

ACCPA

Aged & Community Care Providers Association

State of the Sector: Aged Care 2024



About ACCPA

The Aged & Community Care Providers Association (ACCPA) is the national Industry association for aged care providers offering retirement living, seniors housing, residential care, home care, community care and related services.

ACCPA exists to unite aged care providers under a shared vision to enhance the wellbeing of older Australians through a high performing, trusted and sustainable aged care sector.

We support our members to provide high quality care and services while amplifying their views and opinions through an authoritative and comprehensive voice to the government, community and media.

Our sector serves to make better lives for older Australians, and so do we.

Acknowledgement of country

In the spirit of reconciliation, ACCPA acknowledges traditional owners of country throughout Australia and recognises the continuing connection to land, sea and the community. We pay our respect to Aboriginal and Torres Strait Islander cultures, and to elders past and present.

Report attribution

This work should be attributed as *State of the Sector: Aged Care 2024*, Aged & Community Care Providers Association, Melbourne, Australia, October 2024.

The report is available at accpa.asn.au

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Disclaimer

This report has been prepared by ACCPA as a general overview of industry sentiment and is not intended to provide exhaustive coverage of the topics considered in the research study. While care has been taken to ensure the information in this report is accurate, ACCPA does not accept any liability for any loss arising from reliance on the information or from any error or omission in the report. Any person relying on this information does so at their own risk.

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Contents

Foreword	5
Snapshot of findings	6
Summary of priorities for aged care	8
Methodology	10
Sector overview	12
Aged care workforce	14
Aged care reform	15
The future of aged care	16
Readiness for a growing older population	16
Level of optimism for the direction of aged care	17
Costs of reform and impact on capacity to innovate	18
Funding	20
Role of financial sustainability and relationship to quality care	20
Areas of vulnerability	21
Meeting demand for aged care services	22
Workforce	25
Ability to implement reforms with the current workforce	25
Sector response to increased staffing requirements and demand	26
Accessing workers under migration arrangements	28
Reform challenges	30
Pace and scheduling of reform	30
Confidence in meeting new aged care requirements	30
Reform pressures	32
Conclusion	34
References	35



Foreword

I'm delighted to present the *State of the Sector: Aged Care 2024* – our inaugural report into the attitudes of providers about aged care in Australia, delivered by the Aged & Community Care Providers Association (ACCPA). It presents an overview of the current state of the aged care sector in 2024, and what we need in order to create a better future.

This report offers a unique insight into the aged care sector, which we intend to develop year-on-year to identify trends, opportunities, challenges and levels of confidence. It places a spotlight on the aged care transformation taking place in Australia, uncovering priorities requiring attention and further policy development.

Based on feedback from a wide cross section of aged care providers spanning metropolitan and regional locations, this report provides robust insights into the aged care sector. This is critical as we work to implement important reforms, including those recommended by the Royal Commission, mandated by the Australian Government and expected by the community.

ACCPA members are working tirelessly to deliver on these reforms because they believe that change is vital and will enable them to deliver the care older Australians expect and deserve. Ultimately the aged care sector will impact almost every Australian, and we take that responsibility extremely seriously – for ourselves and for the community as a whole.

It comes amidst a backdrop of financial, workforce and reform challenges – of significant volume and magnitude. Aged care consumers are also growing in number, highlighting the need to create a system that delivers high quality care now and into the future.

This is a report about our sector at a critical juncture in its transformation journey and based on feedback from those that deliver care to older Australians every day. It is honest, and it is earnest.

An important take-away is the continued need to support aged care providers as they strive to deliver this transformation for the nation.

Concerns around sustainability and long-term viability, adequate supply of skilled workers, and the technology, systems and processes required to remain compliant with changing expectations and regulations, have emerged as key themes. Although these challenges can be met, they highlight priority areas for the sector.



There is enthusiasm from aged care providers to embrace best-practice approaches and innovations to enhance the ageing experience. There are also reservations about how quickly the sector can evolve to keep up with demand from a rapidly ageing population.

We see both opportunities and challenges in the report. Some providers are considering leaving the sector in the next three years, largely due to financial pressures, while others are looking to expand.

The insights provided in this *State of the Sector* report provide a way to understand what the sector needs now, so that we get things right for all older Australians in the future.

I call on Australia's leaders to take note of what the sector is saying and seize the moment to achieve a strong outcome from seminal reforms, including the Aged Care Taskforce's recommendations regarding the future sustainability of aged care and the new rights-based Aged Care Act.

I extend my thanks to our special advisors – StewartBrown and the Committee for Economic Development Australia (CEDA) – for sharing their expertise and insights to make this *State of the Sector* report a vital document for policy makers and sector stakeholders.

Tom Symondson

Chief Executive Officer
Aged & Community Care Providers Association

Snapshot of findings

Future of aged care



51%

of providers perceived Australia's aged care system as being **on the right track**



70%

of providers were **concerned about the nation's readiness** to support a growing ageing population



97%

of providers were **concerned about increasing costs** associated with the delivery of services to older people

Workforce



78%

of providers were confident or extremely confident they **have strong leadership** to navigate and implement the new reforms



36%

of providers are **confident in their ability to recruit staff** to meet the increased care minutes requirements that will come into effect in October 2024



64%

of providers have been **unable to access the workers required** under the current migration arrangements

Funding



92%

of providers were **concerned about Government funding** (under current policy settings)

54%

considered funding to be the **biggest challenge for the sector** in the next two years

28%

of providers were **confident they could attract capital** for building refurbishments or new builds



20%

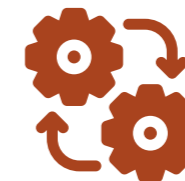
of smaller providers were **not confident in their ability to continue to provide aged care services** in the next 12 months



Reform challenges

69%

of providers felt the **transition timeframes** for the commencement of new aged care reforms **were too fast**



84%

believe the new requirements **will put a greater strain** on the aged care sector



53%

of providers agreed that new requirements resulting from the Government's response to the Royal Commission **will support quality of care and safety**



Summary of priorities for aged care

ACCPA has identified a series of priority areas for Australia's aged care system, drawn from data insights and findings in this report.

The future of aged care

- To meet the increasing demand of an ageing nation, Australia requires deliberate and planned aged care reform involving governments, the sector, and the broader community.
- More needs to be done to ensure every provider involved in the system is taken on the aged care reform journey, particularly for smaller providers - many of whom provide critical supports to underserved groups and/or areas.
- It is critical to the future sustainability of the aged care sector that funding is sufficient to deliver care and to attract investment. These are necessary precursors to an environment that will foster innovation.

Funding

- To meet increasing demand, the financial sustainability challenges of the sector must be addressed, including funding measures that support capital works. Policy reform in response to the final report of the Australian Government's Aged Care Taskforce will be critical.
- Policy settings for both funding and workforce must support thin markets, particularly small and medium sized aged care providers and providers operating in non-metropolitan areas.
- The way forward requires well-designed funding and policy mechanisms to achieve provider intent to expand capacity and leverage options that support aged care services 'where we live and when and how we need them'.

Workforce

- Addressing workforce shortages, particularly those in regional, rural and remote areas, will be critical to successfully implementing care minutes and reforms under the new Aged Care Act.
- Agency staff are not a long-term solution to workforce shortages. There is a critical need to build a sustainable aged care workforce to ensure providers can maintain and expand capacity for older people now into the future.
- The barriers to accessing skilled migrant workers should be addressed and prioritised at the national level, particularly for smaller providers and those outside metropolitan areas.

Reform challenges

- Providers require sufficient transition time to implement reforms in aged care, ranging from six to 12 months (depending on the reform).
- Providers will require targeted support to meet the upcoming increased mandatory care minutes targets and wage increases for aged care workers and home support workers.
- To support providers navigate the reform landscape, solutions must address funding pressures, workforce pressures and the compliance burden. In addition, reforms should be adequately paced, spaced and communicated ahead of time.

Methodology

State of the Sector: Aged Care 2024, delivered by ACCPA, is the first research report of its kind.

This document aims to enhance understanding of the state of play within the sector, identify evidence based opportunities and advocacy priorities, and serve as a tool for benchmarking in the future.

