

PRODUCTIVITY COMMISSION

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# REFORMS TO HUMAN SERVICES

**Submission**

9 February 2017



## ABOUT ACSA

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Aged & Community Services Australia (ACSA) is the leading aged care peak body supporting over 700 church, charitable and community-based, not-for-profit organisations. Not-for-profit organisations provide care and accommodation services to about one million older Australians.<sup>1</sup>

ACSA represents, leads and supports its members to achieve excellence in providing quality affordable housing and community and residential care services for older Australians.

Aged care providers make a significant \$17.1 billion contribution to the economy by producing outputs, employing labour, paying wages and through buying goods and services.<sup>2</sup> This is akin to the contribution made by the residential housing, beef and dairy industries. In many regional and rural areas aged care is the largest employer, which is where the majority, if not all, providers are not-for-profit.

ACSA members are important to the community and the people they serve, and are passionate about the quality and value of the services they provide, irrespective of their size, service mix or location.

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<sup>1</sup> Australian Government, Department of Health, Report on the Operation of the *Aged Care Act 1997*, December 2016.

<sup>2</sup> Deloitte Access Economics, Australia's aged care sector: economic contribution and future directions, Aged Care Guild, June 2016.

# PRODUCTIVITY COMMISSION: REFORMS TO HUMAN SERVICES

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## INTRODUCTION

In this submission, Aged & Community Services Australia (ACSA) provides comments on three (social housing, end-of-life care services and services in remote indigenous communities) of the six human services identified by the Productivity Commission in stage one of the human services inquiry, as well as some general comments.

As noted in ACSA's December 2016 submission to the Department of Health: Aged Care Legislated Review,<sup>3</sup> ACSA supports an aged care system that is consumer driven, market-based and less regulated as outlined in the Aged Care Sector Committee's Aged Care Roadmap released in 2016. This will require a combination of government funding and user-pay options to facilitate the provision of aged care and support services, with older people able to select care at home or a residential care setting according to their needs and preferences. In those areas where there are additional challenges to deliver the necessary services and options for older people, such as rural and remote communities and groups with special needs, different approaches are required.

ACSA is concerned that the current aged care system is over regulated, increasing costs and stifling innovation. Government regulation should be limited to those areas which ensure minimum standards of care are provided to all older Australians receiving home care or residential care; refundable accommodation deposits/bonds are safe; and consumers are easily able to find information about the availability and cost of aged care services in their community. Existing regulatory structures should be used where these exist rather than developing aged care specific ones. General consumer protections (for example contract and consumer law) should be allowed to operate reducing the need for additional regulation and regulators.

In outlining a path and process to achieve sustainable and effective reform, ACSA urges the Productivity Commission to consider how proposed changes can be implemented in a measured, orderly and prioritised way by the many different government departments and agencies with relevant responsibilities, aged care providers and consumers.

For significant changes to the aged care system, ACSA considers that industry assistance funding will be required to assist aged care providers deliver new aged care models and in particular support regional, rural and remote aged care providers to adapt systems.<sup>4</sup>

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<sup>3</sup> <http://www.acsa.asn.au/getattachment/Publications-Submissions/Submissions/ACSA-Submission-to-Legislated-Review-December-2016.pdf.aspx?lang=en-AU>

<sup>4</sup> <http://www.acsa.asn.au/getattachment/Publications-Submissions/Submissions/ACSA-2017-18-Pre-Budget-Submission.pdf.aspx?lang=en-AU>

## **SOCIAL HOUSING**

ACSA agrees there is a lack of stable and affordable housing options for seniors who cannot afford full home ownership and that the gap between supply and demand will continue to increase. The cost of construction, availability of land, access to capital, restrictive legislation, lack of effective and consistent engagement from government, and financial capacity of tenants are all barriers to the not-for-profit sector increasing the supply of affordable housing for seniors.

Some of the strategies that government might consider for addressing housing affordability for seniors include:

1. Transferring appropriate public housing stock to the not-for-profit sector to, among other things;
  - a. increase the capacity of social housing providers to raise capital funding for new builds;
  - b. make tenants eligible for Commonwealth Rent Assistance.
2. Considering joint venture partnerships between the state government and the not-for-profit sector.
3. Reviewing the existing retirement living legislation to direct regulatory effort toward consumers and operators most at risk.
4. Making policy and funding pathways transparent and consistent across government.
5. Identify regions where there is failure of supply and partner with not-for-profit providers to develop and manage affordable seniors' housing.
6. Identify regions where there are emerging gaps between supply and demand for seniors' home support services and partner with the not-for-profit sector to increase services.

