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Budget Review Article, 2024–25

Aged care

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The 2024–25 Budget provides foundational funding for a [new Aged Care Act](#), which has been delayed until July 2025. It also remains silent on any new information or changes regarding the crucial question of how the care of Australia’s ageing population will be funded. The Australian Government is [the main funder and regulator](#) of residential aged care, home care and home support services. Most services are delivered by non-government providers, though some state, territory and local governments own residential aged care facilities. [Funding for aged care services](#) is the Australian Government’s fourth biggest expense program, estimated at \$36.2 billion in 2024–25 – this excludes around \$2.3 billion in funding for other aged-care related programs (pp. 199, 210).

This article discusses the issue of future aged care funding, upcoming changes to aged care legislation, funding for the aged care worker pay rise, market stewardship and other significant budget measures.

Future aged care funding

Australia’s [ageing population](#) presents a challenge for governments to sustainably fund future high-quality aged care services (pp. 46–50). Aged care is one of the fastest growing areas of Australian Government spending over the medium term, with average annual growth [estimated](#) at 5.7% from 2024–25 to 2034–35 (p. 91). However, the Budget offered no indication of the government’s intended direction for aged care funding. Specifically, [stakeholder groups have criticised](#) the Budget’s lack of response to the Aged Care Taskforce Report (published March 2024) and delay of the new Aged Care Act.

One proposal to fund increased aged care spending is a new levy imposed through the tax system, similar to the current Medicare levy. The Royal Commission into Aged Care Quality and Safety [recommended](#) this approach (recommendations 138 and 144); however, the Aged Care Taskforce argued against this in its [final report](#), citing concerns with intergenerational equity (p. 20). Instead, it recommended increased resident co-contribution arrangement with a means-tested safety net, but did not expand in detail (p. 27). Accordingly, [Emeritus Professor Hal Swerisse](#)

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[stated](#) that ‘the taskforce failed to consider the mix of taxation, personal contributions and social insurance which are commonly used to fund aged care systems internationally’.

Implementation of the new Aged Care Act

The Government intends to introduce a new Aged Care Act to implement various recommendations made by the [Royal Commission into Aged Care Quality and Safety](#), and replace the existing [Aged Care Act 1997](#) which the Royal Commission found to be [no longer be fit for purpose](#). The new Aged Care Act will make significant changes to funding arrangements for Australia’s aging population. The Act was [originally intended](#) to be in force by July 2024, with an [exposure draft](#) for the Bill published in December 2023. However, key components of the legislation were not included, such as provisions relating to fees, payments and subsidies.

In April 2024, Minister for Aged Care Anika Wells [announced a delay](#) in introducing the new Aged Care Bill to Parliament, without providing a revised date. Shadow Minister for Health and Aged Care Anne Ruston [criticised the delay](#) and the missing details from the exposure draft.

In addition to clarifying the new July 2025 commencement (p. 113), the Budget [provides a series of measures](#) intended to support implementation of the new Aged Care Act. These include information and communication technology (ICT) infrastructure and increased capacity for quality and safety.

ICT infrastructure

The Budget provides \$1.2 billion over 5 years from 2023–24 for [ICT infrastructure](#) (p. 112) to maintain legislative compliance and ensure the new reforms are successfully implemented. This investment in ICT may be intended to prevent critical issues emerging during implementation, such as occurred during the [ICT crash](#) that characterised the start of the National Disability Insurance Scheme (NDIS) reforms in 2016, which delayed payments to providers. The [Budget also provides](#) \$174.5 million over 2 years from 2024–25 (p. 112) to fund the ICT infrastructure for the [Support at Home Program](#) and [Single Assessment System](#), which determines a person’s care needs and service eligibilities.

Regulatory capacity of aged care quality and safety commission

The [2024–25 Budget provides](#) \$110.9 million over 4 years to enhance the Aged Care Quality and Safety Commission’s regulatory capabilities and prepare for a new framework under the [new Aged Care Act](#) (p. 112). This responds to recommendations within the [Independent Capability Report](#) into the Aged Care Quality and Safety Commission. The Independent Capability Report drew attention to the need to improve the capacity of the Aged Care Quality and Safety Commission, including in areas of governance, culture, and processes. This funding will support the implementation of the new aged care regulatory framework commencing on 1 July 2025 as part of the [new Aged Care Act](#).

General implementation support

The 2024–25 Budget [allocates](#) \$11.8 million over 3 years from 2023–24 for general implementation support for the new Aged Care Act (p. 113), including extension of the [Aged Care Approvals Round](#) (ACAR). ACAR is the process of allocating residential aged care home places to residential facilities; however, it is due to be replaced

the [‘Places to People’ model](#) when the new Aged Care Act is introduced in July 2025. Additionally, the My Aged Care Contact Centre [will receive](#) \$37.0 million over 2 years from 2024–25 to reduce wait times.

Workforce

[Jobs and Skills Australia predicts](#) the health and social care workforce will grow much faster than any other industry sector in the next decade—with employment growth of 25.2% projected to May 2033. However, the aged care workforce is expected to face significant shortages. In 2021, [the Committee for Economic Development of Australia \(CEDA\) predicted](#) a shortfall of more than 110,000 aged care workers by 2030 (p. 6). According to CEDA, finding the required workforce will need better wages and working conditions; getting more people into training and investing in ongoing development; creating new migration paths to attract high-quality workers; and investment in technology that would reduce burdens on staff and improve care outcomes (p. 7).