The insights in this report are based on quantitative and qualitative research conducted by SEC Newgate Research, an independent research arm of SEC Newgate Australia. The research involved an online survey with 191 organisations offering retirement living, residential care and/or home care services. In addition, five ACCPA members (representative of different provider types) were selected for 45-minute in-depth interviews, which allowed for further illustration of the issues identified.

In many cases, the providers surveyed operate more than one service type. In total, the 191 providers represent 341 individual service offerings across retirement living and seniors housing as well as Federally funded aged care programs in residential, home and community care.

The survey participants represent the breadth of aged care providers in Australia, including larger multi-site providers, smaller single-site providers, not-for-profit providers, private providers, and state government-run providers. These providers are located across

Australia, from major cities to regional and remote areas. Responses were also broadly representative of the distribution of providers in each State and Territory.

The research was conducted between 5 and 29 April 2024 to generate an understanding about the current issues, the key pressure points, and the level of knowledge and confidence around new and proposed reforms. Particular emphasis was placed on three major themes – funding, workforce and reform – with questions about pressure points as well as opportunities and what is needed to realise them.

The survey was largely quantitative, with participants asked to select their answers from multiple choice options. Results may not always add up to 100 per cent due to rounding or multiple-response questions.

Throughout this report, our analysis has excluded those who responded to survey questions with 'not applicable', in order to provide an accurate representation regarding the results of the relevant participants. Where the term 'providers' is used in the context of data, it is referring to participants of the survey. Infographics are derived from survey results of ACCPA members.



The future of aged care

-  Funding
-  Workforce
-  Reform challenges

Provider type

- 191** Total providers surveyed
- 125** Residential care services
- 135** Home care services
- 81** Retirement living services

Provider classification

- 103** Not-for-profit community-based
- 39** Not-for-profit faith-based
- 38** Private
- 11** State government or local council

Provider location

- 121** Major city
- 45** Inner regional
- 22** Outer regional
- 3** Remote



Sector overview

Residential care

In 2022-23, approximately **250,000** people received permanent residential care services at some time during the year, an increase from around **245,000** in 2021-22.

In 2022-23, the average age (on entry) was **83.5 years** for men, **85.3 years** for women.

Sources:

2022-23 Report on the Operation of the Aged Care Act 1997 *2022-23 Report on the Operation of the Aged Care Act 1997 & AIHW Gen aged care data*

Retirement living and seniors housing

The average resident age on entry into a village is **75** years.

In 2023, **61%** of operators reported actively providing home care to residents, compared to **46%** in 2022.

The average tenure of residents is **8.7** years.

Source:

2023 PwC / Property Council Retirement Census

Home and community care

Over **258,000** people were utilising a Home Care Package in June 2023, an increase of more than **42,000** since June 2022.

In 2022-23, the Commonwealth Home Support Programme provided support to more than **816,000** clients through delivery of home support services, in line with the previous year of approximately **818,000**.

Sources:

2022-23 Report on the Operation of the Aged Care Act 1997 *2022-23 Report on the Operation of the Aged Care Act 1997 & AIHW Gen aged care data*



Aged care funding

Government spending on aged care was estimated to be **\$32.3b** in 2023-24, **\$12.6b** more than in 2019-20.

In March 2024, **50%** of residential care homes operated at a loss.

Home care providers' margins were around **\$1.80** per client per day in the first half of 2023-24, down from approximately **\$3.20** in 2022-23.

Sources:

UTS Ageing Research Collaborative (UARC) Australia's Aged Care Sector: Mid-Year Report 2023-24 & StewartBrown Aged Care Financial Performance Survey (March 2024)

While the introduction of the Australian National Aged Care Classification (AN-ACC) funding model and wage increases to aged care workers since 2023 has improved the overall funding to residential care, the sector continues to experience losses. For the nine-month period ending in March 2024, 50 per cent of residential care homes operated at a loss.²

Home care provider viability is also under strain, with the average provider viability continuing to decrease and 24.1 per cent operating at a loss as of December 2023.³

The Commonwealth Home Support Program (CHSP) also needs sufficient funding to meet anticipated growth and increased wage costs associated with the Aged Care Work Value Case. Unit pricing ranges must be adequate to ensure the program's sustainability, support innovation, and enable reablement services. Additionally, funding must accommodate the growth in demand for CHSP program services to ensure capacity between mid-2024 and the earliest date for inclusion in the Support at Home Program in mid-2027.

The recommendations of the Aged Care Taskforce final report, established by the Minister for Aged Care, the Hon Anika Wells MP, represent a progressive way forward that is person-centred, sustainable, balanced and future-focused.⁴

As StewartBrown has observed, implementation of the Aged Care Taskforce recommendations could both improve the financial position of the sector and be a catalyst for innovative care solutions that 'enable elderly persons to receive care in a variety of accommodation settings that also cater for dementia, disability, social and cultural needs.'⁵

The Royal Commission into Aged Care Quality and Safety (Royal Commission) was clear in its view that current financing arrangements for aged care cannot support a sustainable system into the future. Aged care expenditure is projected to grow at a significantly faster rate than overall Australian government expenditure. This growth will be the result of projected demographic changes and subsequent increases in demand for aged care services.

The current approach to financing the aged care system is heavily reliant on general taxation revenue, exposing aged care to the risk of cost control measures in the face of increasing demand and cost pressures. The Royal Commission critiqued rationing of the aged care system by successive governments in their design of funding models adversely impacting the ability of older people to access high quality care when they need it, saying 'The current state of Australia's aged care system is a predictable outcome of these measures to limit expenditure and ignore the actual cost of delivering aged care.'¹

¹ Royal Commission into Aged Care Quality and Safety, A Summary of the Final Report (Executive Summary), p.74

² StewartBrown Aged Care Financial Performance Survey March 2024, p.2

³ UTS Ageing Research Collaborative (UARC), Australia's Aged Care Sector: Mid-Year Report 2023-24, p.110 and Department of Health and Aged Care, Quarterly Financial Snapshot Aged Care Sector Quarter 2 2023-24 October to December 2023, p.9.

⁴ Department of Health and Aged Care, Final Report of the Aged Care Taskforce, March 2024

⁵ StewartBrown, Final Report of the Aged Care Taskforce – Financial Impact of Report Recommendations, March 2024, p.7

Aged care workforce

There are approximately **370,000** aged care workers in Australia.

The number of Registered Nurses and Nurse Practitioners working in residential care is projected to increase by around **400** between FY2023-24 and FY2024-25.

There is an estimated shortage of approximately **5,900** registered nurses in residential care homes in 2024-25.

There is forecast to be an undersupply of around **17,550** nurses for the aged care sector by 2035.

There is an expected annual shortfall of **30,000 to 35,000** direct care workers in aged care.

Sources:

Response to correspondence from Senator Ruston to Secretary Blair Comley PSM, SASIR00601324060318420 (aph.gov.au)

Department of Health and Aged Care (2024). About the aged care workforce, www.health.gov.au/topics/aged-care-workforce/about

Department of Health and Aged Care (2024). Nursing Supply and Demand Study 2023 – 2035, p.8

CEDA, 2022, Duty of Care: Aged Care Sector in Crisis, Duty-of-Care-Aged-Care-Sector-in-Crisis.pdf (ceda.com.au), p.4

Aged care workers are the backbone of the aged care sector and include a diverse range of roles such as nurses, personal care workers, allied health practitioners, cleaners, gardeners and drivers. In recent decades, access to aged care services in the home has increased substantially. As a result, many more people are ageing at home, supported by home and community care services. Increasingly, people enter residential care only if their health needs require such specialised care.

This trend has led to an increase in both the average age and level of need among those in residential care, with many residents experiencing some level of cognitive decline. In 2021-22, 54 per cent of residents had dementia, of which 47 per cent had severe cognitive impairment.⁶

Since 1 July 2023, residential care homes have been required to have a Registered Nurse (RN) on site and on duty 24 hours a day. In addition, from 1 October 2023, residential care homes have been required to deliver an average of 200 care minutes per resident per day, including 40 minutes provided by an RN.

