8th August 2025

Committee Secretary
Senate Standing Committees on Community Affairs
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Secretary,

RE: Senate Inquiry into the Aged Care (Accommodation Payment Security) Levy Amendment Bill 2025 and Aged Care and Other Legislation Amendment Bill 2025

Thank you for the opportunity to make a submission to the Inquiry.

Uniting NSW.ACT contributes to the work of the Uniting Church in NSW and the ACT, through social justice, advocacy, community services and spiritual care. We provide services for people through all ages and stages of life, and drive solutions to systemic issues so people experiencing disadvantage can live their best lives.

In making this submission, we are drawing on our experience as a provider of aged care services for over 27,000 older people across 70 residential care homes, state-wide home care, and 90 retirement and independent living villages.

We believe that these Bills should be passed without further delay to provide certainty to older people and the aged care sector. This submission has provided the opportunity to highlight urgent issues within the implementation of the Aged Care Act which we believe should be addressed as soon as possible to ensure the best possible outcomes for older people. We strongly encourage the Inquiry to recommend that the Bills are passed with recommendations for the Australian Government to act on the advice provided within this submission regarding the Act more broadly.

If Uniting can assist you with any further information, please contact Matt Stevenson, Government Relations Manager

Yours sincerely,

Emma Maiden

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Submission

In this submission we have provided commentary on aspects of the Aged Care Act that could have, but have not been addressed in the Bills that are the subject of the Inquiry. We would be willing to provide further information on any of these areas if that would assist the Inquiry.

Supported accommodation supplement

Aged care providers receive a fixed daily accommodation supplement (**the supplement**) from the government for residents of lower means. This amount is significantly lower than the Refundable Accommodation Deposits (RADs) or Daily Accommodation Payments (DAPs) paid by residents with greater financial means.

In response to the Aged Care Taskforce's accommodation reform recommendations, the government acknowledged in September 2024 that 46% of aged care providers were operating at a loss on accommodation services.

From 1 November, residents that meet the means testing thresholds will be required to contribute more toward their accommodation. However, this may incentivise providers (especially those under financial strain) to prioritise residents who can pay more, potentially disadvantaging those without means.

These changes exacerbate existing structural issues, including:

- The significant gap between the supplement and RADs.
- The 40% "accommodation supplement cliff," which discourages providers from accepting supported residents once they fall below that cliff.

It is therefore critical to expedite the scheduled review of the supplement, currently due by July 2026.

The following sections outline the impacts across these two key areas:

- Disparity Between the Supplement and RAD
- The "Accommodation Supplement Cliff"

There is broad recognition across government and the aged care sector that the supported accommodation supplement is set at a level that does not support financial sustainability for providers. The government's commitment to review the supplement was therefore welcomed, though we continue to strongly advocate for this review to be brought forward.

Disparity Between the Supplement and RAD

The recent reforms to accommodation charges for people with means under the Aged Care Act carry an inherent risk that residents whose contributions are capped by the supported accommodation supplement will be left behind. Without an increase to this supplement, there is a growing concern that financially vulnerable older Australians will be unable to access residential aged care or will be deprioritised in favour of residents who can afford to pay more.

This is a particularly significant risk given consumer-directed care reforms of the previous decade, which introduce a degree of market competition into aged care. In 2023-24, there were 29,435 new low-means permanent residents who entered residential aged care and 42.2% of all bed days were supported. This represents a significant cohort of older people requiring support.

The supported accommodation supplement funding amount is insufficient to cover the cost of accommodation and is far below the funds available from self-funded residents. The $69.79 daily accommodation supplement for new homes with more than 40%

supported residents equates to a refundable accommodation deposit (or RAD) of approximately $327k. This falls significantly below the national average RAD of $501k.This substantial gap creates a revenue differential of approximately 35%. The gap is even higher if the provider has less than 40% supported residents and receives the lower payment of $52.34 a day, a $17.45 a day difference. This is a 51% differential to a DAP of the national average RAD.

The new Act allows providers to charge a RAD of up to $758,627, with special approval needed for amounts above that. A $758,627 RAD creates an equivalent daily payment of $161.70. This is a significant difference for providers, particularly as the sector emerges from a period of financial challenges. There is an inherent risk that providers accept fully-funded residents with higher capacity to pay, rather than low means residents who represent reduced funding.

