



Productivity Commission

# Caring for Older Australians

Productivity Commission  
Inquiry Report  
*Overview*

No. 53, 28 June 2011

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***The Productivity Commission***

The Productivity Commission is the Australian Government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Its role, expressed most simply, is to help governments make better policies, in the long term interest of the Australian community.

The Commission's independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.

Further information on the Productivity Commission can be obtained from the Commission's website ([www.pc.gov.au](http://www.pc.gov.au)) or by contacting Media and Publications on (03) 9653 2244 or email: [maps@pc.gov.au](mailto:maps@pc.gov.au).



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28 June 2011

The Hon Bill Shorten MP  
Assistant Treasurer  
Parliament House  
CANBERRA ACT 2600  
Dear Assistant Treasurer

In accordance with Section 11 of the *Productivity Commission Act 1998*, we have pleasure in submitting to you the Commission's final report into Caring for Older Australians.

Yours sincerely

Handwritten signature of Mike Woods in cursive.

Mike Woods  
Presiding Commissioner

Handwritten signature of Robert Fitzgerald in cursive.

Robert Fitzgerald AM  
Commissioner

Handwritten signature of Sue Macri in cursive.

Sue Macri AM  
Associate Commissioner

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## Terms of reference

### PRODUCTIVITY COMMISSION INQUIRY INTO AGED CARE

I, NICK SHERRY, Assistant Treasurer, pursuant to Parts 2 and 3 of the *Productivity Commission Act 1998*, hereby refer aged care to the Commission 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.

#### *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.

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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;

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- 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

NICK SHERRY

Dated 21 April 2010

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The complete two volume report is available separately, including on the Productivity Commission's website ([www.pc.gov.au](http://www.pc.gov.au)).

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# Abbreviations and explanations

AAT	Administrative Appeals Tribunal
ABS	Australian Bureau of Statistics
ACC	Aged Care Commissioner
AACC	Australian Aged Care Commission
ACAR	Aged Care Approval Round
ACAT	Aged Care Assessment Team
ACCC	Australian Competition and Consumer Commission
ACD	Advance Care Directive
ACAA	Aged Care Association of Australia
ACFI	Aged Care Funding Instrument
ACSA	Aged and Community Services Australia
ACSAA	Aged Care Standards and Accreditation Agency
ADL	Activities of daily living
AHURI	Australian Housing and Urban Research Institute
AIHW	Australian Institute of Health and Welfare
ALGA	Australian Local Government Association
AMA	Australian Medical Association
ANAO	Australian National Audit Office
ANF	Australian Nursing Federation
ASIC	Australian Securities and Investments Commission
BCA	Building Code of Australia
CACP	Community Aged Care Package
CALD	Culturally and linguistically diverse
CCIP	Community Care Intermediate Package
CDC	Consumer-directed care
CEDA	Committee for the Economic Development of Australia
CIS	Complaints Investigation Scheme
COAG	Council of Australian Governments
COPO	Commonwealth Own-Purpose Outlays
COTA	Council on the Ageing
CQC	Care Quality Commission

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CSIRO	Commonwealth Scientific and Industrial Research Organisation
DoHA	Department of Health and Ageing
DVA	Department of Veterans' Affairs
EACH	Extended Aged Care at Home
EACH-D	Extended Aged Care at Home Dementia
FaHCSIA	Department of Families, Housing, Community Services and Indigenous Affairs
FPA	Financial Planning Association of Australia
Gateway	Australian Seniors Gateway Agency
GDP	Gross domestic product
GLBTI	Gay, lesbian, bi-sexual, transgender and intersex
GP	General Practitioner
HACC	Home and Community Care
HILDA	Household, Income and Labour Dynamics in Australia
HMM	Home maintenance and modification
IADL	Instrumental activities of daily living
ICT	Information and communications technology
IGR	Intergenerational Report
ILU	Independent living unit
LHMU	Liquor, Hospitality and Miscellaneous Union (United Voice)
LTC	Long-term care
LTCI	Long-term care insurance
MDS	Minimum Data Set
MPS	Multi-purpose Services
NACA	National Aged Care Alliance
NCAC	National Childcare Accreditation Council
NCS	National Carer Strategy
NDIS	National Disability Insurance Scheme
NESB	Non-English speaking backgrounds
NFP	Not-for-profit
NHHRC	National Health and Hospitals Reform Commission
NHSC	National Housing Supply Council
NQRF	National Quality Reporting Framework
NRCP	National Respite for Carers Program
NSA	National Seniors Australia
OACC	Office of the Aged Care Commissioner
OACQC	Office of Aged Care Quality and Compliance

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OECD	Organisation for Economic Co-operation and Development
OHS	Occupational health and safety
PAYG	Pay-as-you-go
PC	Productivity Commission
PCA	Palliative Care Australia
RACF	Residential aged care facility
RCS	Resident Classification Scale
RTO	Registered Training Organisation
RVA	Retirement Village Association
RVRA	Retirement Village Residents Association
SCARC	Senate Community Affairs References Committee
SCRGSP	Steering Committee for the Review of Government Service Provision
SEQUAL	Senior Australians Equity Release Association of Lenders
SSAT	Social Security Appeals Tribunal
UK	United Kingdom
UN	United Nations
US	United States of America
UTS	University of Technology Sydney
VCEC	Victorian Competition and Efficiency Commission
VHC	Veterans' Home Care
WHO	World Health Organization

