

Sustainable Financing for Long-term Care (LTC) in Australia

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UTS

Today's agenda

1. How does Australia finance LTC?
2. Improving service sustainability through program redesign
3. Improving fiscal sustainability through revised consumer contributions

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01

How does Australia finance LTC?

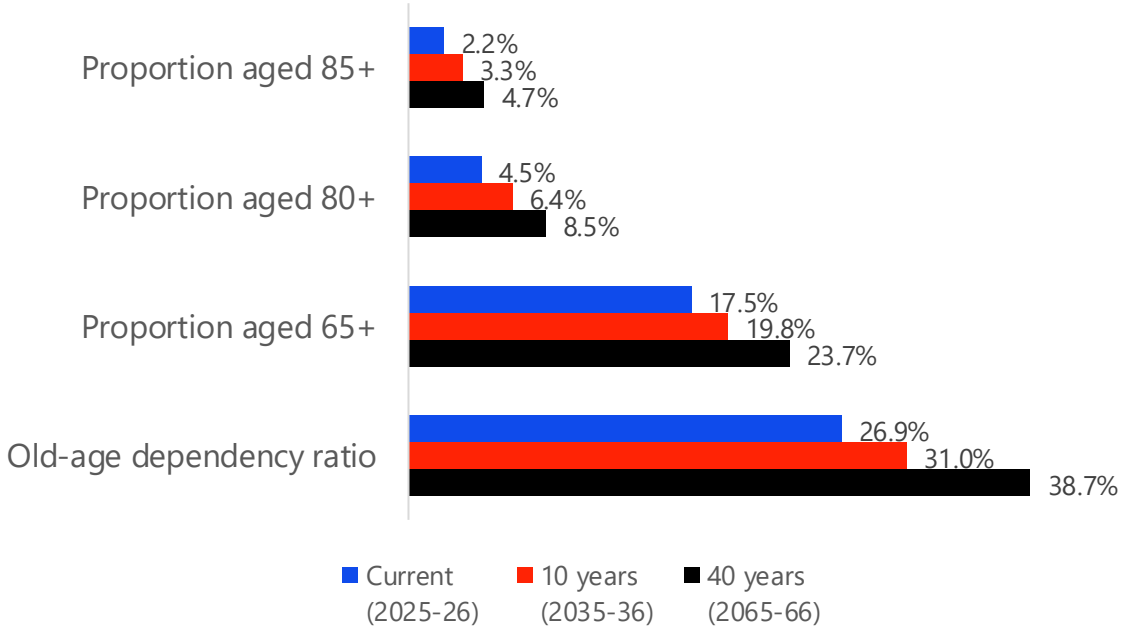
Demand is increasing while the relative workforce and tax base are shrinking

4.9 million people are aged 65 and above (17.9% of total population), and 607,000 people aged 85 years and over (2.2%).

The post-WW2, ‘baby boomer’ generation is now reaching their 80s.

Increasing old-age dependency ratio, fewer working age individuals relative to those aged 65 and above.

Projections of Australia’s ageing population



Source: Centre for Population (2026) *Population Statement: Population Projections, 2024-25 to 2035-36 and 2065-66*

Old-age dependency ratio measures the number of people aged 65 and over for every 100 people of traditional working age (15-64)

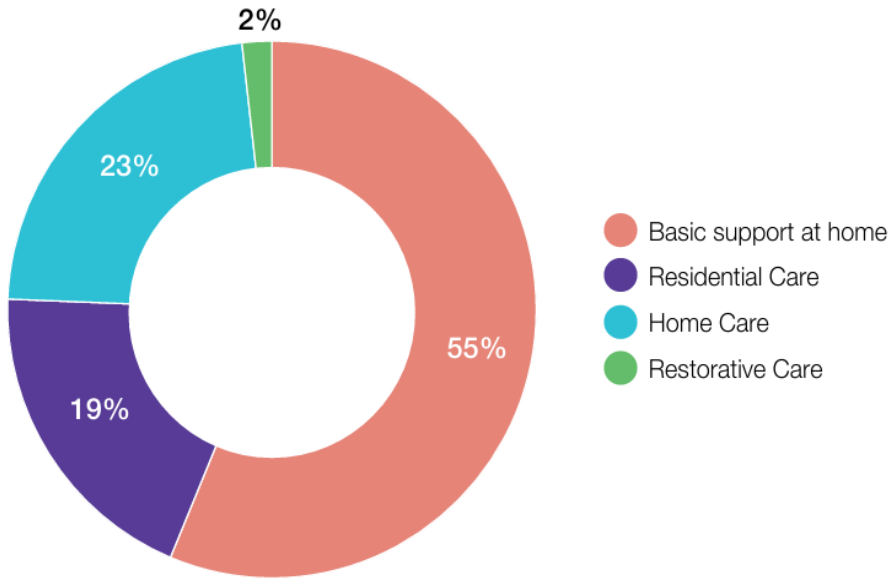
Australia’s nationally administered LTC system