From 1 October 2024, this requirement increased to an average of 215 minutes, including 44 minutes of RN care.

Yet, these mandatory requirements come at a time of significant workforce shortages. Government modelling shows an estimated shortage of around 5,900 RNs in aged care in 2024-25.⁷ There is also a projected undersupply of 17,550 nurses for aged care by 2035.⁸

While the vast majority of services are meeting the 24/7 RN requirement, a key recommendation of the Royal Commission, only 36 per cent of services met both their total care minutes and RN minutes between January and March 2024.⁹ Workforce shortages and lack of financial sustainability are significant barriers faced by providers, particularly in rural, regional and remote areas.

Aged care reform

There was a **15%** improvement in the number of aged care homes rated 4 or 5 stars between December 2022 and December 2023.

In June 2024, approximately **92%** of reporting facilities had a RN onsite 24/7.

In January – March 2024, **53%** of services met their total care minutes targets and **52%** met their RN minutes.

Sources:

The Hon Anika Wells MP (2023). One-year on – Star Ratings highlights improved aged care, media release, 19 December

Department of Health and Aged Care (2024). Registered Nurse (RN) coverage in residential aged care in June 2024

Department of Health and Aged Care (2024). Care Minutes in Residential Aged Care in January-March 2024

The Royal Commission, which released its final report in March 2021, represented a key milestone in aged care reform – delivering 148 recommendations and identifying a need for a new and sustainable system which could meet the needs and expectations of older people not just today but for decades into the future.

Since then, numerous reforms have been implemented – including new funding and pricing mechanisms, the introduction of Star Ratings, the 24/7 RN requirement and care minutes, and new and stronger governance requirements.

Despite the significant change so far, that change continues with providers both required to meet current requirements whilst preparing for even more reforms in the future. These will largely be rolled out following the commencement of a new Aged Care Act, currently scheduled for July 2025 (pending parliamentary passage). The new Aged Care Act is billed as a rights-based Act, aimed at putting older people at the centre of care.¹⁰

The Act will further change the responsibilities and accountabilities for providers of all types. It will transform the way in which services are funded, in recognition of the Royal Commission's clear view that the system is not sustainable under the current funding regime. It will also bring about the new Support at Home program – which will replace the Home Care Packages Program and Short-Term Restorative Care Programme from 1 July 2025, while the Commonwealth Home Support Programme (CHSP) will transition to the new program no earlier than 1 July 2027. The Support at Home program is designed to facilitate a simpler and fairer system.¹¹

⁶ Dementia in Australia, Residential aged care - Australian Institute of Health and Welfare (aihw.gov.au)

⁷ Department of Health and Aged Care, Response to Correspondence from Senator Ruston to Secretary Comley dated 6 February 2024 regarding Senate Estimates, p.16, www.aph.gov.au/-/media/Estimates/ca/add2324/Health_and_Aged_Care/01_TabledDoc_HealthAndAgedCare_ResponseToSenatorRuston.pdf

⁸ Department of Health and Aged Care, Nursing Supply and Demand Study 2023 – 2035, p.8, hwd.health.gov.au/resources/primary/nursing-supply-and-demand-study-2023-2035.pdf

⁹ Department of Health and Aged Care (2024). Care Minutes in Residential Aged Care in January-March 2024, www.health.gov.au/sites/default/files/2024-07/care-minutes-in-residential-aged-care-dashboard.pdf

¹⁰ Department of Health and Aged Care, About the new Aged Care Act, www.health.gov.au/our-work/aged-care-act/about

¹¹ Department of Health and Aged Care, About the Support at Home program, www.health.gov.au/our-work/support-at-home/about



The future of aged care

Readiness for a growing older population

The Australian population is ageing rapidly. We need a buoyant and confident sector that can care for our elders both today and into the coming years and decades; one which can meet their changing needs regardless of where they live, their wishes and their levels of need.

The challenge is both motivating and sobering, with the Australian Government's *Intergenerational Report 2023* projecting that the number of people aged 80 and above will triple over the next 40 years, to more than 3.5 million people by 2062–63.¹² Seven out of ten Australians over 75 years already access an aged care service.¹³

Seventy-seven per cent indicated they were very confident that they would continue to provide aged care services in the next 12 months, while 12 per cent were confident. Five per cent expressed low levels of confidence, and a further six per cent were not confident at all.

Additionally, seven out of ten providers (70 per cent) are concerned about the nation's readiness to support a growing ageing population. This highlights the concern that providers have regarding the quantum of aged care services required to meet demand in the future, including the role of governments, the sector and the community.

These findings should not be surprising given the nature and scale of the challenge, but they highlight the attention required by decision-makers to ensure Australia is prepared to support our growing population of older people.

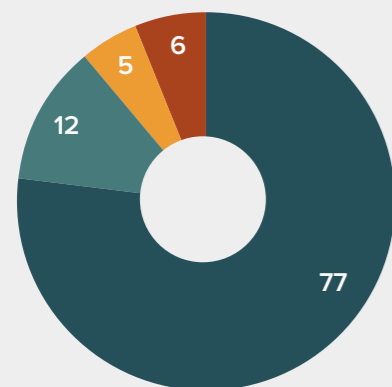
It appears while the majority of providers feel capable in their own operational capacity, most are also concerned about the availability of government-led support for an expansion of quality care consistent with community expectations at the scale of reform required.

Priority area:

To meet the increasing demand of an ageing nation, Australia requires deliberate and planned aged care reform involving governments, the sector, and the broader community.



Confidence to meet projected demand in 12 months (%)



- No confidence: 0-4
- Low confidence: 5
- Mid-level confidence: 6-7
- High confidence: 8-10

Level of optimism for the direction of aged care

The Royal Commission highlighted a system in crisis and one that, in too many cases, was not delivering the quality care expected by older Australians.

Providers were strongly supportive of the recommendations of the final report to ensure 'care, respect and dignity' were core to the future of aged care in this nation.

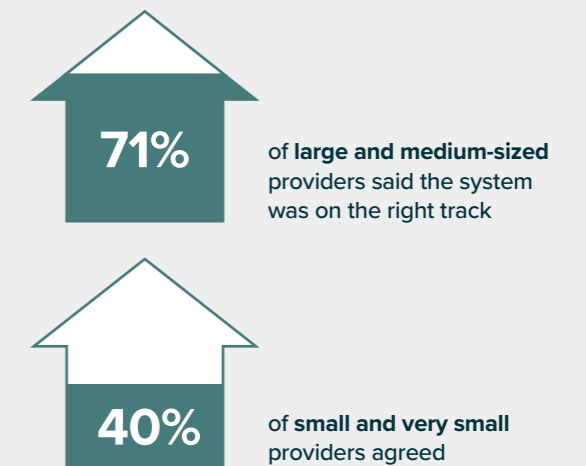
This number increases to 71 per cent for large and medium providers and to 65 per cent for retirement living operators. This optimism is significant, given the ongoing financial viability and workforce supply pressures for providers during a significant program of reform.

However, the results for small providers are less encouraging, with only 40 per cent feeling positive about the sector's direction. Additionally, 38 per cent were unsure, compared to 23 per cent of medium to large providers.

Perceived direction of Australia's aged care system (%)



Three years on, there is an encouraging level of optimism about the future direction of the sector, with 51 per cent of providers perceiving Australia's aged care system to be 'on track'.



Only 16 per cent of providers believed the aged care system is heading in the wrong direction although again, this number was lower for larger providers (six per cent) and higher for smaller providers (22 per cent).

Geographic location showed less significant variation with 'on track' responses varying from a low of 54 per cent in MMM 5 to a high of 67 per cent in MMM 2.

These results indicate that the most significant driver of a provider's sentiment about the direction of the system is scale, with smaller providers feeling increasingly overwhelmed by the scale and nature of the change required.

Priority area:

More needs to be done to ensure every provider involved in the system is taken on the aged care reform journey, particularly for smaller providers – many of whom provide critical supports to underserved groups and/or areas.

