

A NEW AGE FOR AGED CARE: TIME FOR REFORM

The aged and community care sector has been calling for reform for some time now. The need for reform has been acknowledged by the Productivity Commission and the recent Senate Inquiry into Residential and Community Care. The Rudd Government's National Health and Hospitals Reform Commission (NH&HRC) report *A Healthier Future for all Australians* recommended actions provides a once in a generation opportunity to get aged care right. Reform of aged care will need, and deserves, bi-partisan support to occur.

The NH&HRC report outlines a reform agenda which includes a greater emphasis on prevention and primary care, greater consumer choice and control. In its aged care recommendations it continues these themes and aims to introduce competition as a way of achieving consumer choice.

Older people are much higher users of hospital than younger people. In 2004 they made up 53% of people in hospital on any one night. Older people are less likely to return to their usual residence on discharge and are more likely to enter residential care¹. Aged care services need to be "right" to prevent unnecessary admissions to hospital, to enable older people to be discharged from hospital and to support people (either in residential or community settings) when they are. Health reform will not be effective if aged care services are not able to play this role.

The aged and community care sector supports reform but there are a number of issues that need to be addressed for reform to deliver the services older people need. If we act now, while the details of the reform are debated, considered and developed, the aged and community care sector can play its part in making sure that the overall reform program is successful.

Preparing For Reform:

- 1. Develop and introduce an indexation formula which meets the real costs of providing quality care.**
 - Funding for residential care & packaged community care is provided by the Federal Government.
 - Annual indexation is provided using the Commonwealth Own Purpose Outlay (COPO) methodology which is comprised of 25% CPI and 75% wage increases. COPO most often provides a lesser increase than other relevant indices and understates the cost of wages in the health care sector.
 - Aged care providers are experiencing annual increases of approx 7% while COPO delivers an annual average increase of 2-3%, sometimes less.
 - Costs have been rising in all areas including wages (which represent approximately 75% of a provider's expenditure); insurance premiums; compliance with workers' compensation regulations and Government administrative requirements;

¹ AIHW *Australia's Health 2007*

- refurbishing or replacing older buildings and/or constructing new ones; fees and other costs associated with accreditation for residential care; and accountability costs for community care.
- While it has been claimed that COPO is a “whole of Government” approach the Veterans’ Home Care Program (comparable to the Home and Community Care Program) uses a different indexation method. Clearly other indices can be applied where it is relevant to the sector and services being funded.
- If nothing is done about inadequate funding older Australians will receive fewer hours of care per day or per week. Hours of care are already falling in residential care where both staff and residents have complained about the lack of time they can spend together.² In community care, Community Aged Care packages (CACP) used to provide 7 hours of support a week to older people but now only deliver 5 hours. This trend of declining hours of care will only get worse.

2. Develop and introduce a Sustainable Capital Raising System to Build Aged Care Homes.

- The capital cost of building homes is financed through a combination of government funding and user-pays contributions.
- Older people without sufficient assets, as assessed by a Government’s test, do not have to pay a contribution towards the cost of their accommodation.
- Government pays \$26.88 per day for those persons without sufficient assets. Independent analysis shows that the cost to build high care beds is 50% more than that.³
- 72 per cent of new residents require high level care in aged care homes. These clients pay much less than the real cost of the accommodation provided.
- The current capital funding model is inadequate and is forcing aged care providers to stop applying for bed licences. In the last round of applications nearly 2000 residential care places on offer had to be converted to community care places at the last minute and 786 beds were handed back to Government because industry can’t afford to build them.
- If nothing is done about capital funding older people and their families will not be able to find a nursing home place because they will not be built. This is already starting to happen.

3. Develop an effective community care service system.

- Community care – including home help and modifications, assistance with showering and nursing – are critical in supporting older people stay independent at home.

² ACSA market research & NILS Census

³ It has been estimated that a break even cost per bed day is \$40.32 not including the cost of the land or the care provided to the older person or any return on investment. *Economic evaluation of capital financing of high care, March 2009.* Report by Access Economics Pty Limited for Anglicare Australia, Baptist Care Australia, Catholic Health Australia, Churches of Christ Living Care, Lutheran Aged Care Australia, Sir Moses Montefiore Jewish Home, National Presbyterian Aged Care Network, UnitingCare Australia.