Overall, ~1.5 million people receive formal care (1 in 3 people aged 65 and over).

Government-subsidised services organised into different programs, ranging across a ‘continuum of care’.

Beyond the aged care system, the Government supports older people through universal health coverage, pension payments, disability payments, rent assistance, concession cards and carer payments.

Recipients of aged care by service type, 2024-25



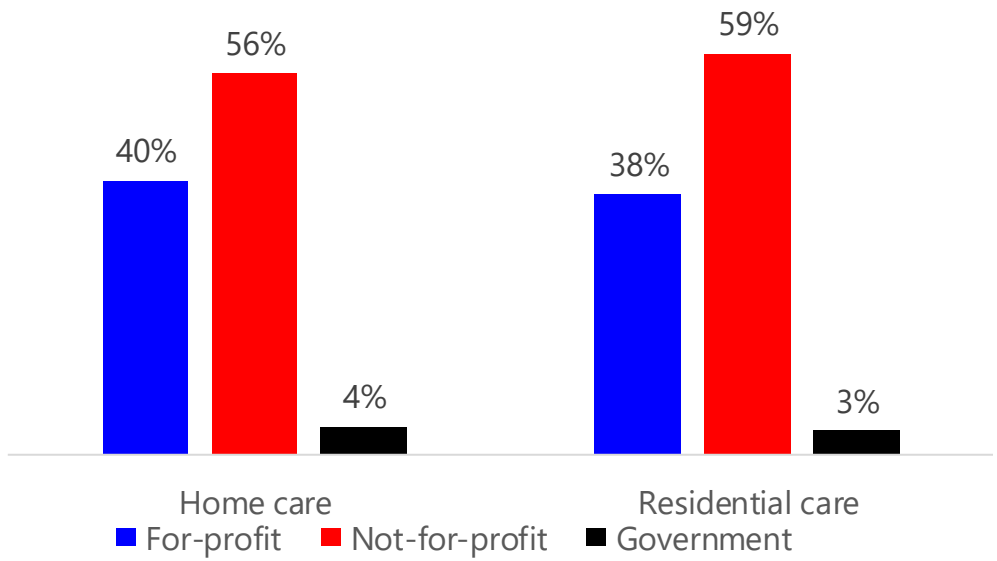
Source: Department of Health, Disability and Ageing (2026), *Report on the Operation of the Aged Care Act 2024-25*

Government purchases services from a mixed provider market

Most LTC services are delivered by non-government registered service providers.

Largest market share is by not-for-profit providers (charitable, community and religious organisations).

Market share of providers, by ownership type (2025)



Source: Department of Health, Disability and Ageing (2026), *Report on the Operation of the Aged Care Act 2024-25*

General taxation provides the main financing pool

Government funding
Funded through general taxation

Consumer contributions
Means-tested payments, fees and contributions from users

Resident deposits and capital financing
Used to support construction, refurbishment and expansion of residential care infrastructure

Assessment drives access, means-testing determines cost-sharing

Age-based eligibility
Individuals aged 65 and over, or 50 and over for Aboriginal and Torres Strait Islander people and people who are homeless or at risk of homelessness.

Needs assessment
Informs approval to access different care programs and, for home care and residential care, influences the level of publicly funded support available.

Means-testing
Determines whether individuals are required to contribute towards cost of their care.



