

**Senator the Hon
Nick Sherry**
Assistant Treasurer



Justine Elliot MP
Minister for Ageing

PRESS RELEASE

PRODUCTIVITY COMMISSION INQUIRY INTO AGED CARE

The Assistant Treasurer, Senator Nick Sherry, and the Minister for Ageing, Justine Elliot MP, have today announced the terms of reference for the Productivity Commission's public inquiry into aged care.

"The Government has asked the Productivity Commission to develop detailed options for redesigning Australia's aged care system," the Assistant Treasurer said.

"The inquiry should set out a path to transition from the current regulatory arrangements to a new system that will provide continuity of care and allows time for service providers to adjust."

The recent Intergenerational Report forecasts that by 2050, nearly one-quarter of Australians will be over 65, compared with 13 per cent today.

"Australia's aged care system provides targeted, affordable and high quality care, but faced with rapidly increasing demand, it is important to ensure that it is equipped to meet future challenges," Minister Elliot said.

"I know one of the challenges facing the aged care system is building an adequate workforce to meet increased service demands - including boosting the number of nurses."

"The Commission will examine future workforce requirements, including the influences on supply and demand, and come up with options to ensure the sector continues to have a suitably qualified workforce to provide the best-possible care," Minister Elliot said.

"The Commission will also consider the aged care sector in light of the Government's recent commitment to take on full policy and funding responsibility for aged care services."

"This builds on the announcement yesterday that the Commonwealth will take full funding and policy responsibility for aged care and the Government's \$739 million commitment to provide better support for older Australians."

"While the inquiry will set out the path for structural reform, the Government will continue to build on its investments in aged care that have resulted in a 20 per cent funding increase and more than 10,000 new operational aged care places."

"The Government is determined to get the health and aged care systems working together to provide the best possible support to older Australians," Minister Elliot said.

The Assistant Treasurer said: “The Commission has been asked to conduct this inquiry in light of the substantial contribution that it has made to the development of aged care policies over a number of years.”

“The Commission is expected to provide a draft report by December 2010 and final report 12 months from the start of the inquiry. “

“The Government will consider the Commission’s recommendations and its response will be announced as soon as possible after receiving the final report.”

“The Government encourages the aged care industry and interested individuals to contribute their ideas to the inquiry,” the Assistant Treasurer said.

The terms of reference for the inquiry can be found below.

Further information on the inquiry can be obtained from the Commission’s website at <http://www.pc.gov.au/> or by contacting the Commission directly on 02 6240 3200.

CANBERRA

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Media Contacts: Joe Scavo (Assistant Treasurer’s office) 0413 800 757
Kathryn Conroy (Minister Elliot’s office) 0448 249 447

Terms of reference inquiry into aged care

Background

Aged care is an important component of Australia's health system. The National Health and Hospitals Reform Commission (NHHRC) considered that significant reform is needed to the aged care system, including its relationship to the rest of the health system, if it is to meet the challenges of an older and increasingly diverse population. These challenges include:

- a significant increase in demand with the ageing of Australia's population;
- significant shifts in the type of care demanded, with:
 - : an increased preference for independent living arrangements and choice in aged care services,
 - : greater levels of affluence among older people, recognising that income and asset levels vary widely;
 - : changing patterns of disease among the aged, including the increasing incidence of chronic disease such as dementia, severe arthritis and serious visual and hearing impairments, and the costs associated with care;
 - : reduced access to carers and family support due to changes in social and economic circumstances;
 - : the diverse geographic spread of the Australian population; and
 - : an increasing need for psycho geriatric care and for skilled palliative care;
- the need to secure a significant expansion in the aged care workforce at a time of 'age induced' tightening of the labour market and wage differentials with other comparable sectors.

Taking into account the findings of the NHHRC, the Government's proposition for a National Health and Hospitals Network, other recent reviews, including the Senate Standing Committee on Finance and Public Administration's *Inquiry into residential and community aged care in Australia*, and the Productivity Commission's 2009 *Annual Review of Regulatory Burdens on Business: Social and Economic Infrastructure Services* as well as the relevant conclusions of the forthcoming *Australia's Future Tax System* review, the Productivity Commission is requested to develop detailed options for redesigning Australia's aged care system to ensure it can meet the challenges facing it in coming decades.

The inquiry should also have regard to the Government's social inclusion agenda as it relates to older Australians.

Scope of the Inquiry

The Commission is requested to:

1. Systematically examine the social, clinical and institutional aspects of aged care in Australia, building on the substantial base of existing reviews into this sector.
2. Develop regulatory and funding options for residential and community aged care (including services currently delivered under the Home and Community Care program for older people) that:
 - ensure access (in terms of availability and affordability) to an appropriate standard of aged care for all older people in need, with particular attention given to the means of achieving this in specific needs groups including people living in

rural and remote locations, Aboriginal and Torres Strait Islander people, culturally and linguistically diverse communities, and veterans;

: The Commission is specifically requested to examine how well the mainstream service system is meeting the needs of specific needs groups.

- include appropriate planning mechanisms for the provision of aged care services across rural, remote and metropolitan areas and the mix between residential and community care services;
 - support independence, social participation and social inclusion, including examination of policy, services and infrastructure that support older people remaining in their own homes for longer, participating in the community, and which reduce pressure on the aged care system;
 - are based on business models that reflect the forms of care that older people need and want, and that allow providers to generate alternative revenue streams by diversifying their business models into the delivery of other service modalities;
 - are consistent with reforms occurring in other health services and take into account technical and allocative efficiency issues, recognising that aged care is an integral part of the health system and that changes in the aged care system have the potential to adversely or positively impact upon demand for other care modalities;
 - are financially sustainable for Government and individuals with appropriate levels of private contributions, with transparent financing for services, that reflect the cost of care and provide sufficient revenue to meet quality standards, provide an appropriately skilled and adequately remunerated workforce, and earn a return that will attract the investment, including capital investment, needed to meet future demand. This should take into consideration the separate costs associated with residential services, which include but are not limited to the costs of accommodation and direct care, and services delivered in community settings;
 - consider the regulatory framework, including options to allow service providers greater flexibility to respond to increasing diversity among older people in terms of their care needs, preferences and financial circumstances, whilst ensuring that care is of an appropriate quality and taking into account the information and market asymmetries that may exist between aged care providers and their frail older clients;
 - minimise the complexity of the aged care system for clients, their families and providers and provide appropriate financial protections and quality assurance for consumers; and
 - allow smooth transitions for consumers between different types and levels of aged care, and between aged, primary, acute, sub-acute, disability services and palliative care services, as need determines.
3. Systematically examine the future workforce requirements of the aged care sector, taking into account factors influencing both the supply of and demand for the aged care workforce, and develop options to ensure that the sector has access to a sufficient and appropriately trained workforce.
4. Recommend a path for transitioning from the current regulatory arrangements to a new system that ensures continuity of care and allows the sector time to adjust.
- In developing the transitional arrangements, the Commission should take into account the Government's medium term fiscal strategy.

5. Examine whether the regulation of retirement specific living options, including out-of-home services, retirement villages such as independent living units and serviced apartments should be aligned more closely with the rest of the aged care sector, and if so, how this should be achieved.
6. Assess the medium and long-term fiscal implications of any change in aged care roles and responsibilities.

For inquiry and report by April 2011. The Commission is to hold hearings for the purpose of the inquiry and produce a draft report by December 2010.