

## **EXPLANATORY STATEMENT**

### ***AGED CARE ACT 1997***

#### **SECTION 44-19**

#### **DETERMINATION OF RATES OF FINANCIAL ASSISTANCE (ACA Ch. 3 No. 13/2007)**

#### **ADJUSTED SUBSIDY REDUCTION**

Subsection 44-19(2) of the *Aged Care Act 1997* provides that the Minister may determine in writing the amount of the adjusted subsidy reduction.

Under the *National Health Act 1953*, nursing homes that had transferred from State Government funding to Commonwealth nursing home funding were known as “adjusted fee government nursing homes”. They were paid a discounted rate of standard infrastructure funding.

The discounted subsidy translated into the *Aged Care Act 1997* as the adjusted subsidy reduction. This is a reduction to the daily subsidy per resident equivalent to the discount that applied before 1 October 1997. It only applies to services that were approved as “adjusted fee government nursing homes” under the previous arrangements.

This determination sets the adjusted subsidy reduction amount with effect from 1 July 2007.

The *Securing the future of aged care for Australians* package announced by the Prime Minister in February 2007 provided \$25.5m over 5 years to pay the full subsidy in respect of those adjusted subsidy residential aged care places that are now owned by the non government sector.

Paragraph 44-19 (1)(b) of the *Aged Care Act 1997* provides for the Minister to determine in writing that a residential care service, or part of a residential care service through which the care is provided, is an adjusted subsidy residential care service. The Ministers determination under this section of the *Aged Care Act 1997* (ACA Ch 3. No. 5/2007) was updated on 13 June 2007 to remove those adjusted subsidy places that are now owned by the non government sector.

All residential care subsidy rates are indexed on 1 July each year. The index incorporates movements in wage costs and non-wage costs. The wage costs component is calculated using the annualised dollar figure of the October 2006 Federal Minimum Wage decision of the Australian Fair Pay Commission expressed as a proportion of the (latest available) Average Weekly Ordinary Time Earnings at the time of the AFPC decision. The non-wage costs index is based on the Consumer Price Index exclusive of the impact of A New Tax System consistent with a whole of government decision.

#### **Consultation**

As the indexation of this subsidy uses a well established formula for indexation, no specific consultation with industry was undertaken with respect to this instrument.