## Explanations

Billion	The convention used for a billion is a thousand million (10 <sup>9</sup> ).
Key points of emphasis	<i>Key points of emphasis in the body of the report are highlighted using italics, as this is.</i>
Recommendations	<b><i>Recommendations in the body of the report are highlighted using bold italics with an outside border, as this is.</i></b>

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# Glossary

Activities of daily living (ADLs)	ADLs are a core set of self-care or personal care activities that include bathing and washing, dressing, feeding, getting in and out of bed, getting to and from the toilet and continence management.
Aged care	A range of services required by older persons (generally 65 years and over (or 50 years and over for Indigenous Australians)) with a reduced degree of functional capacity (physical or cognitive) and who are consequently dependent for an extended period of time on help with basic ADLs. Aged care is frequently provided in combination with basic medical services (such as help with wound dressing, pain management, medication, health monitoring), prevention, reablement or palliative care services.
Aged Care Assessment Team (ACAT)	A multidisciplinary team of health professionals responsible for determining the care needs and services an individual may require. ACATs are known as Aged Care Assessment Services in Victoria.
Aged Care Funding Instrument (ACFI)	The ACFI is a resource allocation instrument which focuses on three domains that differentials care needs among residents. The ACFI assesses core needs as a basis for allocating funding.
Aged Care Planning Region	The geographical region used by the Department of Health and Ageing in its Aged Care Approvals Round.
Aged care recipient	People receiving aged care services in institutions or at home.
Ageing in place	The provision of care which allows a person to remain in their home or in the same residential care facility even if their care needs change.
Ambulatory care	Care on a non-admitted or outpatient basis; patients usually 'walk in and walk out'.
Approved Provider	Approved Providers are organisations approved by the Australian Government, to receive subsidies for the provision of aged care services and accommodation to residents within an aged care home, or for the provision of care and services to people in the community.
Australian Aged Care System	The aged care system that is proposed by the Commission in this report. Services provided under this system would require an entitlement and includes personal care, nursing care, reablement services, home modification services and planned respite. It does not include Community and Carer support services.
Baby boomer	A baby boomer is someone born during the demographic birth boom immediately following World War II to around the early 1960s.
Care coordination	The coordination of services, provided with the aim of enhancing care delivery and transitions, and including preliminary care plans and identification of the need for more intensive case management.

Care leaver	A person brought up in care away from their family as state wards or home children raised in Children’s Homes, orphanages or other institutions, or in foster care.
Care recipient	A person who is receiving care and support, either in the community, in their own home or in a residential aged care facility.
Care setting	Means the place where recipients of care services live.
Case management	An essential aspect of care delivery provided to individuals and including ongoing monitoring of support, detailed planning of clinical care and other aspects of delivery. Provided in part by residential aged care facilities and community care providers to people receiving care.
Clearinghouse	A central access point which serves the needs of users of a specific field and body of knowledge. Similar to a repository, clearinghouses often receive, organise and disseminate information, which can range from broad research and information provision to more specific data networks.
Commonwealth own purpose outlays (COPO)	Outlays made directly by the Commonwealth (Australian Government) in providing a service or function to the community. These outlays are made solely by the Commonwealth for their own purpose and therefore do not pass ‘to’ or ‘through’ the States and Territories.
Community and carers support services	Community and carers support services are low intensity services which can be accessed either directly or through entitlements or referrals. Services would include meal preparation, community transport, day therapy and carer support services.
Community Aged Care Package (CACP)	Individually planned and coordinated packages of care tailored to help older Australians with low-level care needs to remain living in their homes. They are funded by the Australian Government.
Community care	Is provided to people with functional restrictions who mainly reside in their own home. It also applies to the use of institutions on a temporary basis to support continued living at home — such as community care centres and respite. Community care also includes specially designed, ‘assisted or adapted living arrangements’ for people who require help on a regular basis while guaranteeing a high degree of autonomy and self-control.
Community care services	Home and Community Care (HACC) services, Community Aged Care Packages (CACPs), Extended Aged Care at Home packages (EACH), Extended Aged Care at Home Dementia packages (EACH-D), Veterans’ Home Care (VHC), Community Nursing and respite services.
Consumer	Someone that uses aged care services and products.
Consumer-directed care (CDC)	An approach to care that allows people to have greater choice and control over the care and support services they receive, to the extent that they are capable and wish to do so. The concept of ‘choice’ in CDC varies, and can include allowing people to make choices about the types of care services and benefits they access, the delivery of those services and benefits, or choice of service provider.
Everyday living expenses	Includes food, laundry, heating and cooling and social activities.