02

Improving service sustainability through program redesign

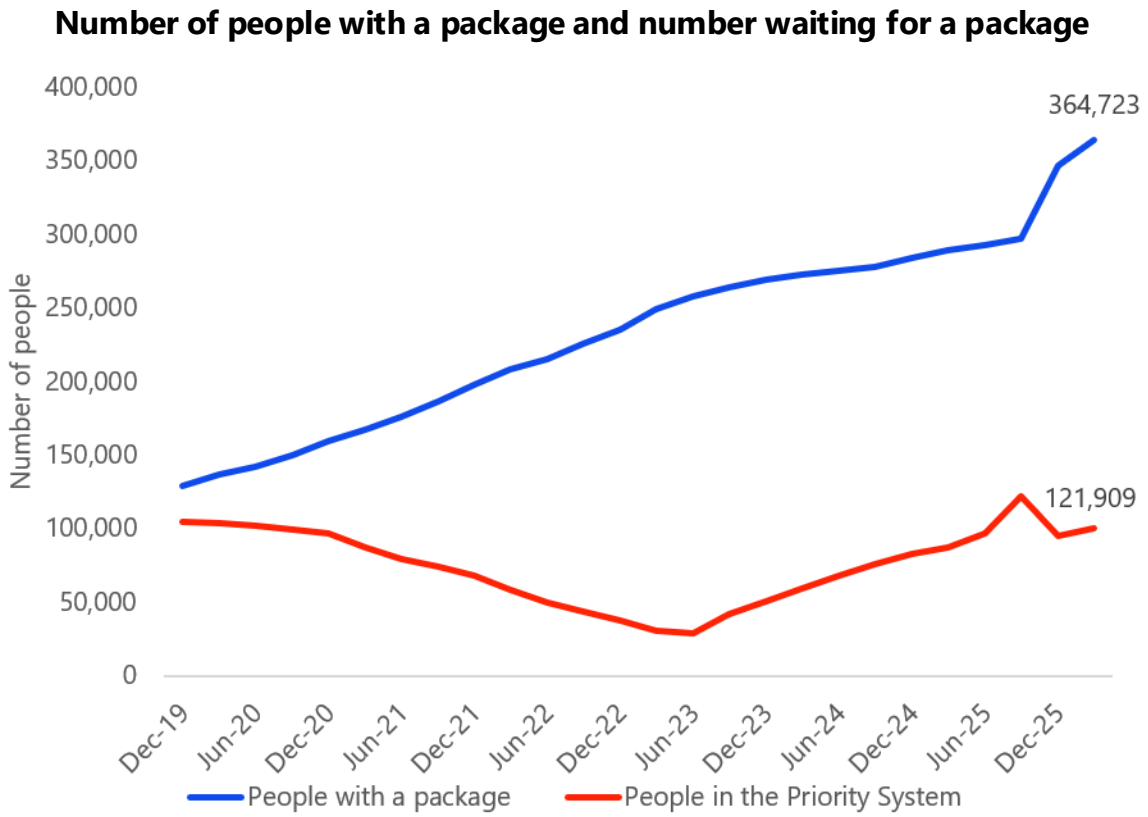
Previous program design caused inefficient allocation of resources

Due to accelerating demand, the waitlist for accessing services under the previous Home Care Package program has increased since 2023, despite the release of more packages, reaching 122k in June 2025.

However, individuals with packages often did not spend all their entitlements.

The accumulated value of unspent funds was $4.1 billion by June 2025.

Key policy question: How to support more people to age in place?



Source: Department of Health, Disability and Ageing, *Series: Home Care Packages Program Data Report*; *Support at Home program data report*

A redesigned program to better align funding with need

From 1 November 2025, new **Support at Home program** replaced previous Home Care Package program:

- New single assessment approach (IAT), with more consistent nation-wide protocol and clearer priority categories.
- More granular funding classifications for ongoing services.
- Separate funding pools for assistive technology and home modifications (AT-HM), restorative care, end-of-life care.
- Quarterly budgets and limits of rollover funding.
- Stronger fee-for-service payment model.
- Interim funding for those approved and waiting for a package.