This will also place an increased burden on providers who accept higher numbers of low-means residents and who therefore have reduced access to capital.

The Aged Care Taskforce recommended that the Australian Government undertake a review of the supported accommodation supplement to consider how it can effectively incentivise providers to accept lower means residents. We believe that this should also include a review of the current structure of the payment, including the 40% threshold, to ensure that providers are appropriately supported to accept additional low-means residents.

All providers should be encouraged by the system to provide supported beds and potentially financially penalised if they provide no or a low proportion of supported beds.

Situation	Daily Rate	Equivalent Ave. RAD Differential	Equivalent Max. RAD Differential
If the service is significantly refurbished or newly built on or after 20 April 2012			
40% or more of the permanent residents in the facility etc.	$69.79	65%	43%
Less than 40% of the permanent residents in the facility etc	$52.34	49%	32%
If the service meets building requirements in Schedule 1 of the Aged Care (Transitional Provisions) Principles 2014			
40% or more of the permanent residents in the facility etc.	$45.51	42%	28%
Less than 40% of the permanent residents in the facility etc	$34.13	34%	21%
If the service does not meet those requirements			
40% or more of the permanent residents in the facility etc.	$38.23	36%	24%
Less than 40% of the permanent residents in the facility etc	$28.67	27%	18%

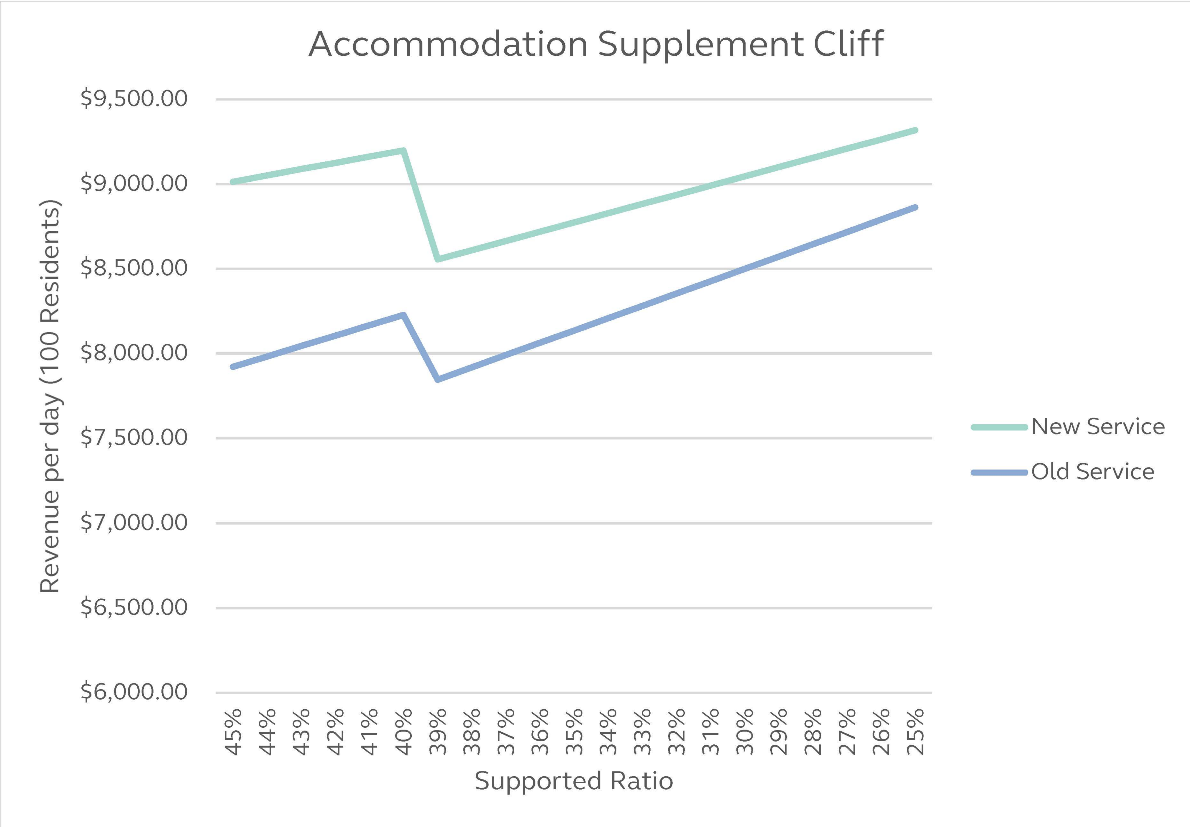
The “Accommodation Supplement Cliff”

