range of clients, however, have a speciality expertise in aged care and community services, social services, independent schools, children's services and disability services.

With respect to aged care and community services, StewartBrown have more than 40 professional staff actively providing significant professional services to the sector nationally.

Aged Care Financial Performance Survey

StewartBrown undertakes the largest financial performance benchmarking survey covering the aged and community care sector in Australia. The Survey includes detailed operational, equity and staffing data on a quarterly basis for residential aged care facilities and home care packages.

The *Aged Care Financial Performance Survey* (Survey) commenced in 1995 and has grown exponentially due to the requirement for Boards and executive management to be able to compare their operations to that of other facilities and programs within the sector.

Over the years, the format of the results of the Survey has become more granular in content and has become an integral part of the strategic, budgeting, forecasting and review processes within the participant provider organisations.

The Survey provides quarterly financial and non-financial data for residential (by aged care home) and home care (by program) at a granular level. In addition, the Survey obtains specific segment information and key balance sheet information at organisation (approved provider) level every six months.

Subscribers to the Survey include a majority of the largest providers nationally, independent stand-alone providers, faith-based and community providers, for-profit providers, and culturally specific providers. The ASX listed providers are not included in the Survey.

StewartBrown, through both the Survey and other related publications and presentations, is not an advocate for any stakeholder in the sector. The primary agenda of StewartBrown is that all financial policy and related public commentary should be evidenced based, objective and supported by accurate data.

Grant Corderoy

Grant Corderoy is the Senior Partner, StewartBrown and has over 48 years experience within the profession. Professional assignments include in excess of 200 aged care providers, the Department of Health and Aged Care, (former) Aged Care Financing Authority, aged care peak bodies, consumers and sector panels, involving audit and risk, financial modelling and analysis, governance reviews, systems reviews and implementations, financial statements preparation and analysis, Board and management workshops, facilitations and presentations, and numerous sector conference and forum presentations.

Grant has been a Board member of three aged care provider organisations, and member of Finance, Risk & Audit Committees for several provider organisations.

Aged Care Bill 2024: Chapter 4 "Funding of Aged Care Services"

For the purposes of this submission, the intent of Chapter 4 as described in Part 1 - Introduction: 190 "Simplified outline of the Chapter" is the reference point. In this context, StewartBrown believes that the Introduction wording correctly reflects the intent of the applicable Royal Commission and Taskforce funding reforms.

The exact wording in the detail of Chapter 4 seems fundamentally sound in our opinion subject to further detailed review and scrutiny to ensure that any ambiguity or unintended consequences are removed or amended.

StewartBrown has been very supportive of the Taskforce Recommendations and the Government's clear desire to ensure the financial sustainability of the aged care sector to meet the current and future demands of older Australians. Bipartisan support will be strongly welcomed by older Australians and the sector more broadly, and it establishes a strong foundation for the future.

Taskforce Report and Recommendations

In 2023 the Australian Government established an Aged Care Taskforce. The Taskforce's December 2023 Final Report commenced with the statement "Australia's aged care needs are increasing as the population ages, and expectations of quality improvements are high. However, the aged care sector is currently not in a financial position to meet expected demand, deliver on the required quality improvements or invest to meet Australia's future aged care needs".

In summary, the Taskforce supported funding reform that involved a greater level of consumer contribution for everyday living and accommodation services in residential aged care and for independence and everyday living in home care to meet the actual cost of providing those services. This is contingent on the consumer (care recipient) having the financial means to pay the actual cost.

The Taskforce recommendations were underpinned by seven Aged Care Funding Principles as follows:

Support older people to age in place

Principle 1: The aged care system should support older people to live at home for as long as they wish and can do so safely.

Equitable and sustainable funding

Principle 2: Aged care funding should be equitable, easy to understand and sustainable.

Principle 3: Government is and will continue to be the major funder of aged care. Government funding should be focused on care costs as well as delivering services in thin markets. Personal co contributions should be focused on accommodation and everyday living costs with a sufficient safety net.

Principle 4: The residential sector should have access to sufficient capital to develop and upgrade accommodation, including in rural and remote areas and First Nations communities.

Quality, innovation and transparency

Principle 5: Aged care funding should be sufficient to deliver person-centred, quality care by a skilled workforce.

Principle 6: Aged care funding should support innovation to improve aged care services and their relationship with the health and hospital systems.