Ongoing services
8 classifications, ranging from $11k - $80k of funding per year
Short-term services
Assistive technology and home modifications: Low - $500; Medium - $2,000, High - $15,000+
Restorative care: $6,000 for up to 16 weeks
End-of-life care: $25,000 for 12 weeks

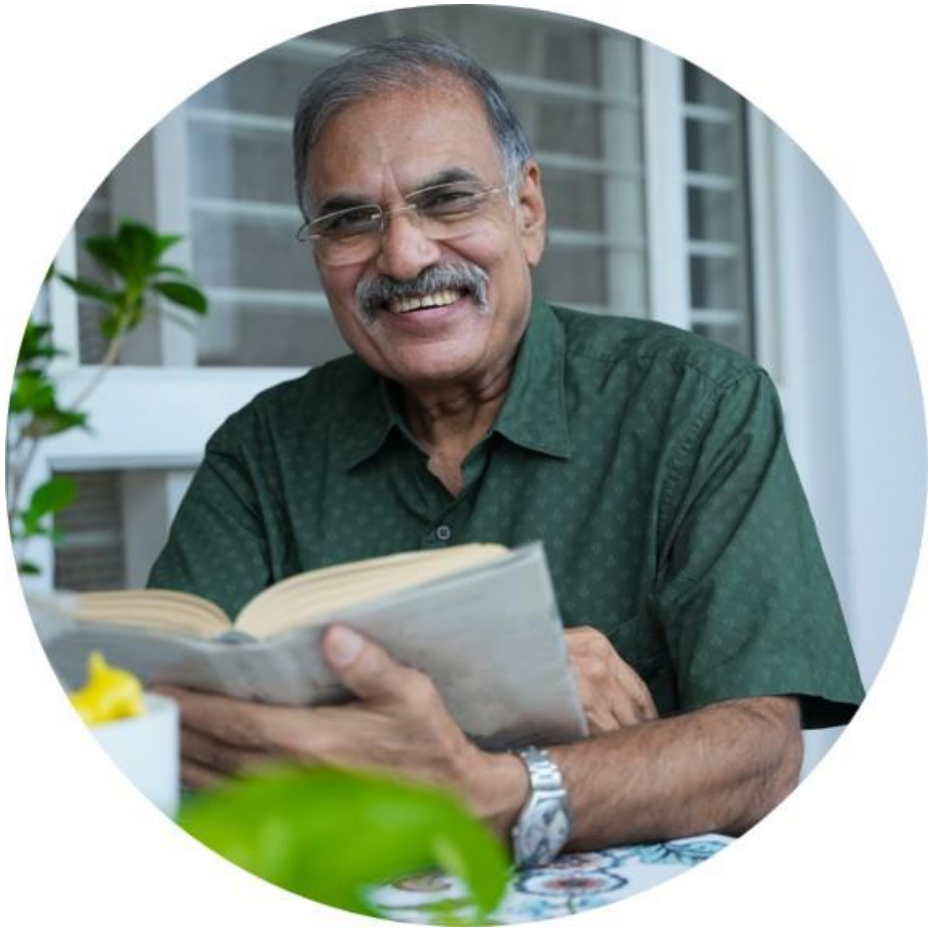
Source: Funding classifications for Support at Home | Australian Government Department of Health, Disability and Ageing

Reflections so far …

Package entitlements provide flexibility to support person-centred and integrated care.

However, ensuring program effectiveness requires:

- Scalable but equitable assessment systems, capable of balancing protocol consistency with human judgment.
- Capacity for sufficient care coordination.
- Workforce capacity to support diversity of needs, particularly in rural areas.
- Navigation support for older people, given complexity of system.