Extended Aged Care at Home (EACH) packages	Individually planned and coordinated packages of care, tailored to help frail older Australians with high levels of care needs to remain at home. They are funded by the Australian Government.
Extended Aged Care at Home Dementia (EACH-D) packages	An EACH package with a higher level of funding to provide additional care at home for people with dementia. They are funded by the Australian Government.
Extra service	Extra service status allows residential aged care facilities to offer a higher standard of accommodation, services and food and charge extra fees for these. Extra services may be provided throughout the facility or in a specific wing or section. The level of care provided is the same as that provided generally in residential aged care facilities.
Forgotten Australian	See Care leaver
Formal care	Includes all care services that are provided in the context of formal employment regulations, such as through contracted services, by contracted paid care workers.
Grandfathering	The continued application of the status quo to existing users of a system in order to protect against disruptive change.
Home and Community Care (HACC)	A program which provides a broad range of low-level care and support services to help people maintain their independence at home and in the community. HACC is a joint Australian, state and territory government initiative.
High care	The care which is provided for people who have been assessed by an ACAT (or Aged Care Assessment Services in Victoria) and need a high level of assistance with most activities of daily living (ADL). It may include accommodation services as well as personal care.
Informal carers	Are individuals providing aged care on a regular basis (often on an unpaid basis and without contract), for example, spouses/partners, family members, as well as neighbours or friends.
Inpatient	An individual who has been admitted to a hospital or other facility for diagnosis and/or treatment that requires at least an overnight stay.
Instrumental activities of daily living (IADL)	Domestic tasks such as shopping, laundry, vacuuming, cooking a main meal and handling personal affairs.
Low care	The care which is provided for people who have been assessed by an ACAT (or Aged Care Assessment Services in Victoria) and need a low level of assistance with activities such as meals, laundry and cleaning as well as additional help with personal care.
Market failure	Occurs when the allocation of services or goods by a free market is not efficient. Market failure can be caused by information asymmetries, externalities and public goods.
Multidisciplinary care	Where health professionals from multiple disciplines work together to provide team-based care.
Not-for-profit	An organisation that does not distribute profits or surpluses to personal owners or shareholders.
Outpatient	A person treated or seen in a hospital clinic without being admitted.
Palliative care	Care provided for people of all ages who have a life-limiting illness, with little or no prospect of cure and for whom the primary, treatment goals is quality of life. It focuses on 'living well' until death.

Personal care services	Includes assistance with bathing, toileting, eating, dressing, mobility, managing incontinence, community rehabilitation support, assistance in obtaining health and therapy services and support for people with cognitive impairments.
Person-centred care	An approach to care that consciously adopts a person's perspective. This perspective can be characterised around dimensions such as respect for a person's values, preferences and expressed needs; coordination and integration of care; involvement of family and friends; and transition and continuity.
Primary carer	A person who provides the most assistance, in terms of help or supervision, to a person with one or more disabilities on an ongoing basis.
Principal residence	Meaning the principal home as defined in section 11.A of the <i>Social Security Act 1991</i> .
Protected person	A 'protected person' exclusion applies if, at the time of the assets assessment or the date of entry into care (whichever is earlier): <ul style="list-style-type: none"> <li>• the partner or dependent child is living in the resident's former principal residence</li> <li>• a carer eligible for an income support payment has lived in the resident's former principal residence for at least two years</li> <li>• a close relative who is eligible for an income support payment has been living in the resident's former principal residence for at least five years.</li> </ul>
Reablement	Intensive and generally time-limited programs aimed at restoring function. Services included as part a reablement approach can include physiotherapy, psychosocial and other education programs, environmental modification and linkages to social activities.
Residential aged care	Refers to facilities (other than hospitals) which provide accommodation and aged care as a package to people requiring ongoing health and nursing care due to chronic impairments and a reduced degree of independence in activities of daily living (ADL). These facilities provide residential aged care combined with either nursing, supervision or other types of personal care required by the residents. Aged care institutions include specially designed institutions where the predominant service component is long-term care and services are provided to people with moderate to severe functional restrictions.
Respite care	Care given as an alternative care arrangement with the primary purpose of giving the carer or a care recipient a short-term break from their usual care arrangement.
Sub-acute services	May include rehabilitation, geriatric evaluation and care management. Some sub-acute services are colloquially referred to as 'low dependency' or 'step up' and 'step down' care, meaning that it can either precede (and potentially avoid) a hospital admission or follow an acute hospital admission. Most sub-acute services can be provided on either an inpatient or ambulatory basis.
Supported residents	A person who qualifies for subsidised aged care accommodation costs because they have total assets below a certain level.

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Teaching aged care services

Formalised partnership arrangement between universities and residential aged care facilities which aim to increase the scope for collaborative research, evidence-based practice and ongoing education for nursing staff and allied health students.

Transition care

Short-term care that seeks to optimise the functioning and independence of older people after a hospital stay. It seeks to enable more people to return home after a hospital stay rather than enter a residential aged care facility.

Veterans' Home Care (VHC)

Provides low level home care services to eligible veterans and war widows and widowers.



