

EXPLANATORY STATEMENT

AGED CARE ACT 1997

SUBSECTION 48-1(3)

DETERMINATION OF THE AMOUNT OF COMMUNITY CARE SUBSIDY UNDER SUBSECTION 48-1(3) (ACA Ch. 3 No. 18/2008)

COMMUNITY CARE SUBSIDY

Subsection 48-1(3) of the *Aged Care Act 1997* (the Act) provides that the amount of community care subsidy that is payable to an approved provider in respect of a day is the amount:

- (a) determined by the Minister in writing; or
- (b) worked out in accordance with a method determined by the Minister in writing.

In accordance with paragraph 48-1(3)(b) of the Act, the *Determination of the amount of Community Care Subsidy under subsection 48-1(3)* (ACA Ch. 3 No. 18/2008) (the Determination) specifies the method for working out the amount of community care subsidy payable under section 47-1 of the Act for a day in respect of a community care recipient.

The Determination applies from 1 July 2008 and, from that date, revokes the *Determination of the amount of Community Care Subsidy under subsection 48-1(3)* (ACA Ch. 3 No. 16/2007).

This basic daily amount of community care subsidy that is payable in respect of a community care recipient is \$34.75. This amount is specified in Step 2 of the Determination.

Step 1 of the Determination provides for an additional daily amount of community care subsidy to be paid to an approved provider of community care who provides community care to a care recipient who resides in rural and remote locations, provided that location has an Accessibility / Remoteness Index of Australia (ARIA) score of 3.52 or more.

Under the ARIA, each suburb and town in Australia is allocated an ARIA score based on its accessibility and remoteness. ARIA scores for all Australian locations are contained in the document entitled *Viability Funding — ARIA scores for locations as at 30 July 1999*, published by the Commonwealth Department of Health and Ageing. The Department will verify the location of a care recipient by reference to the postcode of the suburb or town in which the care recipient resides.

The more remote the community care recipient's residential location, the higher the ARIA score for that location and the higher the amount of additional community care subsidy payable to the approved provider in respect of that care recipient. This approach reflects the higher costs involved in operating community care aged services in rural and remote areas, including the higher costs associated with attracting and retaining staff.

If the ARIA score for a community care recipient's residential location is less than 3.52 no additional daily amount of community care subsidy is payable in respect of the care recipient

and the amount of community care subsidy payable in respect of the care recipient is \$34.75 (as specified in Step 2 of the Determination).

However, where the ARIA score for a community care recipient's residential location is 3.52 or more, the table in Step 1 of the Determination sets out the additional daily amount that is payable in respect of that care recipient. The additional daily amount set out in the table in Step 1 is added to the basic daily amount of community care subsidy, which Step 2 of the Determination specifies is \$34.75.

Approved providers who are eligible to receive an additional amount of community care subsidy in respect of a community care recipient will receive the additional amount of subsidy through Medicare Australia's payment systems.

Consultation

Many aged care subsidy rates are indexed on 1 July each year. The index for this subsidy 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.

As the indexation of this supplement used an established formula for indexation, no specific consultation with industry was undertaken with respect to making this new determination.