¹² Australian Government, *Intergenerational Report 2023: Australia's future to 2023*, p.6 & p.159, treasury.gov.au/sites/default/files/2023-08/p2023-435150.pdf

¹³ Aged Care Quality and Safety Commission, Presentation by Commissioner Janet Anderson to Aged and Community Care Providers Association Queensland State Conference, 30 April 2024.

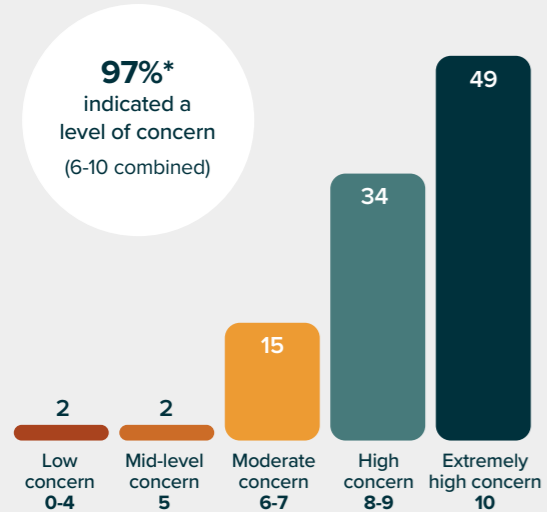
The future of aged care continued.

Costs of reform and impact on capacity to innovate

The cost of delivering care and support to older people is increasing rapidly as demonstrated by the growth in government spending over recent years. However, the cost to individual providers is also growing rapidly as a result of reform, high inflation, the continuing impacts of COVID-19 and a range of other factors such as the cost of maintaining ageing buildings and investing in innovation and technology.

The vast majority (97 per cent) of providers indicated a level of concern ranging from medium to extreme (including 49 per cent indicating extreme concern) regarding the increasing costs associated with the delivery of services to older people.

Almost universal concern regarding increasing costs (%)



Fifty per cent of providers feel confident or very confident in their ability to innovate to improve the quality of care provided with only 41 per cent confident or very confident they can invest in new business and ICT systems. Fewer than half (48 per cent) felt confident in their ability to innovate to improve the way they deliver their services.

Although many providers indicated some level of confidence regarding their ability to innovate across a range of measures, the majority did not – highlighting the current challenges for providers to innovate, attract the necessary capital to invest in technology, provide better accommodation and deliver higher quality care if the overall funding available remains insufficient.

In relation to residential care specifically, while over two thirds (69 per cent) of these providers felt confident or very confident they could maintain their current star rating, only 40 per cent were confident or very confident they could improve their overall star rating with the current level of funding and policy settings.

Critically, these responses are based on the current levels of funding available to providers, which highlights the significant importance of implementing funding reform to deliver greater investment into the sector.

Priority area:

It is critical to the future sustainability of the aged care sector that funding is sufficient to deliver care and to attract investment. These are necessary precursors to an environment that will foster innovation.



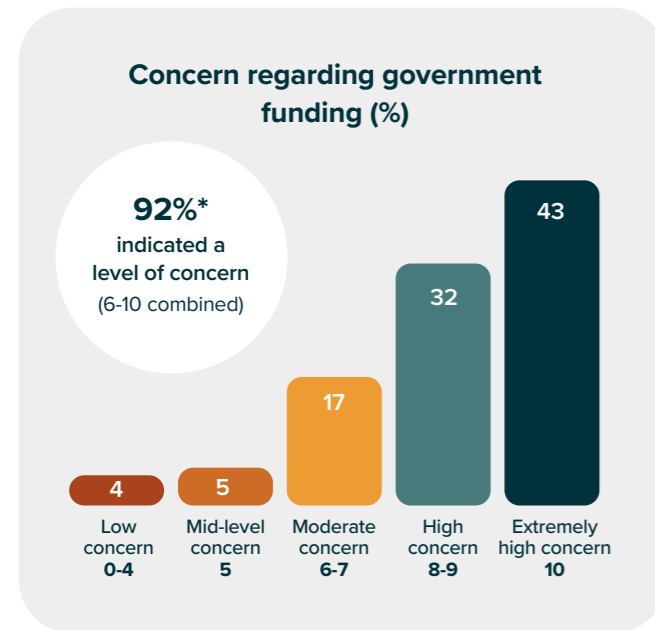
*Rounded from 96.9%

Funding

Role of financial sustainability and relationship to quality care

Financial sustainability is key to the transformation of aged care in Australia. Funding levels impact every aged care service and offering.

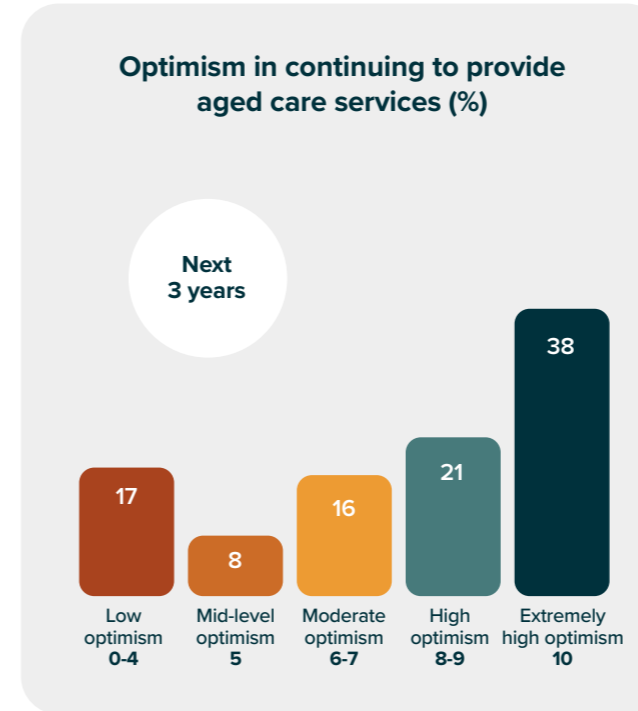
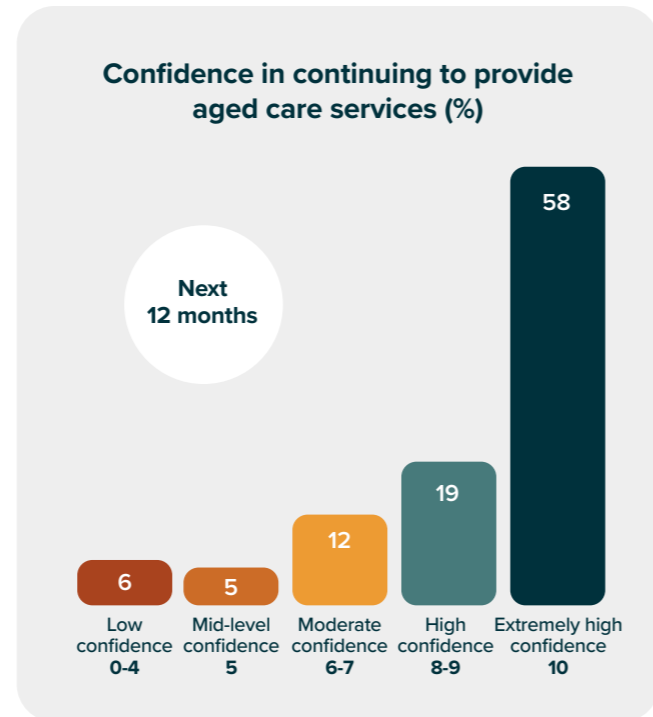
When asked about challenges facing the aged care sector, 92 per cent of providers nominated government funding (under current policy settings) as a concern, including 75 per cent who nominated it as very concerning or extremely concerning.



When asked, unprompted, what the biggest challenge will be for the sector in the next two years, 54 per cent mentioned funding.



The vast majority of providers felt confident that their organisation could continue to provide aged care services in the next 12 months (88 per cent were confident, including 58 per cent who were extremely confident). However, when asked about their ability to continue to provide services three years from now, 75 per cent were optimistic (including just 38 per cent who were extremely optimistic). Concerningly, around one in six providers (17 per cent) were not at all optimistic about their ability to provide aged care services in 2027.



There was significant variation in levels of confidence based on size of provider, with 83 per cent of organisations employing more than 100 people stating that they were confident in their ability to remain in the sector in three years, as compared with only 63 per cent of providers with fewer than 50 people.