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# OVERVIEW

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## Key points

- Over one million older Australians receive aged care services. The range and quality of these services have improved over past decades, but more needs to be done.
- Future challenges include the increasing numbers and expectations of older people, a relative fall in the number of informal carers, and the need for more workers. By 2050, over 3.5 million Australians are expected to use aged care services each year.
- The aged care system suffers key weaknesses. It is difficult to navigate. Services are limited, as is consumer choice. Quality is variable. Coverage of needs, pricing, subsidies and user co-contributions are inconsistent or inequitable. Workforce shortages are exacerbated by low wages and some workers have insufficient skills.
- The Commission's proposals address these weaknesses and challenges and aim to deliver higher quality care. The focus is on the wellbeing of older Australians — promoting their independence, giving them choice and retaining their community engagement. Under this integrated package of reforms, older Australians would:
  - be able to contact a simplified 'gateway' for: easily understood information; an assessment of their care needs and their financial capacity to contribute to the cost of their care; an entitlement to approved aged care services; and for care coordination — all in their region
  - receive aged care services that address their individual needs, with an emphasis on reablement where feasible
  - choose whether to receive care at home, and choose their approved provider
  - contribute, in part, to their costs of care (with a maximum lifetime limit) and meet their accommodation and living expenses (with safety nets for those of limited means)
  - have access to a government-sponsored line of credit (the Australian Aged Care Home Credit scheme), to help meet their care and accommodation expenses without having to sell their home. A person's spouse, or other 'protected person' would be able to continue living in that home when an older person moved into residential care
  - choose to pay either a periodic charge or a bond for residential care accommodation
  - if they wish to sell their home, retain their Age Pension by investing the sale proceeds in an Australian Age Pensioners Savings Account
  - have direct access to low intensity community support services
  - be able to choose whether to purchase additional services and higher quality accommodation.
- Limits on the number of residential places and care packages would be phased out, while distinctions between residential low and high care and between ordinary and extra service status would be removed.
- Safety and quality standards would be retained. An Australian Aged Care Commission would be responsible for quality and accreditation; and would transparently recommend efficient prices to the Government.

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# Overview

Older Australians generally want to remain independent and in control of how and where they live; to stay connected and relevant to their families and communities; and be able to exercise some measure of choice over their care.

While changes to the aged care system over past decades have increased the range and quality of care and support available to older Australians, there are significant variations in the quality of services. However, fundamental reform is required to overcome the delays, discontinuities, constraints and shortages that currently exist, and to respond to future challenges. The challenges include:

- a significant increase in the number of older people
- an increasing incidence of age-related disability and disease, especially dementia
- rising expectations about the type and flexibility of care that is received
- community concerns about variability in the quality of care
- a relative decline in the number of informal carers
- a need for significantly more nurses and personal care workers with enhanced skills.

Aged care can be greatly improved. Government policies, programs and regulations, and the services offered by community groups and businesses, need to be redesigned around the wellbeing of older people and be delivered in ways that respect their dignity and support their independence. Services need to be affordable for older people and for society in general.

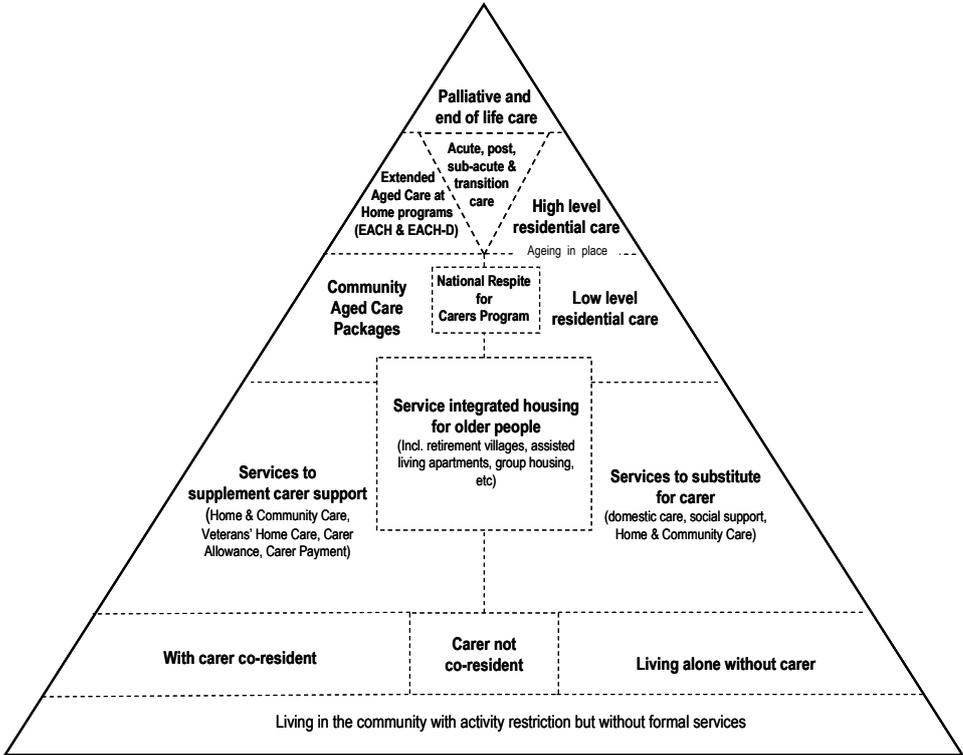
The Productivity Commission has been asked to develop detailed options to redesign and reform Australia's aged care system and to recommend a transition path to a new system.

## **Australia's current aged care system**

Most Australians who reach old age can expect to need aged care services. Within limits, the types of services, their intensity, and their duration, are provided according to each older person's assessed needs. The aged care service continuum is represented in figure 1.

Care and support is mainly provided by partners, family, friends and neighbours — of those older Australians receiving assistance in the community, about 80 per cent receive it from informal carers.

Figure 1. **Current modes of care in the aged care system**



In addition, government-subsidised services are provided to over one million older Australians (and their carers) each year, with more than half receiving low intensity support through the Home and Community Care (HACC) program. The number of higher level community care packages and residential care places in each region is limited by needs-based planning ratios — 25 places per 1000 people aged 70 or over for community care packages and 88 places for residential care. However, not all approved places in each region are being used.

