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## A BLUEPRINT TO SECURE AFFORDABLE QUALITY AGED CARE SERVICES FOR OLDER AUSTRALIANS

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Successive recent reviews have made the case that our current aged care system has reached its 'use by' date, and that reform of the aged care sector is urgently needed if Australia is to be able to sustainably provide appropriate care for its growing population of frail aged.

These reviews have collectively pointed out the shortcomings of the current system.

Aged care services are limited and inflexible; there are gaps in services; there are limited choices for individuals and their families; and quality is variable, especially accommodation. The system is also difficult for older people and their families to navigate. Pricing, subsidies and user contributions are inconsistent and inequitable within and between care settings and, in some cases, across Australia. The current under investment in residential high care services is one clear manifestation of the inconsistent and inadequate pricing arrangements. As well, workforce shortages are being exacerbated by uncompetitive and unfair wages, and the current rationing of services generates the need for complex, overlapping and costly regulations.

These pressures on the system will increase further as the number and expectations of older Australians increase, and will be further challenged by the relative decline in informal carers and the need for a larger and more skilled workforce.

The Government's decision to commission the Productivity Commission's inquiry into aged care, and the Prime Minister's election commitment to make aged care reform a second term priority, is seen by the sector and the community as a welcome recognition by the Government of the need for aged care reform.

The Aged Care Industry Council (ACIC) considers that the Productivity Commission's Report *Caring for Older Australians* presents a comprehensive blueprint which, with some refinement, will improve access by older Australians and their families to better quality and more responsive aged care services. Importantly, the Report's recommendations provide the basis for making the aged care system more affordable for the community by striking a balance between individual responsibility for aged care services, affordability for taxpayers and a safety net for those who need it.

### ***A blueprint for the future***

Drawing on the Productivity Commission's blueprint, ACIC considers that Australia's future aged care system should be based on the following:

- 1) A gradual **removal of the current restrictions on the number and type of residential and community aged care services** that providers may offer. This will increase individual choice of services and service provider; improve provider responsiveness through greater flexibility and increased competition; and create a more open market to inform prices.

- 2) A single integrated **national system of care entitlements** across residential and community aged care based on assessed needs, with flexibility for individuals to use their care entitlement at home, in an aged care home or other seniors housing options. The care entitlements should include an emphasis on restorative care and maintenance of independence.
- 3) A national network of Commonwealth managed **Seniors Gateway Centres** to replace the existing disparate care assessment and information services in order to :
  - simplify access to services by providing accurate information, undertaking initial assessments of care needs, approving entitlements for approved services, and arranging assessments of financial capacity to make co contributions, and
  - ensure fairer and more consistent and timely eligibility assessment, and better management of the Commonwealth's fiscal risk.
- 4) **Consistent care co contributions across residential and community care** which balance reasonable individual responsibility, protection for those with greater need and affordability for the taxpayer, as follows:
  - Co-payments for personal care and nursing costs based on a comprehensive wealth test (including the principal residence) which are proportional to an individual's wealth and capacity to pay, but with provision for a Stop Loss Limit to avoid excessive total care costs.
  - Individual responsibility for accommodation costs and everyday living expenses, with accommodation subsidies for people without the means to meet their accommodation costs (supported residents) based on independent and transparent assessments of the regional cost of supply of a basic standard of accommodation.
  - A requirement, subject to review after a transition period, for providers to make available a proportion of their accommodation for supported residents to ensure their access to services.
- 5) **Realistic revenue streams** to secure the viability of aged care services and to support the expansion of services based on:
  - market accommodation prices for non-supported residents, with flexibility for residents to pay by rent or a fully refundable accommodation bond, and
  - transparent recommendations to Government by an independent body (the proposed **Australian Aged Care Commission**) on prices for care entitlements and accommodation subsidies for supported residents, having regard to regional costs of service delivery and the need to pay fair and competitive wages.
- 6) Recognizing that most people's wealth is in the principal residence, adoption of the **financial instruments** proposed by the Productivity Commission to facilitate user payments for care and accommodation:
  - For those people who do not wish to sell the principal residence, a Government-backed **Aged Care Home Credit Scheme** which would allow individuals to access a line of credit with a specified maximum draw down limit, secured against the principal residence, to meet aged care and accommodation costs.

The outstanding balance would be payable upon the death of the individual, but not while a 'protected resident' continues to occupy the principal residence or other appropriate housing. Consistent with the recovery of advances under the Higher Education Contribution Scheme, a CPI interest charge should apply to enable the recovery of advances in real terms.