These results continue to highlight that the cost of reform is disproportionately impacting smaller organisations and caution is required to ensure that small providers, who are often specialist services providing care and support to already underserved communities or cohorts, can respond.

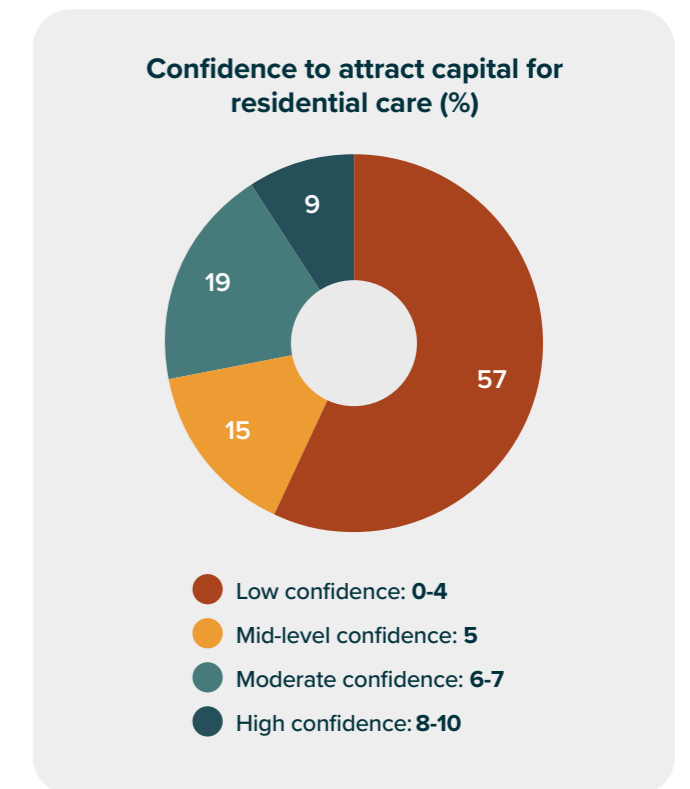
In an environment of increasing demand for aged care services, the possibility that providers might be forced to cease operating due to financial pressures is a key challenge for the future of the sector. This points again to the critical importance of a long-term solution for residential, home care, and community services.

Currently, financial sustainability challenges mean there are also insufficient returns to re-invest – including for new or refurbished facilities.

Yet, a lack of capital is stifling growth, with just 28 per cent of providers confident they could attract capital for building refurbishments or new builds, and over half (57 per cent) indicating a lack of confidence in their organisation's ability to maintain existing facilities to the required standard.

One respondent noted:

“A financially strong sector will attract the capital for future development as well as supporting immediate care delivery improvements.”



Priority area:

To meet increasing demand, the financial sustainability challenges of the sector must be addressed, including funding measures that support capital works. Policy reform in response to the Australian Government's Aged Care Taskforce's Final Report will be critical.

*Rounded from 91.6%

Funding continued.

Areas of vulnerability

While viability challenges exist for all provider types, this report identifies particular challenges faced by smaller providers and those located in non-metropolitan areas – both of which are critical for meeting the aged care needs of an ageing population.

Smaller providers and those based in regional and rural areas are likely to require greater support overall, particularly in relation to workforce and capital works – in order to meet increasing demand for services in their communities.

In addition to the challenges discussed in the previous section, when asked about confidence in their ability to continue to provide aged care services over the next 12 months, responses showed smaller providers (those with less than 50 employees) were most at risk, with 20 per cent not confident in their ability to continue to provide aged care services in the next 12 months, compared to nine per cent for larger providers (those with more than 100 employees).

There were no substantive differences observed in confidence to continue (over 12 months and three years) when comparing providers in major cities, to inner regional, outer regional and remote. Access to workforce is a substantial area of concern for non-metropolitan providers.

When asked about their confidence in meeting proposed reforms with available workforce, almost two thirds of respondents in inner regional (64 per cent) and outer regional/remote (61 per cent) areas indicated that they were not confident or not at all confident.

Further, when asked about current migration arrangements, around two thirds (64 per cent) of providers stated they have been unable to access workers. While small providers (those with less than 50 employees) and providers in non-metropolitan areas reported being unable to access the required workers under current migration arrangements (with 65 per cent and 61 per cent unable to do so respectively), medium sized providers (those with 50-99 employees) and metropolitan providers reported the greatest difficulty (71 per cent and 63 per cent respectively).

Insufficient workers adversely affect occupancy and therefore access. Providers require sufficient workforce to meet the needs of older Australians in their community.

Priority area:

Policy settings for both funding and workforce must support thin markets, particularly small and medium sized aged care providers and providers operating in non-metropolitan areas.

Meeting demand for aged care services

These survey results highlight both opportunities and challenges associated with addressing the increasing demand for aged care services.

Two thirds of providers (64 per cent) believed their organisation would require modifications to their services to continue to deliver aged care. These modifications include staffing, financial adjustments, service reduction or reconfiguration, automation and/or outsourcing.

Almost a third (32 per cent) of providers are considering an acquisition in the next year. While acquisitions may support viability through streamlining systems and maximising efficiencies, they do not necessarily result in an expansion of services.

Further, one third (33 per cent) indicated their organisation needs to scale back on facilities or services to maintain viability in the current economic climate, including day centres, clinical services and operational places – coming at a time when the sector needs to expand.

In encouraging news however, almost half (48 per cent) were considering an expansion in the next 12 months – potentially providing much needed capacity in aged care if their intent is achieved.

In relation to the concept of a ‘continuum of ageing’ (providing aged care services to older Australians in place and where they are needed), 51 per cent of providers not already providing retirement living and/or seniors housing are considering doing so within the next three years.

This expansion is likely to prove beneficial for the increasing number of Australians who seek to access assisted living services within their local communities and ‘continuum of ageing’ services where various service offerings are co-located.

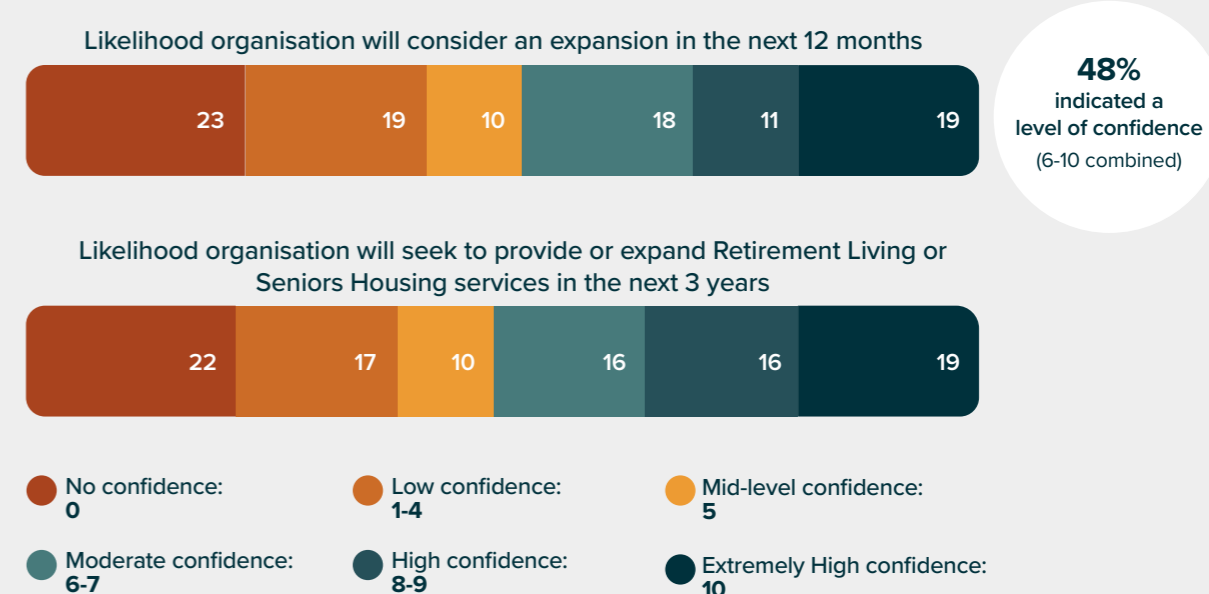
Priority area:

The way forward requires well-designed funding and policy mechanisms to achieve provider intent to expand capacity and leverage options that support aged care services ‘where we live and when and how we need them’.