As at 30 June 2010, more than 160 000 Australians received permanent residential care, with the majority receiving high level care. In recent years, around 70 per cent of residents were female and around 55 per cent of residents were aged 85 years or older.

In 2009-10, Australian, state and territory government expenditure on aged care was around \$11 billion, with two-thirds of that expenditure directed to residential aged care.

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## Strengths and weaknesses of the current system

The strengths and weaknesses of the system are well known.

In terms of the former, the range and quality of care and support available to older people has been increasing, with quality and safety standards continuing to improve. The workforce is generally appropriately skilled and dedicated to caring. However, due to the variable quality of training, some workers have insufficient skills.

But, there are many weaknesses. The need for fundamental and wide-ranging reform has been identified in the 2004 Hogan Review, the 2009 National Health and Hospitals Reform Commission Report, the 2010 Henry Review, the Commission's previous reports, the analysis it has undertaken for this inquiry, and in the many submissions from inquiry participants. Concerns about the current system include:

- delays in care assessments and limits on the number of bed licences and care packages — older people may suffer excessive waiting times and have limited choice of care providers, while providers have reduced incentives to become more efficient, improve quality, innovate, or respond to consumer demand
- discontinuous care across the packages of community-based services — changes in an older person's care needs can lead to a change in their 'care package', care provider, and personal carer
- constrained pricing — concerns include the low level of charges for high care accommodation, declining hours of service within the care package funding levels, the rate of indexation for subsidies, and the need for a 'temporary' Conditional Adjustment Payment
- difficulties in obtaining finance, in particular, to build high care residential facilities
- financial inequities — the levels of user co-contributions are inconsistent and inequitable within and between community and residential care
- insufficient and inadequate funding for restorative and reablement care; and for palliative and end-of-life care
- variable care quality across the system, which older Australians and their carers also find complex and difficult to navigate
- uncertainty about care availability — there is limited confidence among those needing care that they can leave their care package during periods of greater wellness and independence and re-engage readily should their circumstances change

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- workforce shortages — due in part to low wages, high administrative loads arising from the burden of regulation, strenuous work environments and limitations on scopes of practice
  - complex, overlapping and costly regulations — with an embedded culture in governments of excessive risk aversion and a lack of independence of some regulatory activities
  - insufficient independence of the complaints handling process from the Department of Health and Ageing (DoHA) — with policy development and the administration of regulation being combined, contrary to best practice
  - incomplete and overlapping interfaces — within and between jurisdictions, and also with health, disability, mental health, housing and income support.

## Future challenges

The dimensions of the challenges facing aged care are well known, but worthy of a brief review.

- The number of Australians aged 85 and over is projected to increase from 0.4 million in 2010 to 1.8 million (5.1 per cent of the population) by 2050.
- By 2050, it is expected that over 3.5 million older Australians will access aged care services each year, with around 80 per cent of services delivered in the community.
- There is increasing diversity among older Australians in their preferences and expectations (which continue to increase), including a greater desire for independent living and culturally relevant care. This is particularly relevant for many culturally and linguistically diverse, sexually diverse, and Indigenous communities.
- The *Intergenerational Report 2010* estimated that Australian Government spending on aged care would increase from 0.8 per cent of GDP in 2010 to 1.8 per cent of GDP by 2050.
- While further advances in the management of some diseases are expected, more people will require complex care for dementia, diabetes and other morbidities associated with longevity, as well as palliative and end-of-life care.
- Many older Australians with low income have substantial wealth, which gives them the capacity to meet their lifetime accommodation costs and to make a modest contribution to the costs of their care, subject to a reasonable safety net.
- The relative availability of informal carers will decline, reducing the ability of some older people to receive home-based care.

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- The aged care workforce will need to expand considerably at a time of ‘age induced’ tightening of the overall labour market, an expected relative decline in family support and informal carers, and strong demand for workers from other parts of the health and disability systems. It will need to adopt new models of care and scopes of practice.
  - There is a need to harness new, cost-effective assistive and information technologies that offer opportunities for productivity gains and higher quality care.

The system, as currently configured, cannot withstand these challenges. Fundamental reforms are needed and the new arrangements should be built on a clear statement of the Government’s policy objectives for the caring of older Australians.

## **Policy objectives**

There are strong rationales for government involvement in aged care, including equity of access to appropriate care, the protection of vulnerable consumers and the correction of market failures such as gaps in the provision of information. The Australian Government has principal responsibility for aged care planning, funding and regulation, and for supporting informal carers. The Government states that it:

... aims to ensure that all frail older Australians have timely access to appropriate care and support services as they age ... through a safe and secure aged care system. (DoHA 2009, p. xi)

A number of participants presented their visions of a future system of care and support for older Australians. While the visions varied, they had many common themes, including that: the focus should be on wellbeing; services should promote independence; and people should be able to make their own life choices, even if it means they accept higher levels of risk. Older people should be treated with dignity and respect and should be able to die well. Carers of older people should be adequately supported.