The Government's recently released discussion paper exploring ways to facilitate the growth of the Australian social impact investing market is relevant to the Productivity Commission's consideration. As noted on page 15 of the discussion paper, a report commissioned by the Department of Social Services from the professional services firm EY identified several areas where there is potential to realise benefits through social impact investing including 'to provide infrastructure capital to social and affordable housing'.<sup>5</sup>

## **END-OF-LIFE CARE SERVICES**

ACSA supports the Productivity Commission's consideration of increased competition, contestability and informed user choice to improve end-of-life care services.

With their focus on curative treatment, acute hospitals are often not ideal places for providing appropriate end-of-life care that promotes comfort and quality of life. Ensuring adequate palliative care services are available in people's own homes and residential aged care facilities will enable greater numbers of older Australians to have choice in the environment in which they die and the services they receive, while better allocating health resources including from the more expensive hospital system. ACSA appreciates this may require a reallocation of funds between the Commonwealth and State/Territory Governments.

Increased provision of end-of-life care services in people's own homes and residential aged care facilities will support greater competition, contestability and informed user choice. However, due to the nature of residential aged care facilities the impact on competition, contestability and

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<sup>5</sup> <http://www.treasury.gov.au/ConsultationsandReviews/Consultations/2017/Social-impact-investing>

informed user choice is more likely to be greater at the time people are considering which residential aged care facility to move into rather than after a person has moved into a particular residential aged care facility.

ACSA's position is that:

1. Increased support is required for an expansion of initiatives that enable people to die in the environment of their choice.
2. The funding arrangements for home care and residential aged care should recognise palliative care as an intensive service provision activity that requires an appropriate level of funding to ensure the provision of quality palliative care services.
3. The Aged Care Funding Instrument (ACFI) User Guide should be amended to better reflect what constitutes a palliative care program involving end-of-life care so that providers can appropriately claim when a care recipient is assessed as requiring such a program. Such a definition should be made in consultation with provider and consumer peak bodies before the User Guide is re-published.
4. ACSA supports the use of Advance Care Directives and recommends that the key processes outlined in the Palliative Approach (PA) Toolkit<sup>6</sup> model of care, including Advance Care Planning and case conferencing, be recognised as important aspects of a palliative care program and be appropriately funded through ACFI mechanisms.

There is also a need for investment in community engagement and education around end-of-life care so consumers have informed choice. Currently the system tends to be dominated by experts and clinicians with often consumers and their families/carers being passive recipients.

ACSA released a position statement on improving access to palliative care in November 2015.<sup>7</sup>

## **SERVICES IN REMOTE INDIGENOUS COMMUNITIES**

ACSA supports the Productivity Commission's consideration of increased competition, contestability and informed user choice to improve human services in remote indigenous communities. However, competition and contestability is unlikely to achieve improvements in relation to aged care.

The fragmentation of the current service system in remote communities leads to huge levels of administration and bureaucracy and lower levels of service delivery on the ground. Selective tender processes and commissioning of services may work better in these communities as there are limited established service providers and it makes sense to use services that already have infrastructure in place and have a relationship with the community. While this process does not create choice of provider for consumers, in reality there are a limited number of providers willing and financially able to deliver aged care services to such communities.

Improving services requires meetings with local communities and providers and designing the best solution that is cost effective and allows for the greatest level of choice and control for remote Indigenous communities. Getting the stewardship role right for governments (both Commonwealth and State/Territory) is essential.

Governments needs to pilot/trial different approaches to tendering/commissioning in these communities and recognise that Indigenous community services must be holistic. For many Indigenous people and communities an integrated approach to service provision is essential:

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<sup>6</sup> <https://www.caresearch.com.au/caresearch/tabid/3629/Default.aspx>

<sup>7</sup> <http://www.acsa.asn.au/getattachment/Publications-Submissions/Position-Statements/NAT-1115-ACSA-Position-Statement-Improving-Access-to-Palliative-Care-Nov-2015.pdf.aspx?lang=en-AU>

housing, children's services, aged care etc. are all interconnected and should be funded and supported in that way.

#### *ACSA's submission to the Aged Care Legislated Review*

ACSA refers to comments in its submission to the Department of Health: Aged Care Legislated Review<sup>8</sup> on issue 6 – the effectiveness of arrangements for protecting equity of access to aged care services for different population groups.