Confidence to continue to provide aged care services in the next 12 months (by size) (%)



Confidence to expand aged care services (%)





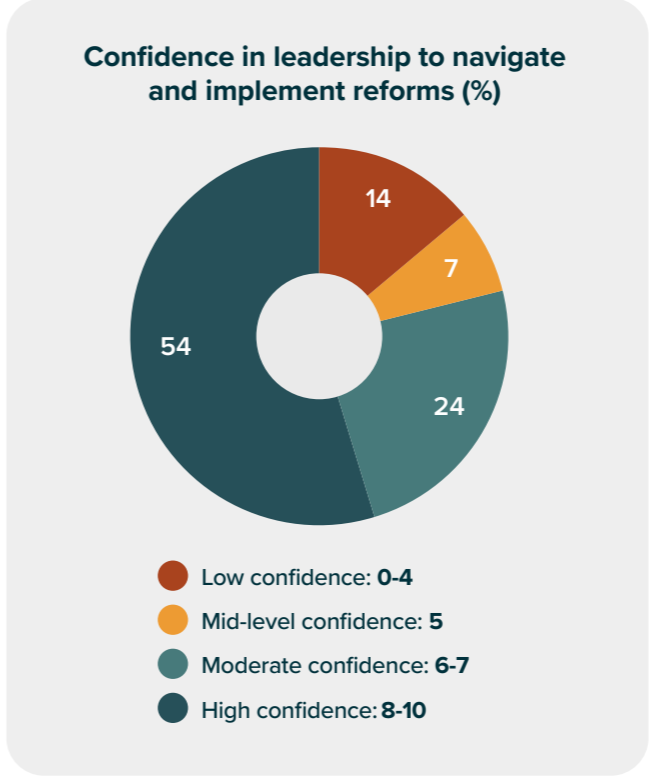
Priority area:
Addressing workforce shortages, particularly those in regional, rural and remote areas, will be critical to successfully implementing care minutes and reforms under the new Aged Care Act.

Workforce

Ability to implement reforms with the current workforce

Providers have a high level of confidence in their leadership teams, with 78 per cent indicating they were either confident or extremely confident they have the strong leadership required to navigate and implement the new reforms.

This is an important finding, coming at a time where leadership across the sector is required.



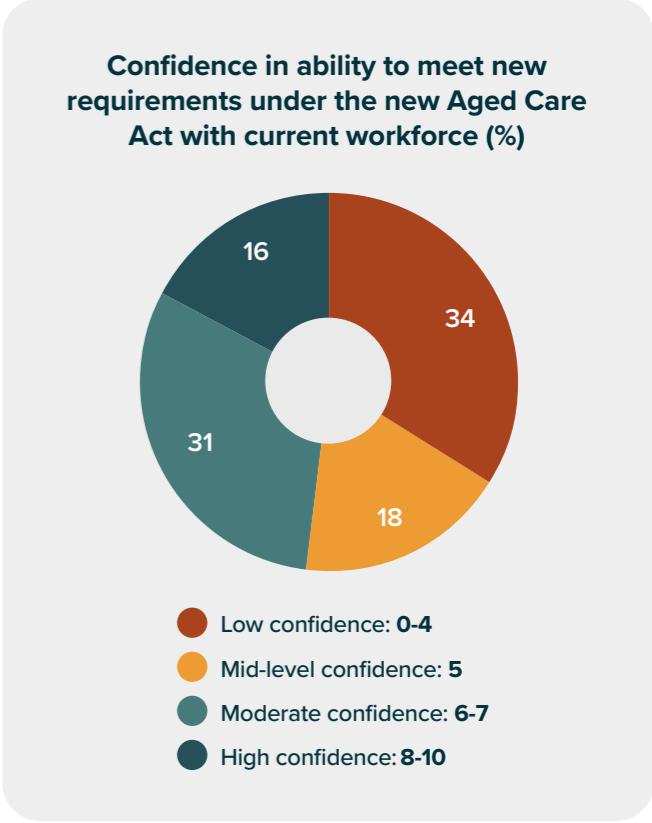
Notwithstanding the above, providers have expressed lower confidence in their ability to recruit and maintain sufficient direct care staff to implement upcoming reforms over the next 12 months. Just over one third (36 per cent) said they are confident in their ability to recruit staff to meet the increased care minutes requirements, with lower confidence for providers outside of metropolitan areas.

These results are unsurprising given many providers struggled to meet the 200 and 40 care minute requirements, with just over 35% of services meeting both their care minutes and RN minutes targets from January to March 2024.¹⁴

However, the State of the Sector survey was conducted prior to the Department of Health and Aged Care's announcement that from 1 October 2024 providers will be able to meet up to 10 per cent of their service-level RN targets with care time provided by Enrolled Nurses (ENs).¹⁵

As this change will give providers greater flexibility in how they meet their increased care minutes targets, some providers may now feel more confident than when they completed the survey in April 2024.

Providers were split on their confidence that their organisation will be able to meet the new requirements proposed under the Aged Care Bill 2024 within available workforce, with 48 per cent indicating a level of confidence, versus 52 per cent with lower confidence.



Providers in major cities were more confident in their ability to meet the proposed new requirements under the Aged Care Bill 2024 than those in non-metropolitan areas – with confidence decreasing with rurality.

Aged care has the leadership needed to navigate and implement upcoming reforms across the sector. However to do so, providers must have access to the required workforce to achieve the reforms.

¹⁴ Care minutes dashboard January to March 2024 (health.gov.au)

¹⁵ Care minutes in residential aged care | Australian Government Department of Health and Aged Care



Sector response to increased staffing requirements and demand

The introduction of new workforce responsibilities in 2023, including the 24/7 RN and care minutes requirements, combined with our ageing population, has resulted in substantially increased demand for aged care workers. In response, providers have taken a range of measures to attract, retain and upskill employees.

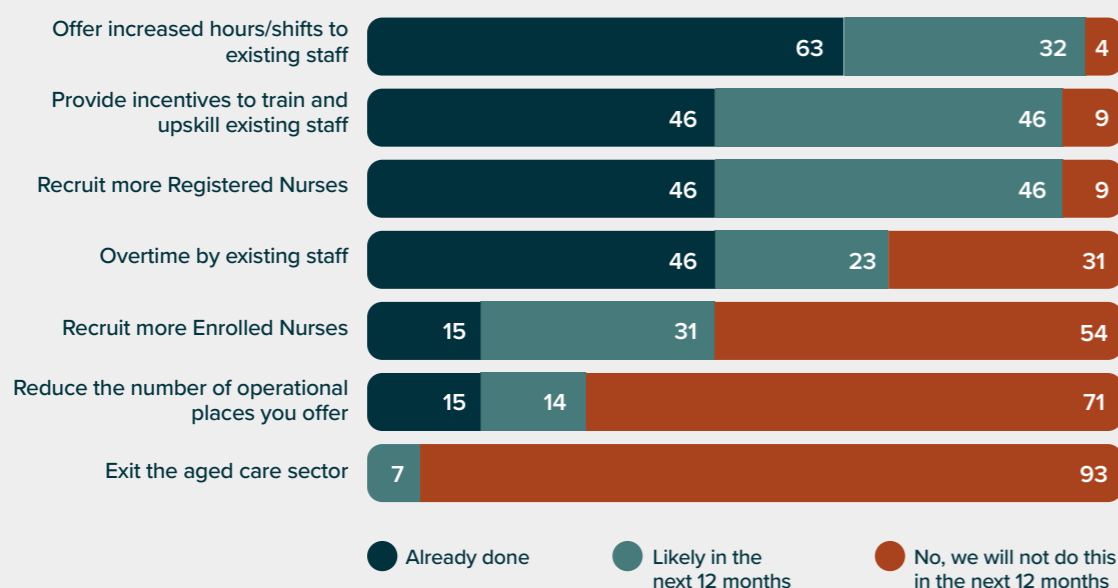
Nine out of ten providers (91 per cent) indicated they have or are likely to recruit more RNs in the next 12 months, while 91 per cent have either provided incentives to train and upskill existing staff or are likely to in the next 12 months.