- In 2007, the Australian Institute of Health and Welfare (AIHW) reported that 1,004,400 Australians aged 65 years and over need some form of assistance to help them stay in their own homes. More than 330,000 of these people indicated their care needs were being met only partially, and over 50,000 indicated that their needs were *not being met at all*.⁴ In attempts to meet this demand, community care services are being rationed and spread thinly:
 - In 2006-07, 250,793 Home and Community Care (HACC) program clients aged 65 years and over received an average of just 31 hours domestic assistance per year (or 35.7 minutes per week)
 - 80,028 very frail HACC clients aged 65 and over received an average of 54 hours of personal care (showering and shaving) per year (or 62 minutes per week).⁵
 - Community Aged Care Packages (CACPs) five years ago used to provide 7 hours of care per week but now deliver only 5 hours per week on average⁶. Extended Aged Care at Home (EACH) packages have experienced a similar decline in hours.
- If nothing is done to reform community care, people will miss out on services or receive ever less hours of care undermining the preventative nature of community care and its ability to reduce demand on more expensive services including residential and acute care.
- Essentially there needs to be more community care available as well as greater flexibility for services to meet the increasing needs of clients. Individual client needs should be able to be met within one package with funds increasing as needs increase. This would minimise waiting times and the need to change providers as is often the case now with the three tiered/program approach.
- Community care clients need a system of care which would:
 - provide individual packages of care based on a persons assessed need;
 - support consumers to be more actively involved in deciding the services they need;
 - consolidate multiple community care programs, each with their own funding and reporting arrangements, under one Commonwealth Government funded program. This will create an administrative saving which can be used to better support older Australians; and
 - provide increased funding for community care services to enable a more appropriate level of care to be offered to existing clients. ACSA recommends a 20% (or \$220.78m) increase to the Home & Community Care (HACC) Program and 10% (or \$58.89m) increase for Community Aged Care Packages, Extended Aged Care at Home packages and Extended Aged Care at Home Dementia packages in 2009-10. Annual funding should be increased by a minimum of 8% to ensure continuing real growth.

Implementing Successful Reform:

- Aged care providers are still coming to grips with some of the proposed NH&HRC reforms and Government has accepted that further detailed work is required by referring the aged care recommendations to the Productivity Commission (PC) for review.

⁴ AIHW *Older Australians at a Glance* (November 2007): 102-104.

⁵ HACC MDS Statistical Bulletin 2006-07: 13-14 http://www.health.gov.au/internet/main/publishing.nsf/Content/hacc-pub_mds_sb_2006-07.htm-hacc-pub_mds_sb_2006-07-3.htm

⁶ Productivity Commission, Report on Government Service Provision 2009.

- The report has five key themes in its discussion of aged care:
 - **Consumer Access, Information and Choice:** The reform agenda calls for people to be able to choose between residential and community care as well as having a greater choice of services.
 - **Regulation & Competition:** Aged care is one of the most heavily regulated industries of all. The report recommends an easing of regulatory restrictions on supply leading to greater competition in the market place and choice for consumers.
 - **Financial Arrangements:** The report acknowledges that industry is facing serious financial challenges and that regular review of funding is required.
 - **Aged Care Policy and Funding Responsibility:** Aged care, particularly in relation to access and community care, is split between the State and Commonwealth Governments. The report recommends bringing all under Federal control.
 - **Aged Care/Health Interface:** The report recognises the interconnectedness of aged care and health services both in terms of what is provided and the client group.
 - There is support for the broad thrust of the recommended actions on these items. However more detailed work, including consideration of necessary changes to the Aged Care Act, is required before there can be surety and commitment to particular recommendations.
 - The introduction of greater choice and competition needs particularly careful consideration. The current recommendation would open residential care up for competition by relaxing the regulations about supply of beds and providing the funding to the consumer rather than to the provider. This is designed to give consumers choice of which residential service they choose as well as whether they accept residential or community care services.
 - It is proposed that supply controls be relaxed before any increased revenue becomes available. Relaxing supply controls without relaxing price controls would threaten the very existence of aged care. People will not have access and choice if there are not enough services available.
- 1. Form a Partnership & Implementation Committee with the Aged & Community Care Sector**
- While the PC Review is occurring, and subsequently as Government moves towards implementing reforms, a partnership with the aged and community care sector must be formed. The development of the health reform and the more specific aged care agenda requires input from the industry including real, on the ground advice if it is to be realistic and successful for all stakeholders – Government, older people and the aged care industry.
 - An implementation committee needs to be established immediately to provide this input. Membership of the committee should comprise Government, including the central agencies where the real decisions will be made, and industry representation.
- 2. Develop a staged approach to competition**
- Competition and choice can be introduced **but only** if the regulations and restrictions on supply and price are relaxed hand in hand. A staged approach could be used to provide surety and transition time for older people, their families and providers. A safety net for people who can't afford to pay will be in place throughout the reform process and as a key component of the reformed service system.