Principle 7: There should be transparency and accountability for how aged care funding is received and spent while minimising regulatory burden

The Government response to the 23 recommendations contained in of Final Report of the Aged Care Taskforce was positive (Aged care reforms and reviews | Australian Government Department of Health and Aged Care).

Residential Aged Care

Executive Summary

The StewartBrown Report "Aged Care at the Crossroads" (2024 07 Aged Care At The Crossroads Report (stewartbrown.com.au)) highlighted the urgent need for funding reform to ensure the financial sustainability of the residential aged care sector to address the looming critical shortage of beds to meet the current and future needs of people who will require residential aged care.

The following facts need to be considered when assessing the essential funding reforms that are contained in Chapter 4 of the *Act and Amendments* as well as supporting Rules:-

- The current estimate of demand for residential aged care is 207,000 places which will increase to 253,000 by 2030; 368,000 by 2040; and to 409,000 by 2044 *(source: Financial Report on the Aged Care Sector 2023-24 (page 89))*
- There are currently around 210,000 places (beds) in operation, and many will require refurbishment and renewal
- The residential aged care sector has accumulated **over $4.6 billion** in aggregate losses in the last six financial years
- The taxpayer funded subsidy for direct care services represents **over 96%** of the cost of providing these services
- The current means-testing arrangements for direct care were introduced on 1 July 2014. The previous Income Tested Fee was introduced on 1 March 1998. *(note that the Taskforce Report did not recommend any increase in the means-testing arrangements for direct care services which have remained in place through successive governments)*
- Increased consumer contributions by older people with significant means for their everyday living (catering/cleaning/laundry/utilities) and accommodation services are required to cover the actual cost
- If a resident is financially assessed as not eligible to receive a full or partial taxpayer subsidy, they will be paying the same actual cost for receiving the daily everyday living services
- It is inequitable to expect the taxpayer to provide a subsidy to residents with financial means to cover part of the cost of receiving these daily everyday living services

The residential aged care sector is currently not financially sustainable. Providers have accumulated **aggregate deficits of $4.4 billion** for the four financial years 2021 to 2024 (source*: Financial Report of the Aged Care Sector* Financial performance of the Australian aged care sector | Australian Government Department of Health and Aged Care). It is projected by StewartBrown that small operating surplus will be reported in the 2025 financial year.

StewartBrown has advocated funding reforms for a number of years that are essentially as included in the Taskforce Report and, accordingly, they have been in the public forum (refer submission to the Royal Commission dated April 2020 (Submission to Royal Commission into Aged Care and Quality April 2020.pdf (stewartbrown.com.au)).

StewartBrown issued a report in September 2024 which provides financial modelling of the funding reforms when implemented (StewartBrown - Taskforce Funding Reforms Analysis September 2024.pdf).

The funding reforms as included in Chapter 4 of the Bill and supporting regulations should have a significant positive benefit in ensuring the financial sustainability of the residential aged care sector for the next generation.

Continuing concerns with *Aged Care Act 2024* (*Act*)as amended by the *Aged Care and Other Legislation Amendment Bill 2025* are as follows:

Higher Everyday Living Fees (HELF)

The new *Act* implements the Aged Care Taskforce recommendation #11 that agreement to higher fees for agreed services can only be made after a participant enters care. However, StewartBrown believes that this will create significant impracticalities for both providers and residents for how services are delivered and in providing certainty to both parties at the time of entry. It will add to the administrative burden by the fact that there will need to be two separate agreements in place and additional time spent post entry on putting the HELF agreements in place. The Rules contain sufficient protections for incoming residents including:

- A HELF agreement must outline the cost of each higher service to be delivered, the standards and frequency at which they will be delivered, and how they will be charged
- The HELF agreement may be terminated within 28 days of it being entered into (cooling off period) and the agreement may be terminated at any time with 28 days notice without any penalty to the resident
- The HELF agreement must be reviewed at least once a year to ensure the resident still wants the services and is able to use them. People cannot be asked to pay for a service that they cannot or will not use.
- Once higher everyday living services and charges have been agreed they can only be increased by indexation

The arrangement between the registered provider and the resident is also subject to the protection under normal consumer protection laws.