ACSA acknowledges in that submission that there are strategies within home care and residential aged care programs designed to facilitate access to services for different population groups, referred to under the *Aged Care Act 1997* as 'people with special needs' which includes people from Aboriginal and Torres Strait Islander communities. ACSA believes that many of these strategies are aimed at raising awareness of the needs of these specific population groups but still assume that these consumers are able to connect with and navigate the aged care system in the same way as all older people. ACSA suggests that in many circumstances this is not the case and additional on the ground support is needed for these consumers to make contact with and navigate the aged care system. The current strategies are falling short of achieving equitable access for these specific population groups in the community.

#### *Data*

There is limited data available to determine the effectiveness of the current strategies. The latest 2015-16 Report of the Operation of the *Aged Care Act 1997* by the Department of Health outlines the Government strategies for each of the special needs groups however it provides little comprehensive data about the impact of these strategies and the outcomes for specific population groups. The allocation of specific places in home care and residential care as part of the Aged Care Approvals Round is one strategy that has had limited monitoring and reporting over time and ACSA would question the value of this type of strategy without any ongoing scrutiny.

The 2014-15 Report of the Operation of the *Aged Care Act 1997* included data for the Commonwealth Home and Community Care (HACC) program (part of the Commonwealth Home Support Program (CHSP) from 1 July 2015) for the 2014-15 period, indicating that 3.4 per cent of HACC recipients identified as Aboriginal and Torres Strait Islander. The HACC program had as one of its core strengths the provision of flexible local services for local communities. Access and assessment was largely provided through local service providers who were part of the community and consumers and families felt comfortable making direct contact.

#### *My Aged Care*

Since 1 July 2015 all consumers of Commonwealth Home Support Program (CHSP) have accessed aged care through the My Aged Care gateway, the new system of access to aged care, which is a phone or web based system providing information, assessment of eligibility and referral to a Regional Assessment Service (RAS) for a face-to-face assessment where necessary. This more formalised approach has not been embraced by all the community and particularly people from some of the special population groups. There is a wealth of anecdotal information and stories about consumers opting out of the system because of its complexity and impersonal nature or continuing to access directly through service providers. This is particularly an issue for many people from culturally and linguistically diverse backgrounds, Aboriginal and Torres Strait Islander people and people from rural and remote locations. In many instances local service providers are supporting these clients through My Aged Care with no additional funding or recognition of the impact on resources and outputs.

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<sup>8</sup> <http://www.acsa.asn.au/getattachment/Publications-Submissions/Submissions/ACSA-Submission-to-Legislated-Review-December-2016.pdf.aspx?lang=en-AU>

Accessing My Aged Care in rural and remote regions can be problematic due to limited telephone access and lack of access to reliable high speed broadband/NBN at reasonable cost. For example many remote Aboriginal communities in Western Australia only have access to one communal phone, with many residents not speaking English. Access to interpreter services with staff who speak local Aboriginal dialects is limited and often consumers have to pay for local interpreters through their home care package as free interpreter services don't provide for them. Aged care consumers should be able to access local interpreter services that are Government funded to improve access for remote indigenous communities.

Since February 2016 any consumers wanting to access the Home Care Package (HCP) program must also make contact with My Aged Care and work through the same process and then receive a referral to the Aged Care Assessment Team (ACAT) for a comprehensive assessment. In many areas with high populations of people from culturally and linguistically diverse backgrounds or Aboriginal and Torres Strait Islander communities there were local arrangements with ACATs to facilitate the assessment process for these clients. These arrangements are no longer in place and it is unclear to ACSA at this point how many people from these specific population groups are accessing the HCP program.

Recent changes to aged care legislation will mean that from 27 February 2017 there will no longer be any specific allocations within the HCP program. Prioritisation and allocation of home care packages will be managed nationally through My Aged Care based on time waiting and level of priority. While ACSA welcomes greater choice and decision making for the consumer under these reforms there is also concern about the impact of operationalising the reforms, particularly on the specific population groups. This will need to be closely monitored by Government and the sector. ACSA recommends that Government reports outlining the impact of the Increased Choices in Home Care reforms should be transparent and publically available on a quarterly basis.

#### *Equity of access for rural and remote consumers*

Aged care policy settings are often based largely on metropolitan circumstances and may not necessarily result in equitable outcomes for older Australians in regional, rural and remote areas. ACSA is concerned that not addressing these issues may result in consumers being required to relocate away from their homes in order to gain access to services.