- For those pensioners who have sold their principal residence to move to age appropriate housing or an aged care home, an **Age Pensioners Savings Account** to receive the proceeds of the sale of the principal house. The Account could be drawn upon for aged care and accommodation payments (periodic payment or accommodation bond). Funds in the account (and any accommodation bond) would be exempt from the age pension income and assets test, and deposits would attract interest at CPI to maintain their capital value.
- 7) Special funding arrangements for services in **rural and remote areas and other special needs groups** such as Indigenous communities and the homeless. The special funding arrangements would include partial or block funding; multipurpose service models; early intervention and support services; and, potentially, the tendering of services.
- 8) Aged care services which are more **affordable for taxpayers** as a result of:
- user contributions by those who can afford to pay (and enabling available tax payer funding to be directed to supporting people with special needs),
  - innovation and efficiencies stimulated by greater competition and less regulation, and
  - greater emphasis on restorative care to reduce dependency for as long as possible.
- 9) Retention of the key existing **quality assurance regulations**, including accreditation and complaints review, but consolidated in a new independent body. The Department of Health and Ageing would focus on policy and advice to government.

### ***The 2012-13 Budget and implementation of the blueprint***

While representing a logical extension of the aged care reforms undertaken in the 1990s, the reforms outlined above would nevertheless involve a fundamental restructuring of the current system. The reforms would need to be implemented gradually and transparently in order to provide the certainty to the sector (older people, their families, service providers, unions, professional organisations and banks) for the adjustments that will be required to occur as seamlessly as possible, and to avoid risks to the continuity of care for care recipients.

For the 2012-13 Budget, a start needs to be made on implementing the reforms that are critical for laying the foundations for real change to occur, and to respond to the more immediate pressures. ACIC considers that the 2012-13 Budget should include the following:

- 1) A **publicly announced commitment and timetable** for the phased implementation of an aged care system based on care entitlements and choice.
- 2) Initiating the development of a system of **care entitlements**, including common funding and assessment mechanisms across community and residential aged care and provision for access to reablement and respite services.
- 3) Initiating the necessary administrative and legislative requirements and development work to establish a network of **Seniors Gateway Centres**. The Gateway Centres will be a more effective and efficient

way of providing information and assessment services to older Australians and simplifying access to services in a more open system.

- 4) Responding to older people's preference to age at home by **expanding community care places** above the base line that would apply under the current rationing arrangements, with an increased emphasis on EACH and EACHD. This should be complemented by the introduction of interim intermediate community care packages pending the development of the system of care entitlements, and flexibility for new package recipients to choose their approved service provider.
- 5) Providing access to the **capital needed for the renewal and expansion of residential high care services** by making a start to a gradual increase in the accommodation supplement for supported residents to reflect regional costs of supply, and allowing providers to set market-based accommodation prices for non-supported residents. This measure would recognize the under-investment that has occurred in residential high care in recent years and the long lead times for new developments.
- 6) Discontinuing the **distinction between residential low and high care places** in order to give service providers flexibility to adjust their service models and planning to meet local needs in response to increasing consumer choice.
- 7) Establishing the **Home Credit Scheme** and **Pensioners Savings Account** to provide greater flexibility for care and accommodation payments under the proposed revised user pays arrangements.
- 8) Initiating the administrative and legislative requirements to establish the **Australian Aged Care Commission** so that it is operational within 18 months of the commencement of reform implementation.
- 9) Initiating an **independent cost of care study** to set the prices for care entitlements pending the establishment of the Australian Aged Care Commission to determine the real cost of providing care.
- 10) As a short term measure pending completion of an independent cost of care study, **increasing residential and community care prices by the equivalent of the Consumer Price Index**, rather than COPO, in order to reflect real movements in input prices.
- 11) Establishing a **loan or refinancing facility** for otherwise solvent approved residential providers for the repayment of bonds (at a modest interest rate premium) in the event that providers dependent on large bond portfolios do not meet commercial lending criteria.
- 12) Making available **capped grants to small providers** to enable them to obtain financial and business planning advice on their future options in a reformed system.

In summary, the Productivity Commission has provided a timely blueprint for establishing an affordable and sustainable quality aged care system for Australia. It is essential that a start on the implementation of the blueprint is made in the 2012-13 Budget, along with a public commitment to a timetable for the implementation of the other elements of the blueprint.