Funding the aged care worker pay rise

In 2022, the Fair Work Commission made an [interim decision](#) to raise Aged Care Award minimum wages by 15%, taking effect [from July 2023](#). In the 2023–24 Budget, the government supported pay increases for workers through the ‘Funding pay increases for aged care workers’ measure ([Budget measures: budget paper no. 2: 2023–24](#), pp. 131–132) and through program indexation. The \$515 million measure (over 5 years) was made up of several grant programs and targeted indexation boosts to some of the smaller aged care programs. Around \$10.9 billion over 5 years in funding for wage rises was [provided through indexation](#) this funding was delivered through an increase in the Australian National Aged Care Classification (AN-ACC) price to reflect higher provider costs, and was not included as a separate budget measure.

In March 2024, the Fair Work Commission [settled on a further pay rise](#) for some aged care workers, bringing the [total increase to between 18–28%](#) (depending on the specific award and classification). A month later, the [Australian Government Solicitor made a submission](#) to the Fair Work Commission proposing a staged worker pay increase over 2025–2026.

[Budget strategy and outlook: budget paper no. 1: 2024–25](#) (p. 225) states that the [Contingency Reserve](#) includes a provision for the estimated financial impact of the wage increase.

Health researcher [Stephen Duckett stated](#) that the wage increase ‘is necessary but alone is not sufficient to solve workforce shortages’. Duckett recommended increased funding for places in university and vocational education courses for health and social care and other measure to attract skilled migrants and workers from other industries.

Further workforce support

To attract and retain aged care workers, the Government plans to invest further in existing aged care workforce programs. This includes [\\$65.6 million over 4 years from 2024–25](#) to help collect more reliable data and improve outcomes for those receiving aged care services (p. 112). The [Home Care Workforce Support Program will receive](#) \$21.6 million over three years from 2024–25 (p. 112) to ‘facilitate growth of the care and support workforce in thin markets’. A [thin market](#) is wh.

the available aged services do not meet the needs of participants – for example, in areas where costs make it difficult for providers to remain viable or where the workforce is not available (p. 36).

Budget paper no. 1 expands on the purpose of these workforce measures, describing the investment in:

... workforce initiatives to support, attract and retain aged care staff including continuing the Aged Care Nursing Clinical Placements Program, Aged Care Transition to Practice Program and Aged Care Nursing Scholarships. These programs provide specialist skills and training for nurses and promote aged care as an attractive career path for nurses' (p. 31)

A further [\\$10.8 million over 2 years](#) will extend the [Palliative Aged Care Outcomes Program](#) and [Program of Experience in the Palliative Approach](#) workforce training programs (p. 113).

Market stewardship

The [Australian National Aged Care Classification \(AN-ACC\)](#) funding model (established in 2022) determines funding for aged care providers based on the service types and individual residents' care needs. The [Budget includes \\$7.8 million over 2 years from 2024-25](#) in transitional funding for aged care service providers in thin markets to align business operations with the AN-ACC funding model (p. 113). Transition support is important for maintaining service continuity and quality during implementation of the AN-ACC. The transition to the AN-ACC model also received a \$4.1 million budget measure over 3 years from 2023-24 to undertake ICT preparation work to configure the new Basic Care Tariffs (p. 113).

Other significant budget measures

Home care packages

[As at December 2023](#), there were 269,573 people in a home care package with a further 51,044 on a waitlist (pp. 6, 10). [The Budget provides](#) \$531.4 million in 2024-25 for an extra 24,100 home care packages (p. 112) which enable more older Australians to remain in their homes, and help [reduce wait times](#) for receiving aged care services. [The packages fund](#) a mix of services, including help with household tasks, aids and equipment, some home modifications, personal care and clinical care. [Stakeholders expressed disappointment](#) at the number of extra aged care packages, noting that the funding would only halve the current waitlist. From July 2025, home care packages will be brought together with other in-home care programs under the [Support at Home program](#) as part of the new Aged Care Act changes.

Dementia care

The [Budget contains a range of measures](#) across the Health and Aged Care Portfolio for dementia care. With the previous [National Framework for Action on Dementia](#) expired, the government has completed consultations for a new [National Dementia Action Plan](#), scheduled to be released in 2024. Measures include:

- \$56.8 million over 5 years from 2023–24 to expand the Acute to Residential Care Transition Service dementia program, which transitions long-stay patients with dementia from hospital into residential aged care (*Budget paper no. 2*, p. 126). This funding is part of a broader package of measures aimed at supporting older people’s earlier discharge from hospitals—see ‘Health’ article in the *2024–25 Budget review*. Aged care workforce shortages and the availability of residential care places will impact the effectiveness of this package.
- \$30.4 million over 3 years to states and territories to continue to deliver the [Specialist Dementia Care Program](#). This program supports people with very severe behavioural and psychological symptoms of dementia outside of mainstream residential aged care facilities. (*Budget paper no. 2*, p. 113).
- \$12.5 million over 2 years to [Dementia Australia](#) to support populations at risk of dementia including increased public awareness of Chronic Traumatic Encephalopathy (CTE) (*Budget paper no. 2*, p. 121). CTE is a neurodegenerative disease of particular concern to athletes at risk of repeated head trauma. A [2023 Senate committee report](#) recommended the development of awareness and education initiatives regarding the risks of concussion, head trauma and CTE (p. xiv).
- \$1.7 million in 2024–25 for the [Australian Dementia Network](#) to continue preparing the health system for developments in biomarkers and disease-modifying therapies (*Budget paper no. 2*, p. 113).