Almost half of providers (45 per cent) reported they are implementing new or innovative strategies for attracting and retaining staff. These strategies include offering financial incentives and bonuses, wage increases beyond the Consumer Price Index, training and development programs, accommodation and relocation support, and partnering with universities to secure graduates.

In addition, 96 per cent of providers have increased hours or shifts allocated to existing staff (or are likely to) as a result of the reforms in the next 12 months.

Almost half of all providers (46 per cent) have offered overtime to existing staff, while another 23 per cent are likely to in the next 12 months.

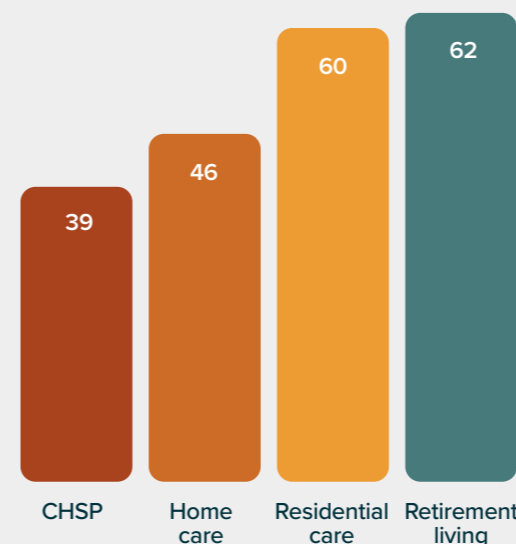
Action being taken or considered in response to increased staffing requirements and demand (%)



Providers operating services in regional or rural and remote areas were more likely to have offered overtime to existing staff, increased use of agency staff and/or recruited more ENs to respond to increased staffing requirements and/or increasing demand – broadly increasing with rurality.

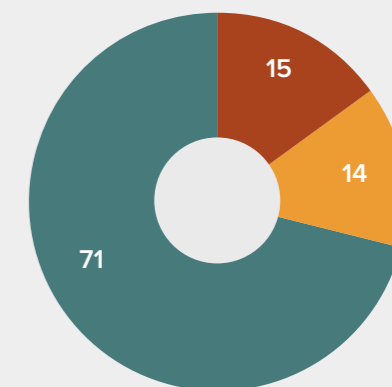
Residential care and retirement living providers were more likely to report that they have or are likely to increase use of agency staff over the next 12 months (60 per cent and 62 per cent respectively) compared to CHSP (39 per cent) and home care providers (46 per cent). This finding reflects anecdotal feedback from providers that residential care homes in areas impacted by workforce shortages are heavily relying on agency staff to meet the 24/7 RN and care minutes requirements.

Increased use of agency staff (%)



These challenges are highlighted by the fact that 15 per cent have already reduced the number of operational places they offer, while a further 14 per cent are likely to do this in the next 12 months.

Reducing operational places (%)



- We have done this as a result of the reforms
- Yes, we will likely do this in the next 12 months
- No, we will not do this in the next 12 months

Our survey also found that seven per cent of residential care providers are likely to exit the sector in the next 12 months. This is consistent with a CEDA report published in October 2023 that found at least 18 residential care homes had closed or were due to close by the end of that year, with over half citing workforce shortages as the reason for closure.¹⁶

“We are already challenged to meet current care minute requirements...”

Priority area:

Agency staff are not a long-term solution to workforce shortages. There is a critical need to build a sustainable aged care workforce to ensure providers can maintain and expand capacity for older people now into the future.

¹⁶ Committee for Economic Development of Australia, 2023, Duty of Care: Aged-care sector running on empty, p.3, cedakenticomedia.blob.core.windows.net/cedamediacontainer/kentico/media/attachments/ceda-duty-of-care-3.pdf

Workforce continued.

Accessing workers under migration arrangements

Immigration continues to play a key role in the aged care sector in Australia, with around 30 per cent of the workforce comprised of migrants.¹⁷

According to the Committee for Economic Development of Australia (CEDA), the aged care sector will require a net increase of around 170,000 workers, or an additional 17,000 direct care workers on average each year, from 2020 to 2030.¹⁸

In light of workforce shortages and the care minute requirements, which will increase from October 2024, there is a high level of interest in accessing migrant workers.

More than two in five (42 per cent) providers indicated they are likely to increase their migrant workforce in the next 12 months.

Larger providers were more than twice as likely to access workers under an Aged Care Industry Labour Agreements (23 per cent) when compared to small and very small providers (11 per cent).

Thirty-six per cent of providers, overall, indicated they had been able to access the workers they required under the current migration arrangements for aged care.

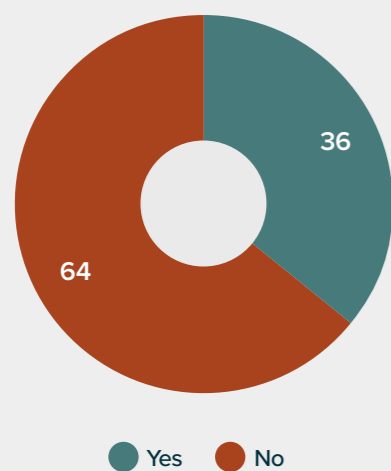
Providers reported a range of barriers that make it difficult to access workers under migration arrangements. The three most common barriers included:

- a complex and onerous visa sponsorship process
- difficulty in attracting workers to regional, rural or remote locations
- financial viability issues limiting providers' ability to offer a sufficiently attractive salary.

Priority area:

The barriers to accessing skilled migrant workers should be addressed and prioritised at the national level, particularly for smaller providers and those outside metropolitan areas.

Proportion able to access the required workers under current migration arrangements (%)



¹⁷ Committee for Economic Development of Australia (CEDA), Duty of care: [Meeting the aged care workforce challenge Report, 2021, p.27, aged-care-workforce-2021-final_1.pdf \(cedakenticomedia.blob.core.windows.net\)](#)

¹⁸ Committee for Economic Development of Australia (CEDA), Duty of care: [Meeting the aged care workforce challenge Report, 2021, p.17, aged-care-workforce-2021-final_1.pdf \(cedakenticomedia.blob.core.windows.net\)](#)

Reform challenges

Pace and scheduling of reform

Many providers reported that the pace of change is too fast and that the slated reforms in the Aged Care Bill 2024 will require measured and carefully planned transition timeframes prior to implementation.

Seven in ten providers (69 per cent) felt the transition timeframes for the commencement of new aged care reforms (in legislation introduced since the Royal Commission) were too fast, including 38 per cent feeling they were 'way too fast'.



Priority area:

Providers require sufficient transition time to implement reforms in aged care, ranging from six to 12 months (depending on the reform).

Confidence in meeting new aged care requirements

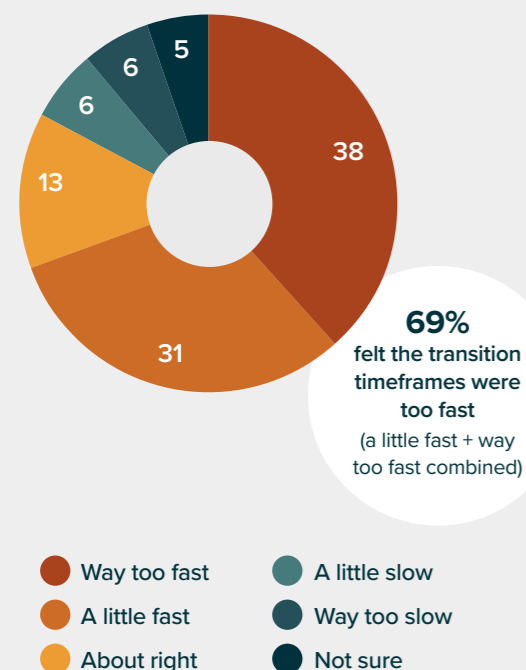
Providers demonstrated varying levels of confidence in meeting specific requirements with the current level of resourcing and funding. Providers were most confident in their ability to meet the 24/7 RN requirement, strengthened governance requirements and the strengthened Aged Care Quality Standards. Seventy-six per cent of providers indicated they were confident or extremely confident in their ability to meet the 24/7 RN responsibility. Around seven in ten providers were confident in both their ability to meet the strengthened Aged Care Quality Standards (71 per cent) and meet the strengthened governance requirements (70 per cent).