The *Amendment Bill* maintains the original stance of the new *Act* that higher everyday living services cannot be agreed before a person has entered care or be a condition of entry through its omission of any changes to this arrangement. StewartBrown is of the view that there are sufficient protections in place for the resident to allow for an agreement for HELF services to be put into place at the time of entry. While the provision that it cannot be a condition of entry could remain in place, this again adds to the complexity of service delivery where certain parts of a residential aged care home is designed for and set aside for higher standards of service both to enhance the experience for residents and to make service delivery of these higher standard services more efficient.

A related concern with the HELF reform is that unambiguous clarity be provided as to what must be included in normal everyday living services that all residents receive so that additional (HELF) services are clearly articulated as to the benefit to the residents and the cost (fee) for receiving these additional services.

Retentions from Refundable Deposits
The new *Act* incorporates Aged Care Taskforce recommendation #13 that providers must retain a portion of the Refundable Accommodation Deposit (RAD) and that a cap of five years be placed on the length of time over which a retention can be taken. However, the Taskforce methodology for calculating the retention has not been adopted in the *Act*. In the example given in the final Taskforce report, it stated that the aged care provider would retain a proportion of the RAD per annum calculated as a daily rate on the **RAD price**. This would make the calculation of the retention amount simple and could be calculated prior to a person signing an accommodation agreement so that there was clarity around the cost of the retention for incoming residents as well as providing certainty for providers in relation to that revenue stream.

However, the *Act* and *Rules* calculates the retention on the **RAD balance** not the RAD price as had been recommended by the Taskforce. This has a number of unfavourable consequences for providers and their revenue streams including:

- Over a five year period on say a RAD of $500,000 the taskforce recommendation would have resulted in a retention of $50,000. Under the new *Act*, the retention over 5 years will be $47,607.26 a difference of $2,392.74.
- Should the resident deduct any fees including a daily accommodation payment from the RAD, the amount of retention will be reduced further as it is calculated on the progressive RAD balance and not the original RAD price.

The RAD retention measure was recommended by the Taskforce to improve sustainability of providers and to reduce inequity of outcomes based on how residents pay for their accommodation. Unfortunately, the *Act* as it currently stands diminishes the potential achievement of those original goals. StewartBrown believes that the *Act* should be amended to have the retention calculated on the agreed refundable deposit amount rather than the ongoing RAD balance. Safeguards can still remain to ensure that the retention amount does not exceed the RAD balance after other deductions.

Accommodation Supplement
The Accommodation Supplement plays an important role to incentivise aged care providers to provide accommodation to residents that do not have the financial ability to pay a RAD or a Daily Accommodation Payment (DAP). Currently, the maximum Accommodation Supplement payable to providers is $69.79 per day if more than 40% of residents are low means ($52.34 per day if less than 40% of residents are low means) which if it was a DAP would equate to a RAD accommodation price of $327,421.

The Taskforce recommendation #15 to increase the maximum room price (RAD) to $750,000 (from $550,000) was agreed by the government and enacted on 1 January 2025 as an implicit recognition that accommodation pricing must rise to improve financial performance and be more reflective of house prices. On this basis, an accommodation price of $750,000 represents a current equivalent DAP of $159.86 per day, significantly higher than the maximum Accommodation Supplement.

With occupancy continuing to increase due to demand exceeding supply to now be at historic high levels, this significant disparity between the Accommodation Supplement and a DAP will potentially be detrimental to residents of lower financial means where the decision of which potential resident is accepted may be driven by a financial assessment.

The Government has accepted Taskforce Recommendation #14 to conduct an independent pricing review on the amount of the Accommodation Supplement to ensure equity for all residents and this review must address this important issue in our opinion.

Home Care Packages

Current State

A summary of key financial indicators from the StewartBrown Survey for the nine months to March 2025 is as follows:

- Operating result is $3.13 per recipient (client) per day (2024: $2.76 per day)
- Revenue utilisation was 86.7% of funding received (meaning 13.7% was not utilised) (2024: 86.3%)
- Unspent funds averaged $14,674 per recipient (2024: $14,517 per recipient)
- Total unspent funds is in excess of $3.5 billion (approximately 96% will not be utilised)
- Staff hours worked per recipient per week averaged 5.37 hours (2024: 5.22 hours per week)
- Care management represented 18.6% of service revenue (2024: 18.6%)
- Package management represented 13.2% of service revenue (2024: 12.4%)

Consumer Contributions

The "Legislated Review of the Aged Care 2017" (Tune Review) included significant commentary around the consumer contributions for home care ("Effectiveness of Changes to Means Testing and Fee Arrangements: Impacts on Access to Care" (page 86).