The overriding objective of public policy is to improve the wellbeing of the community as a whole. In the context of aged care policy, the focus for older people should be on their physical and emotional needs, connectedness to others, ability to exert influence over their environment, and their safety — within their expressed life choices. At a broader level, the wellbeing of family members, friends and neighbours who provide care to older people, and people who provide formal care also need to be considered. The effects of policies on current and future taxpayers who fund care subsidies should also be taken into account.

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*To guide future policy change, the aged care system should aim to:*

- promote the independence and wellness of older Australians and their continuing contribution to society*
- ensure that all older Australians needing care and support have access to person-centred services that can change as their needs change*
- be consumer-directed, allowing older Australians to have choice and control over their lives and to die well*
- treat older Australians receiving care and support with dignity and respect*
- be easy to navigate, with older Australians knowing what care and support is available and how to access those services*
- assist informal carers to perform their caring role*
- be affordable for those requiring care and for society more generally*
- provide incentives to ensure the efficient use of resources devoted to caring for older Australians and broadly equitable contributions between generations.*

While the distinction between the various components of aged care costs are not always clear, unpacking aged care (into accommodation, everyday living, health and personal care costs) is important for designing future funding principles for aged care and for ensuring consistent subsidies and user contributions across care settings.

*The Australian Government should adopt separate policy settings (including for subsidies and co-contributions) for the major cost components of aged care, namely care (including personal and health care), everyday living expenses and accommodation.*

This report offers a detailed plan for implementing a new policy framework which encapsulates the Commission's proposed objectives and approaches to policy settings.

## **Consumer-directed care**

Older Australians told the Commission that they did not want to be passive recipients of services, dependent on funded providers. Rather, they wanted to be independent and be able to choose where they live, which provider they would use, the way in which services are delivered, and whether to purchase additional services and/or a higher standard of accommodation.

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There is strong empirical evidence that consumer choice improves wellbeing, including higher life satisfaction, greater life expectancy, independence and better continuity of care. In addition, competition amongst providers in a system where consumers can exercise choice leads to a more dynamic system, with enhanced incentives for greater efficiency, innovation and quality. A more flexible system would also enable providers to increase the range and scope of their services, freeing them from the current highly regulated, risk-averse regime. Regulations should revert to a more appropriate role of ensuring safety and quality, protecting the vulnerable and addressing market failures.

### **A simplified gateway to the aged care system**

The current system is complex and difficult to navigate. For older people to be able to exercise choice, they need relevant, current and accurate information that they can easily understand.

The Commission proposes that this information be delivered by a new national platform that integrates, simplifies and enhances the current disparate information networks (including the National Carelink and Respite Centres and DoHA sites). A single Australian Seniors Gateway Agency (the Gateway) would be responsible for the information platform. Older Australians would be able to access the Gateway's information directly both centrally and through its regional outlets, or through general practitioners (GPs), health clinics, Centrelink or other entry points. There are significant advantages to enabling a plurality of information sources, with all of those services founded on the one coherent and integrated source of information.

The Gateway would consolidate the many assessment processes currently undertaken by HACC providers and Aged Care Assessment Teams (ACATs). For older people to receive an entitlement to approved aged care services, they would first need to be assessed by (or on behalf of) the Gateway, by a local team of professionals.

Similarly, an assessment of the capacity of informal carers, and any support they may require, would also be part of the Gateway's functions but carers could also separately approach Carer Support Centres for a wide range of assistance, including emergency respite.

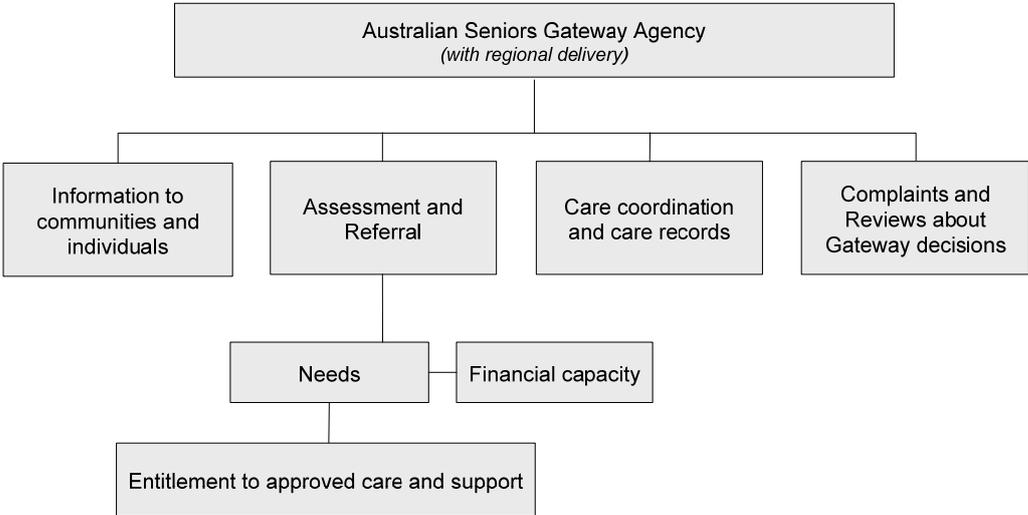
Assessors would use a set of criteria that would apply for all levels of care and support in both community and residential settings. The Gateway would arrange for Centrelink to undertake a separate assessment of the older person's financial capacity to make co-contributions, where required.