ACSA considers there are a number of issues for rural and remote consumers in relation to equity of access to the aged care system. Two of the major issues for consumers and providers are the current funding model and travel costs to deliver home based services. ACSA highlighted to Government that the previous classification system for the viability supplement was out of date and was not targeting the people with the greatest need. The Government announced changes to the viability supplement for rural and remote providers in the 2016-17 Budget and modified the classification system used to allocate the viability supplement with effect from 1 January 2017.

There is also concern about inequity with the viability supplement particularly in home care. An example is some very remote home care consumers are at the maximum MMM classification rate, which will not reflect the increased costs of delivering home care support in those locations, such as distance from the service provider and road conditions. For example, three consumers living 240 km, 320 km or 450 km respectively on sealed or unsealed roads from the same service provider will all receive the same viability supplement.

There has been mixed reactions from the sector in relation to the new classification system. ACSA supports the 'grandfathering' arrangements introduced to ensure that services that would otherwise be disadvantaged by the new arrangements will continue to receive their current level of funding until such time that they are eligible for an equivalent or higher rate of funding under the new arrangements. It is imperative these arrangements remain in place as, with other

funding changes to the Aged Care Funding Instrument (ACFI), viability of rural and remote providers is particularly vulnerable.

Key findings of the Aged Care Financing Authority (ACFA) Report on the Financial Issues Affecting Rural and Remote Aged Care Providers February 2016 included:

1. Providers operating in rural and remote areas face extra challenges in their financial operations. They generally have higher cost pressures and lower financial results.
2. The impacts of greater geographical isolation affect a number of areas, including: workforce costs to engage and retain staff; travel; freight; access to allied health professionals; limited internet coverage in some areas and limited catchment areas resulting in smaller scale facilities/services.

The higher cost of operating in rural and remote areas ultimately has an impact on service provision for consumers. Providers often experience higher costs for staff; travel; freight costs increasing cost of goods and services; access to professionals; technology connectivity and limited consumer numbers resulting in smaller scale facilities/services. Travel and wages costs associated with long distance travel to attend a consumer's home in rural and remote locations reduces the level of service that a consumer can receive from their package. This places consumers choosing to remain living in their homes in rural and remote areas at a disadvantage and does not protect their equity of access to services, regardless of location, as specified under the *Aged Care Act 1997*.

To ensure older Australians in regional, rural and remote areas receive timely, affordable and high quality human services that are delivered in a cost-effective manner, ACSA considers a new funding model is needed which acknowledges the additional and fixed costs facing aged care providers delivering services in these areas. The Government is currently considering the funding model for residential aged care and this issue must be considered as part of any systemic changes. However achieved, it will be important for a new funding model to recognise the ongoing costs of delivery that don't change regardless of occupancy or other such variables.

## **OTHER COMMENTS**

*Evaluating reform options* (page 4 of the issues paper)

ACSA agrees it is important for the Productivity Commission to evaluate the potential effects of reform options on service users, providers and the broader community based on the way they change the attributes of effectiveness (quality; equity; efficiency; responsiveness; and accountability).

One of the criteria for this purpose is to assess the effect of reform options on the incentives inherent in system design 'to ensure that service providers and governments will be responsive to the needs of service users and to changes in these needs over time, and are accountable to those who pay for services' (fourth criterion on page 4 of the issues paper).

In terms of accountability to those who pay for services, ACSA notes that in the aged care system payment is received by aged care providers from both government and consumers. This mix of payment sources means that accountability to those who pay for services is not clear and almost certainly leads to greater government intervention and regulation for aged care providers than would otherwise be the case. Greater government intervention and regulation results in increased administration costs for aged care providers which reduces the monies aged care providers have for care or innovation and/or increases the costs to taxpayers and consumers.

ACSA considers providers should receive all agreed fees for the services provided from one source and would suggest that should be from the consumer; including in the way home care program funding will be provided by government but following the consumer's choice of



provider. Essentially once the consumer reaches agreement with the provider about the amount of fees for the services to be provided, the funding split of those fees between the consumer and the government is a matter for the consumer and government with the provider being paid in full and on time for the services provided. This is currently not the case as funds from the government are often received late by aged care providers resulting in increased administration costs in chasing up and reconciling payments which reduces the monies aged care providers have for care or innovation and/or increases the costs to taxpayers and consumers.

#### *Government regulation*

ACSA agrees government regulation including stewardship is important but it needs to be effective and minimal otherwise the system will have a negative impact on the ability of older Australians to access timely, affordable and high quality aged care services that are delivered in a cost-effective manner.