

ANSWERS TO ESTIMATES QUESTIONS ON NOTICE

HEALTH AND AGEING PORTFOLIO

Additional Estimates 2011-2012, 15 February 2012

Question: E12- 130

OUTCOME 4: Aged Care and Population Ageing

Topic: COST OF DELIVERING CARE

Written Question on Notice

Senator Boyce asked:

A recent study by Grant Thornton has found the cost of construction of a modern, high care facility in metropolitan Australia - for land and fit-out - was almost \$226,000 per bed which translated into a capital cost of at least \$73 per bed per day. The report also found that the costs associated with the delivery of nursing care and support was approximately \$144 per bed per day and the deficiency of available revenues to meet these costs was up to \$62 per bed per day during the review period.

- a) Would the Department please outline what it says is the average cost for the above (ie land, fit-out, capital cost per day, cost of delivering nursing care and support and shortfalls) is throughout Australia?
- b) Where is the most expensive place to build a modern high care facility in Australia?
- c) What is the cost for land and fit out and what is the capital cost per bed per day for such a facility?
- d) Where in Australia is the least expensive place to construct a modern, high care facility?
- e) What is the cost for land and fit out and what is the capital cost per bed per day for such a facility?
- f) Investment is not taking place in aged care facilities because the rate of return makes it a risky business investment. What is the department doing to increase the viability of the sector?

Answer:

- a) Data from the 2009-10 Survey of Aged Care Homes (SACH) indicates the average construction cost of a new place in an aged care facility in 2009-10 was \$187,000. The SACH survey does not collect the components of construction cost requested.
- b) Data from the SACH shows that Western Australia and South Australia had the highest average construction cost of all states for a new place in an aged care facility. For 2009-10 the average cost in Western Australia was \$205,000 and in South Australia was \$210,000.

- c) The Survey of Aged Care Homes does not collect the detail requested.
- d) The Department of Health and Ageing can not identify the specific locations with the least expensive aged care construction costs. Data from the SACH shows that Queensland and Tasmania were the states with the lowest average construction cost for a new place in an aged care facility. For 2009-10 the average cost in Queensland was \$159,000 and in Tasmania was \$120,000.
- e) The Survey of Aged Care Homes does not collect the detail requested.
- f) Through the Living Longer Living Better aged care reform package, the Australian Government will strengthen residential aged care by encouraging greater investment in residential aged care, strengthening the sustainability of the sector and providing consumers with more choice.

The Government is providing \$486.9 million to increase the accommodation supplement the Government pays on behalf of residents who cannot meet all of their own accommodation costs. From 1 July 2014, the maximum level of this supplement will be increased from \$32.58 to \$52.84 per day.

The increased accommodation supplement will apply to aged care homes that are built or significantly refurbished from 20 April 2012. This will ensure that aged care homes continue to be built and refurbished.

Existing aged care capital grants programs will be combined through the Rural, Regional and Other Special Needs Building Fund providing around \$51 million in capital grants each year.

Older Australians entering aged care homes will also have more flexibility and choice about how they pay for their accommodation costs. From 1 July 2014, all residents who can afford to will have the choice of paying for their accommodation through a fully refundable lump sum, a rental style periodic payment or a combination of both. A new cooling off period will mean that residents will not need to decide how they intend to pay for their accommodation until they have actually entered care.

Residents will also be better protected by the new Aged Care Financing Authority, which will be required to approve the level of lump sum or equivalent periodic payments for each aged care home to ensure that these charges truly reflect the value of the accommodation services offered.