Other, lower-intensity community and carers support services outside of the formal Aged Care System (figures 3 and 5) would continue to be accessed directly, or be provided as part of a Gateway-assessed entitlement or referral.

Coordination of aged and health care, and of the providers of that care, becomes increasingly important for older people as the scope and complexity of their needs increase. This role is already performed by a number of general and nurse practitioners, community health clinics and Community Options Program providers. The Gateway would offer a default care coordination service and assess a person’s need for more complex case management, as appropriate, the latter being available as an entitlement.

*The Commission proposes the establishment of an Australian Seniors Gateway Agency which would be responsible for maintaining the national aged care information database, and for delivering assessment and care coordination services (figure 2). Older Australians assessed as needing care would receive an entitlement to services through the Agency.*

**Figure 2 Australian Seniors Gateway Agency**



An electronic record of assessments, entitlements, co-contributions and use of approved services would overcome the need for older people to repeatedly tell their story to different agencies and providers. It should also reduce errors and inconsistencies in care records and enhance coordination across the various providers of care, support, health and accommodation. The record would assist with administering lifetime limits to personal care expenditure as set out below. Such records would be protected under the *Privacy Act 1988*.

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## Care that meets the needs of older Australians

The care needs of older Australians vary from person to person and over time, as ageing is a unique experience. Care needs depend on people's functional capacities, physical and mental health, culture and language, and the environment within which they live. Accordingly, older Australians need access to a flexible range of care and support services that address their specific current needs and, to the extent possible, restore their independence and wellness.

Under the current system, some care needs are not being met because of inflexibilities within the system. While the HACC program has some ability to deliver a variety of services to meet the individual needs of its clients, community care packages are less flexible bundles of services. There are limits to their supply and funding, and there are large gaps between packages.

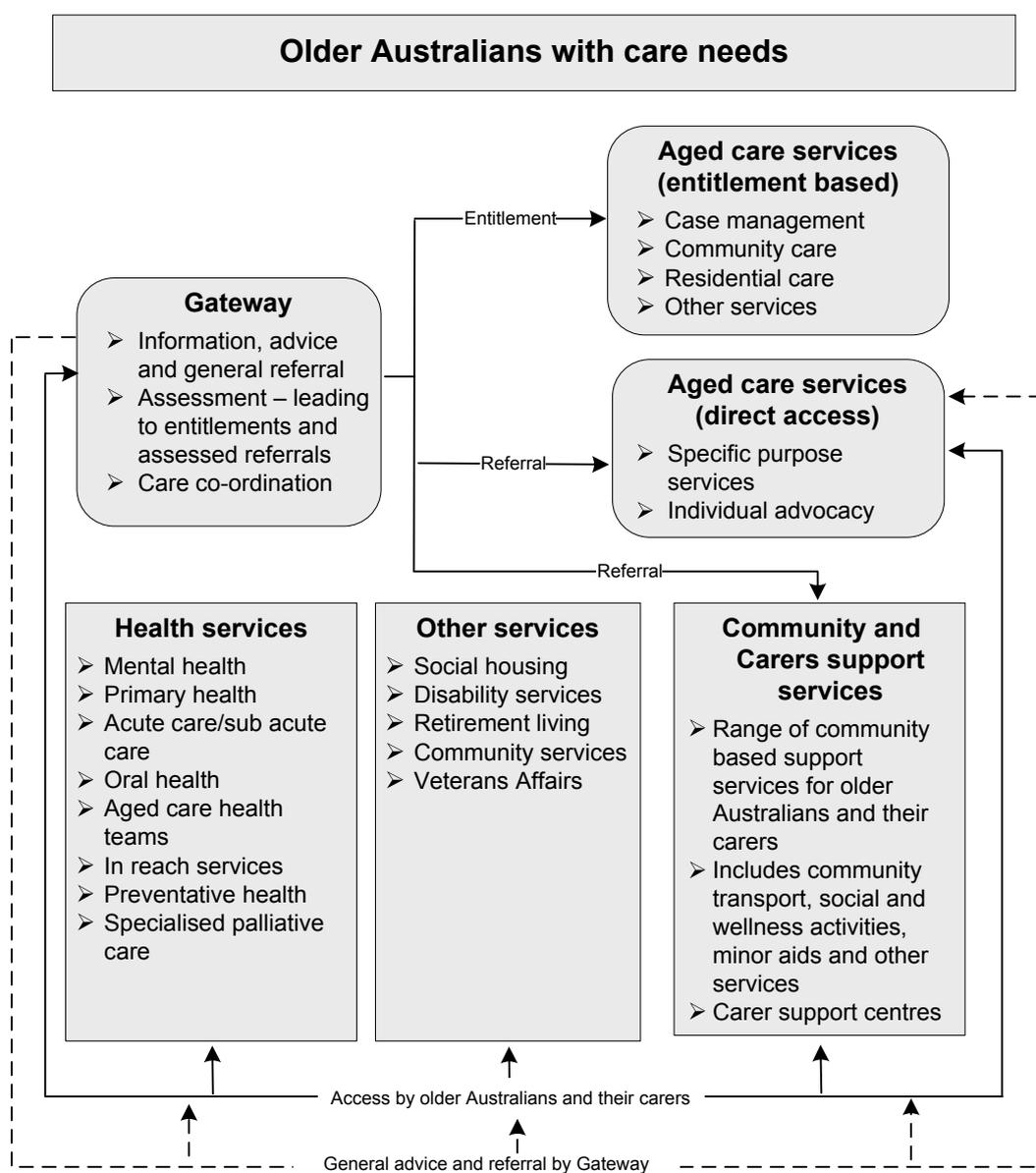
*The Commission proposes a model of care and support that offers a flexible range of services to meet older people's individual needs using a mixed approach to access. This combines an entitlement-based approach with direct access for some services (figure 3).*

Older Australians who experience an increase in frailty might require personal care services such as daily showering and dressing, assistance with eating, toileting, oral hygiene and health monitoring. The number and/or intensity of care services that older people need can increase — but this might be temporary rather than permanent — or decrease.