The supplement varies based on:

- The age or refurbishment status of the facility
- The proportion of supported residents

Facilities with ≥40% supported residents receive a higher supplement. Dropping below this threshold results in a sharp funding reduction of 25%, creating the Accommodation Supplement Cliff. On the other end of the scale, going beyond 40% does not return a higher accommodation supplement rate, meaning there is little financial incentive to provide services to supported residents once the 40% threshold has been reached.

Example: In an average new service with a $501k RAD, moving from 40% to 39% supported residents results in an 9% drop in daily revenue. To offset this, a provider would have to reduce supported places down to 27% to restore revenue to the same level via higher-paying non-supported residents. Further, there is no incentive for a provider to increase their supported ratio beyond 40%, as they would see a decrease in their total revenue given that the supplement is not equivalent to a DAP.



The current structure may have unintended consequences and discourage providers from maintaining or increasing supported places, contrary to the policy's intent.

ICT transition and government readiness

The Aged Care reforms require extensive information and communication technology (ICT) upgrades, both for providers and the Australian government. The introduction of grandfathering provisions, new single assessment processes and reporting obligations have necessitated ICT reform across the aged care sector.

However, to date, funding for ICT preparedness has been directed almost exclusively toward internal government systems. Of the $1.4 billion allocated to the Department of Health and Aged Care, providers were only able to access $10,000 each. This allocation is grossly inadequate given the scale of ICT reform required to ensure that ICT systems are compliant with the new requirements under the Act.

As recognised by the Aged Care Taskforce and Australian government, the new Aged Care funding structure was required to ensure the financial sustainability of the sector in the face of significant challenges. However, providers cannot absorb the additional costs required to upgrade, introduce and roll out ICT products to support the new reforms. Imposing additional ICT burdens without adequate support undermines this objective and risks leaving many providers, particularly smaller and regional ones, ill-equipped to implement reforms in full.

Higher Every Day Living Fee

The Higher Everyday Living Fee (HELF) is an optional fee for people who choose to receive additional everyday living services in permanent or respite residential aged care. The HELF can be charged for services that are of a higher quality, or in addition, to what is required to be provided under the Aged Care Rules 2024 and the Residential Care Service List. It replaces the previous Extra Service Fee and Additional Service Fee structures.

These changes aim to bring transparency and choice to residents on the services they access. However, providers are having great difficulty in operationalising the requirements and providing a viable offering.

Under the new changes, a HELF cannot be agreed before a person has entered care nor can it be agreed as part of a service agreement or accommodation agreement. As such, providers are required to manage a separate agreement and organising that after someone has entered a service needlessly extends and complicates the admission process. The Act should be amended to remove this requirement so providers can have a single comprehensive conversation upfront about the services offered.

More broadly, providers are required to deliver an increasing number of services under the Basic Daily Fee as part of the Residential Care Service List, however the fee itself has remained the same. The current rate of 85% of the basic age pension is inadequate to provide the high-quality services expected of providers. The Hotelling Supplement is intended to assist providers in addressing this deficiency; however, it has still been insufficient in covering the cost, and providers continue to make a loss on everyday living services.

We believe that the Hotelling Supplement amount should reviewed in the context of the changes to the HELF. This should include considering an increase above the current $15.60 per resident, per day.

Regulation and efficiency

The new regulatory model is a welcome streamlining of the conditions of registration that aged care providers must comply with. However, aged care continues to be a highly regulated sector, and the volume of regulation to comply with takes time and resources away from front-line care, limits innovation, and incentivises a one-size-fits-all approach that is inconsistent with person-centred care.