The lowest levels of confidence were reported for the upcoming increased mandatory care minutes targets (215 minutes per resident per day) and the wage increases for aged care and home support workers, with around half (48 per cent and 45 per cent) of providers not at all confident in their ability to meet these requirements.

The low level of confidence in relation to increased mandatory care minutes indicates the need for more nuanced policy settings for nursing minutes, such as the welcome decision that providers will be able to meet up to 10 per cent of their service-level RN targets with care time provided by ENs.

Further work will be required regarding the workforce overall and targeted resourcing to fully fund any wage increases in aged care.

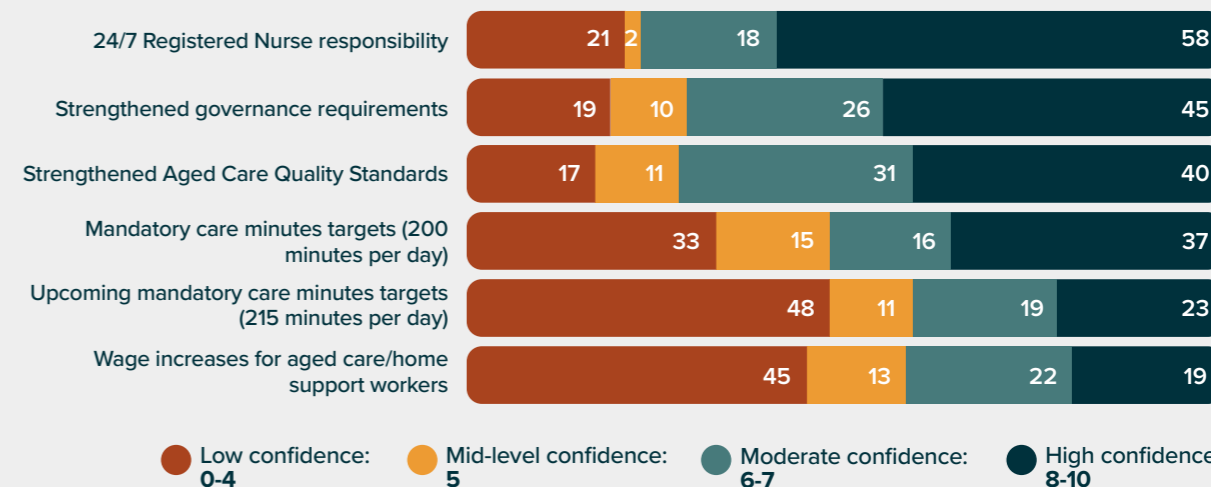
Perceived pace of transition timeframes (%)



Three quarters of providers (74 per cent) indicated they would need six months or more to implement reforms proposed as part of the exposure draft of the Aged Care Bill 2024, with 42 per cent indicating they would need 12 months or more.

These results are in line with ongoing sector feedback regarding the need for sufficient transition and lead time for new reforms, including a staged approach to implementation. Successful reform takes time and providers need adequate time to implement any change.

Confidence meeting specific aged care requirements (%)



These higher levels of confidence are likely due to these reforms already being in place (i.e. 24/7 RN responsibility and strengthened governance requirements) or, if not yet implemented, there is a substantial amount of available information about the reform.

The Department of Health and Aged Care RN coverage in residential aged care dashboard¹⁹ reported that 92 per cent of reporting facilities had an RN on-site 24/7 in June 2024. The discrepancy between the 76 per cent of survey participants indicating they were confident or extremely confident in their ability to meet the 24/7 RN responsibility, and the results reported by the Department of Health and Aged Care, suggest that some providers may not feel confident about their ongoing ability to comply – given the reliance on agency staff.

“We want to treat our consumers well and have them thrive because of our services and are genuinely committed to doing the right thing but might fall short due to misinterpretation or capacity challenges. Underfunding and a lack of ability to attract and retain paid or volunteer workers which makes it that much harder for us.”

Priority area:

Providers will require targeted support to meet the upcoming increased mandatory care minutes targets and wage increases for aged care workers and home support workers.

¹⁹ Registered nurse coverage in residential aged care dashboard (Department of Health and Aged Care)

Reform challenges continued.


Reform pressures

To keep up with the pace, scale and timing of new reforms, providers are challenged by a range of competing and compounding pressures.

In welcome news, 98 per cent of residential care providers indicated they understand the requirements of new aged care reforms relating to residential care – including 58 per cent who were very confident in their understanding. Home care providers rated their understanding slightly lower, but still high, at 81 per cent – with 27 per cent very confident in their understanding. These results are encouraging, particularly given that key elements of the new Support at Home Program have yet to be announced. Understanding of home care reform should increase as more information about the Support at Home Program is released.

More than half of providers (53 per cent) agreed that new requirements resulting from the Government’s response to the Royal Commission will support quality of care and safety.

While 58 per cent agreed their organisation has the capacity to meet the new requirements, only 30 per cent agreed they had the financial resources needed to do so.



Only **24%** of small or very small providers agreed that they have the financial resources needed to meet the requirements of the new reforms, compared to **40%** of medium or large providers.

Unsurprisingly, the vast majority of providers (84 per cent) believed the new requirements will put a greater strain on the aged care sector.

When asked what the biggest challenge is to meet the requirements of the new aged care reforms, the most frequently reported issues were concerns over funding, general compliance requirements, keeping up with new reforms and workforce shortages.

One provider captured the breadth of issues in their response:

“The constant state of change places a huge burden on systems, staffing, education and increases the operational costs.”

In the in-depth interviews, participants were generally supportive of the new reforms, recognising their necessity for the improvements of the aged care sector.

Most participants were also concerned about their ability to balance the provision of quality care with meeting the new reforms. In particular, they were concerned about the timeframe required to meet the new requirements, as well as the lack of funding and available aged care staff.

The majority of providers are supportive of the reforms, but require resourcing and time to successfully implement them.

Priority area:
To support providers navigate the reform landscape, solutions must address funding pressures, workforce pressures and the compliance burden. In addition, reforms should be adequately paced, spaced and communicated ahead of time.



Biggest challenges for meeting the new reforms (%)



Conclusion

The aged care sector is a vital contributor to the Australian community and the degree to which it receives support from the Australian Government reflects the value our nation places on older people.

Ongoing reforms have created a range of challenges for aged care providers. This inaugural *State of the Sector: Aged Care 2024* report aims to provide a comprehensive understanding of the challenges faced by the sector, in order to inform solutions.

Aged care providers are motivated to provide quality care and the best ageing experience possible for older people living in Australia. However, their transformation journey must be met with the right supports to enable them to innovate and evolve.

By providing evidence-based insights, the collective voice of aged care providers outlined in this report will help direct the development of strategic mechanisms to alleviate pressures, enhance provider confidence and support long-term viability.

Issues related to workforce shortages, funding challenges and reform are all competing and compounding concerns identified by aged care providers. This report is intended to assist decision-makers and the community in gaining a deeper understanding of the sector's challenges and priority issues that need to be addressed.

Adequate funding and resources are key to unlocking true transformation of aged care in this nation. Proposed as part of the new Aged Care Bill 2024, the Australian Government's response to the final report of the Aged Care Taskforce, is an essential first step for making the aged care sector more sustainable. ACCPA welcomes the bipartisan agreement on specific aspects of the historic legislative reforms proposed, including those related to future sustainability.

Solutions that consider and address funding and workforce pressures, as well as issues related to the nature and pacing of reforms themselves, will allow the aged care sector to not just meet demand, but thrive – now and into the future. Getting aged care reform right is critical to the future of Australia.





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