Recommendation #16 of the Tune Review stated "That the government introduce mandatory consumer contributions for services under the Commonwealth Home Support Programme. Consumer contributions should be standardised according to an individual's financial capacity." This was a precursor to the introduction of mandatory consumer contributions for the entire home care program.

StewartBrown agrees with the overall design of the funding changes as included in the Act in relation to increased consumer co-contribution to home care funding in relation to Independence and Everyday Living. It is further noted that the clear majority of home care funding recipients are pensioners and accordingly, the impact of these changes will not be material for such recipients nor in an aggregate sense.

Issues to be Considered

Bad debts

The introduction of consumer contributions in the Support at Home (SaH) program will increase the risk of bad or doubtful debts for service providers with the burden for the collection of the consumer contributions the sole responsibility of the provider. While the non-payment of fees is a legitimate reason for termination of a care agreement by a registered provider, it will be a last resort as no provider will want to take that action.

Currently, a large proportion of services utilised under a home care package would come under the Everyday Living domain of services and these will attract a minimum 17.5% co-contribution. This will ensure that a significant source of funding will come from participants and will expose providers with a much higher level of risk of bad debts and increase the administrative burden in respect to the collection of outstanding debts.

StewartBrown agrees with the overall concept of persons with means contributing the cost of their services and with the overall design of the co-contribution system. However, there needs to be some protections put into place for providers in relation to participants not paying their co-contributions. This might include allowing for these costs by IHACPA when it undertakes costing studies to build into the overall cost of service provision an allowance for bad and doubtful debts.

Financial Performance of the Aged Care Sector

The underlying theme of the Aged Care Taskforce was for the sector to continue to grow and meet the future demand and desired levels of service, and the sector not only needs to remain financially viable and sustainable, but it needs to achieve a return that is considered "investable".

The funding reforms included in *Chapter 4* of the new *Act* in response to the Taskforce recommendations provide a foundation for meeting the required financial objective. On their own, however, they do not address the significant shortage of beds required for residential aged care in the coming 10 – 15 years and the increased number of available packages to meet the in-home care demand.

Overlaying this is that the aged care sector will, for the very first time in Australia's history, have an entirely new cohort of participants, being the "baby boomers" followed by "Gen X" who will require and insist on substantially different levels of service delivery and accommodation. This will be underpinned by the financial ability of providers and the community to meet the equity that will be required. Reliance on increased taxpayer subsidy will not be sufficient.

StewartBrown

APPENDIX A

THE SENATE

STANDING COMMITTEE ON COMMUNITY AFFAIRS
Legislation Committee

Mr Grant Corderoy
Senior Partner
StewartBrown

Via email: info@stewartbrown.com.au

Dear Mr Corderoy

Submission invitation – Inquiry into:
Aged Care and Other Legislation Amendment Bill 2025
Aged Care (Accommodation Payment Security) Levy Amendment Bill 2025

On 31 July 2025, the Senate referred the provisions of the above bills to the Senate Community Affairs Legislation Committee for inquiry and report by 21 August 2025.

Information about the inquiry, including links to the bills, is available here.

The committee invites you to make a submission addressing some or all of the bill's provisions. The closing date for submissions is 8 August 2025.

Submissions can be made online via the inquiry webpage, sent via email or posted to the committee at PO Box 6100, Parliament House, Canberra ACT 2600.

If your submission is accepted by the committee, it will usually be made publicly available on the inquiry webpage. If you would like to request that your name or any part of your submission be kept confidential, please state this clearly when you make your submission and provide a reason for your request. You will be advised whether the committee has agreed to your request.

Submissions become committee documents. You should not circulate or publish your submission before it has been accepted by the committee. Once accepted, submissions are covered by parliamentary privilege in Australia but the unauthorised release of them is not.

For further information about making a submission see: Making a submission – Parliament of Australia (aph.gov.au)

If you have any questions, please contact the secretariat via email or on (02) 6277 3515.

Yours sincerely,
(*sent electronically*)
Apolline Kohen
Committee Secretary