03 Improving fiscal sustainability through revised consumer contributions

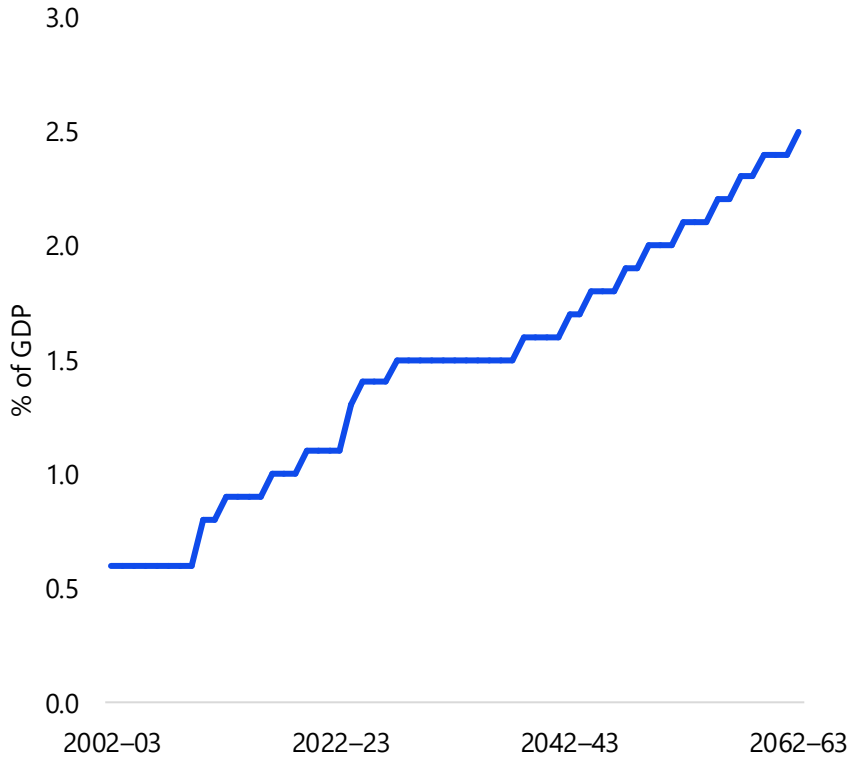
Rising demand and care costs creating fiscal pressure …

Spending on LTC is one of the largest and fastest growing areas of Government spending ($42 billion p.a.)

Treasury forecasts taxpayer spending on aged care to rise from 1.1% of GDP in 2022–23 to 2.5% of GDP by 2062–63.

Key drivers of spending include population ageing, greater burdens of frailty and disease, higher quality care, higher worker wages and policy changes.

Australian Government aged care spending as a share of GDP



Source: Treasury (2023), *Intergenerational Report 2023*

… but older people's financial capacity is uneven

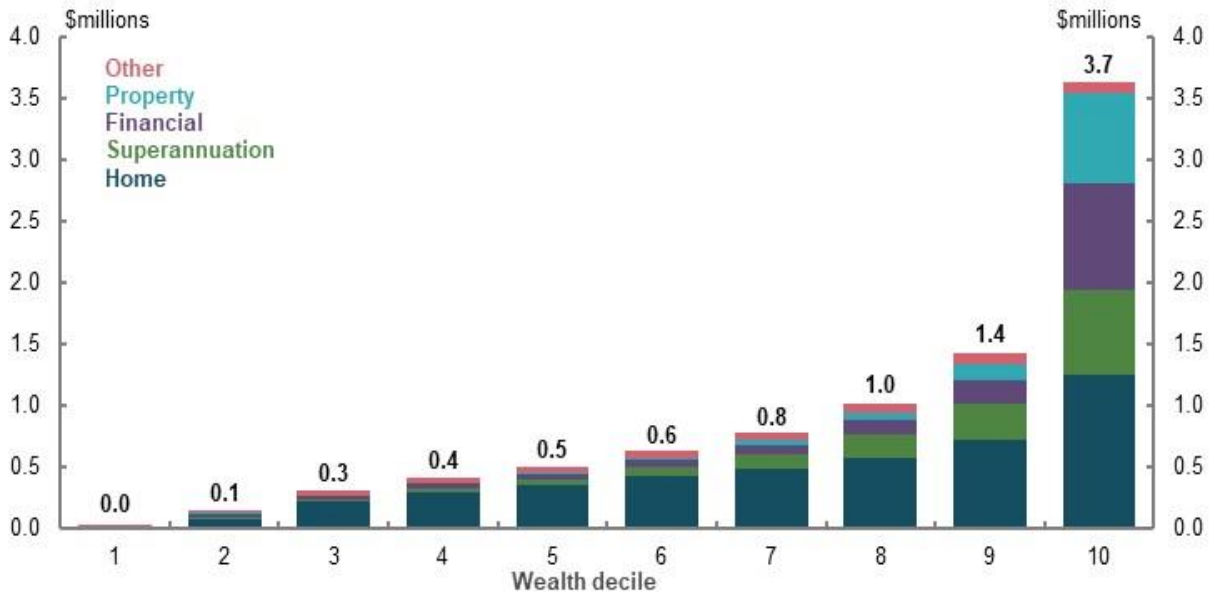
Many older Australians have accumulated assets:

- Family home (main financial asset)
- Compulsory retirement savings

However, retirees' wealth varies.

More than half of older people are expected to receive some government pension at retirement, or in their later years.

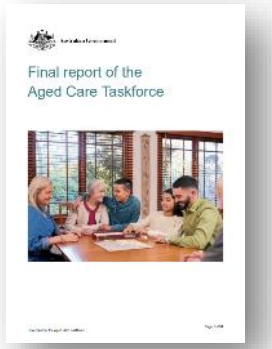
Equivalised household wealth by asset type, for retirees



Source: Treasury, (2020), *Retirement Income Review*

Key policy question: How to fund LTC while remaining affordable for governments and consumers?

Reframing cost-sharing between taxpayers and consumers



Principle 3: Government is and will continue to be the major funder of aged care. Government funding should be focused on care costs as well as delivering services in thin markets. Personal co-contributions should be focused on accommodation and everyday living costs with a sufficient safety net.



Individuals accessing funded aged care services are expected to meet some of the costs of those services if those individuals have the financial means to do so.

Increased co-contributions for Support at Home services

Participant co-contribution rates			
	Clinical supports	**Independence**	**Everyday living**
Examples	*Nursing and physio*	*Personal care and assistive technology*	*Domestic assistance and gardening*
Full pensioner	0%	5%	17.5%
Part pensioner	0%	5-50%	17.5% - 80%
Self-funded retiree	0%	50%	80%
From 1 October 2026: personal care moves to clinical supports, so participant contribution becomes 0%.			

Clinical support is fully government funded

Independence and everyday-living contributions increase with assessed income (pensioner status).

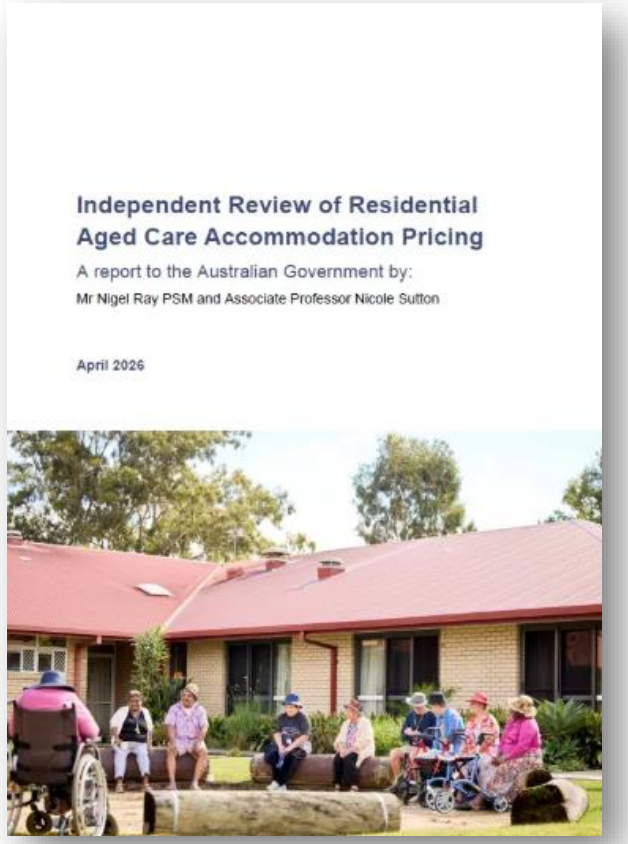
Additional protections:

- Lifetime caps on co-contributions
- ‘No worse off’ protections for existing participants

