Question: E12-025

OUTCOME 4: Aged Care and Population Ageing

Topic: Benchmarking

Type of Question: Written Question on Notice

Number of pages: 1

Senator: Senator Boyce

Question:

The Productivity Commission in its recent report recommended a public benchmarking study be undertaken to determine aged care costs but this was has not been adopted by the government. How can you know whether funding is adequate given that the cost of aged care has not been determined?

Answer:

The Productivity Commission suggested that a benchmarking study could be used to initially set scheduled prices. There are alternate ways of assessing the sustainability of the industry as a whole using:

- macroeconomic indicators of viability of the industry such as the level of building activity in the industry, the level of interest expressed by providers in entering or expanding their involvement in the industry, and the prices paid for 'licences' to operate in the industry; and

- detailed economic simulations of high care and low care homes to see what factors influence the viability of individual homes.

The Aged Care Financing Authority (the Authority) will provide independent advice to the Government on pricing and financing issues, informed by consultation with consumers, and the aged care and finance sectors. One of the objectives of the aged care financing arrangements is to enable efficient aged care providers to:

- appropriately care for their care recipients, while being appropriately rewarded for the operational risks inherent in operating an aged care business; and

- make a return on investment that is sufficient to ensure that investment will continue to be made in the aged care industry at the rate needed to meet the demand for services;

The Authority will be required to consider this objective in its deliberations and in its advice to the Minister.