Care minutes

It is important that regulatory frameworks provide flexibility and adaptability to meet the unique needs of older people while upholding high standards for care.

As an example, the current structure of care minute requirements is blunt and inflexible. These care minutes can only be provided by registered nurses, enrolled nurses (up to 10%), personal care workers or assistants in nursing. Inexplicably, allied health and lifestyle workers, and other medical practitioners are deliberately excluded from care minute requirements.

Recent research completed by Flinders University examined associations between facility characteristics and the extent to which care minute targets are met and determined whether care minutes were associated with residents' experience and quality measures. It found that there is no association between care minutes and residents' experiences or quality measures.[1] It noted that optimal workforce staffing levels and skills mix remains complex and that facility-wide care minute targets may not reflect optimal levels of care for individuals. This finding also reflects our experience as a provider delivering support across more than 70 RAC services.

Integrating more flexibility into care minute requirements, allowing providers to adapt their care minute service delivery to meet the needs of their residents and supporting holistic care would allow for person-centred care which is responsive to the needs of older people. It would allow providers to consider the most appropriate practitioner to deliver care minutes for individual residents and enhance overall quality of care. It is important that the aged care system has sufficient capacity to balance sector wide care requirements with the ability to adapt to the needs of specific older people.

RAC admission offers

The new Act requires that providers sign an agreement before the commencement of services and that individuals have sufficient time to review. Uniting recognises the importance of giving older people choice and control with adequate understanding of what they are engaging in. The rigidness of these provisions, however, have unintended consequences for vulnerable clients.

For those who require residential care urgently, for example if they are in hospital or unsuitable environments, these bureaucratic processes will delay care, leading to poorer outcomes, reduced occupancy and funding, and bed blockages. Our services receive regular requests to accept older people currently in hospital who require a safe discharge plan and cannot return home. These older people are discharged into our facilities, often under respite, while the process of signing an agreement is underway. Should this requirement come into effect, these older people will be required to remain within the hospital system (at higher cost to government) while agreements are signed.

Older people who lack decision-making capacity and require a substitute decision-maker are also at risk. Currently, providers will accept these older people who require urgent help while the tribunal process is underway, a process that can take months. When a substitute decision maker is appointed, the formal decision-making process by financial managers and guardians can also result in extended delays. Providing care for vulnerable people with urgent needs must be prioritised and appropriate exceptions need to be established for these groups.

Home Care costs

In addition to being a rights-based framework, the new Aged Care Act has provided a new funding structure that will ask those who can afford it to contribute more to the cost of their care. This is an important step towards ensuring the financial sustainability of the aged care sector and the long-term ability for providers to deliver care into the future.

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[1] Stephanie L. Harrison et al., "Long-Term Care Staffing: Associations with Facility Characteristics, Residents' Experience, and Quality Measures," *Journal of the American Medical Directors Association* 26, no. 7 (2025): 105686, https://doi.org/10.1016/j.jamda.2025.105686.

However, it is crucial to get the right balance between those who can afford to pay and those who can't. This is where the home care co-contribution model falls short. For older full pensioners renting in the private market and already grappling with housing insecurity, the current co-contribution formulas pose a serious barrier to accessing the home care they need. While clinical care is free, a 5% co-contribution to the cost of independence services like showering will be too much for full pensioners who rent, as is a 17.5% co-contribution to everyday living services such as domestic assistance and meal prep. We are concerned that older people will disengage from services that they cannot afford to prioritise other immediate needs like rent, food and medical care.

While older people can apply for a hardship exemption, this provides an additional layer of complexity and represents a further barrier for older people. We believe that older people who are receiving Commonwealth Rent Assistance should be automatically excluded from Support at Home co-contributions. The shortfall could be offset by adjusting co-payments from those with greater financial means.

Next steps

We note that the final version of the Support at Home manual is due in September ahead of the anticipated start date of 1 November. We strongly urge the Department to release this as soon as possible to provide the sector with the longest possible timeframe for preparation.

Despite the above matters, we endorse the passing of these Bills and urge the Inquiry to recommend that they are passed as soon as possible. Further delays to the Act are not in the best interest of older people or providers.