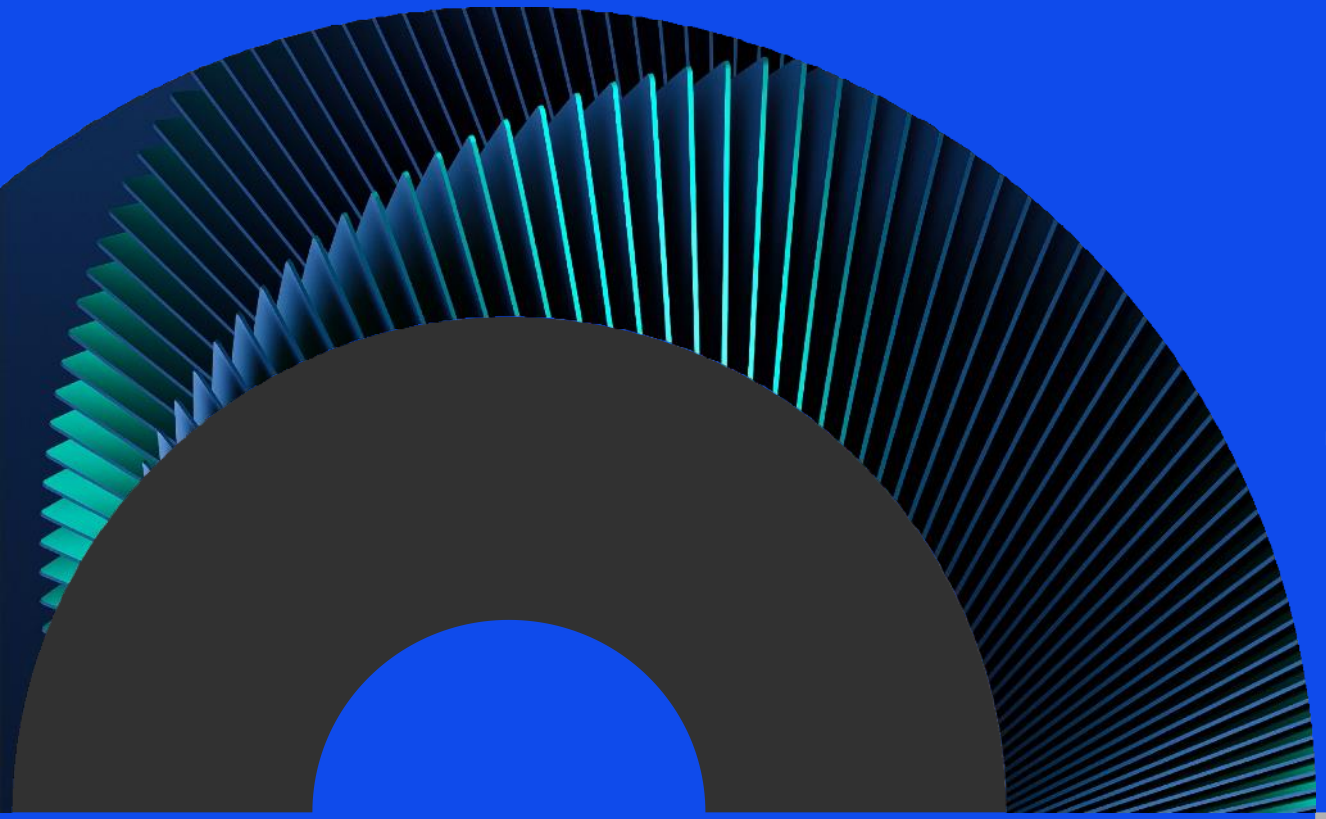
Reflections so far …

The success of contribution reform will depend not only on its fiscal impact, but also on affordability, equity and public acceptance:

- ensuring affordability of essential supports (e.g. reclassification of personal care)
- uncertainty remains about how co-contributions may affect utilisation of home-care services
- communicating complex fees, payments and means-testing arrangements
- protecting equity of access for older people of low means and avoiding creating ‘two-tier system’



Source: Ray, N., Sutton, N. (2026), *Independent Review of Residential Aged Care Accommodation Pricing*



Thank you

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