Older Australians might also increasingly require specialised care, such as for wound management, and other health (including dental) and nursing care, including dementia and challenging behaviour, incontinence, palliative and end-of-life care, and restorative care and rehabilitation, including transitional and sub-acute care.

Under the Commission's proposed model, older Australians would receive an entitlement to approved aged care services upon assessment by the Gateway. The entitlement would cover care services including personal and nursing care as well as more specialised services. This could also include case management as well as access to high level aids and home modifications. Care recipients would receive a detailed care assessment outlining care objectives, the type and intensity of services to meet the objectives, and the total value and timeframe of the entitlement.

Figure 3 Accessing aged care and support



Older Australians would also have access to lower intensity community support services (such as home maintenance and meal preparation). These services could either be accessed directly or through the Gateway as a referral, or as an entitlement where those services are assessed as being essential to the delivery of higher or more complex levels of service. The full range of aged care services and community supports are set out in figure 5.

Assistance would also be provided to informal carers, and include ongoing planned and emergency respite, either through aged care providers or specialised carer support services.

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Providers of aged care services (in the community or as operators of residential aged care facilities) and community and carers support services would need to be approved, with many requiring accreditation and appropriate regulatory oversight.

Where appropriate, services would be modified to meet the particular needs of special needs groups. And, importantly, as needs change, consumers or providers would be able to initiate a reassessment by the Gateway, which could result in increased or decreased levels of support or a change in service mix. In residential care facilities, the provider could undertake such ongoing reassessments, subject to validation and audit processes.

### **Opening up the supply of care and accommodation to enhance choice**

Current trends in service use underline the mismatch between what is offered by the system and what older people want. There is a high and unmet demand for the limited number of community care packages and a decline in demand for residential low care. Many, especially those not suffering from dementia, are deferring entry into residential high care until they reach greater frailty. However, providers are presently constructing very little new residential high care unless it is for ‘extra service’ places, which allows them to charge accommodation bonds.

The current limits on the supply of services often preclude older people, who have an ACAT approval for services, from choosing between competing approved providers. In the Commission’s view, competition would be a powerful incentive for providers to improve quality and efficiency, and to offer care solutions that best address the needs of individuals.

Crucially, by opening up supply in the aged care system, the Commission’s recommendations are designed so that older Australians can be confident about getting the care they need when they need it, including in situations where their condition has deteriorated.

*As part of the new consumer-directed arrangements, the Commission proposes the progressive relaxation and eventual removal of supply-side limits on bed licences, community care packages and other services, while maintaining quality standards and provider accreditation. As a temporary measure, to improve service responsiveness, an additional service level should be added between community aged care packages (CACPs) and extended aged care at home (EACH).*

To improve the flexibility of supply in residential care, the Commission is proposing to overturn the alignment between intensity of care and type of accommodation (low care in hostel settings and high care in nursing homes), noting that the more recent policy of ‘ageing in place’ has already blurred the boundaries.

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Also in need of reform are the current methods of charging for accommodation which similarly differentiate between high care (daily charges) and low care and extra service (accommodation bonds). For high care at the present time, the one daily rate applies equally to old three-bed rooms and to newly constructed single rooms with ensuites and is also set at a level which is insufficient to ensure investment in new residential high care facilities.

*The Commission proposes that the current distinctions between residential low and high care and between ordinary and extra service status be removed.*

To enable older Australians to exercise informed choice when deciding on their community or residential care provider, all providers should be required to publish up-to-date information about their approved services in terms of availability, quality and price in each local area, and the cost of any additional services they choose to offer. Quality and accreditation assessments for residential and community care should be published by the proposed Australian Aged Care Commission (AACC) (see below).

This opening up of supply, and creation of a responsive and competitive market, will require providers to change their business models and will test the management skills of some. However, the transition must be orderly, to ensure the ongoing delivery of safe, quality care to older people and the viability of the aged care industry, while not protecting individual providers.

The Commission recognises that being able to choose between competing providers is not always feasible. In some situations, the pricing recommendations of the proposed AACC would include supplements (or block funding) to providers of specialised services (such as specific aged care services for homeless people) and to those operating in rural and remote areas (including Indigenous-specific flexible aged care services). The report provides commentary on testing the further use of market-based instruments, block funding and multipurpose services in thin markets.

## **Funding aged care**

Increases in the public costs of aged care are inevitable, given the greater longevity of older people and the lifetime risk of requiring aged care (table 1), the ageing of the baby boomers, and increased expectations as to the quality of services. The costs of public health and the Age Pension are also expected to increase. Although currently each Australian aged 65 years or older is supported by five people of working age, by 2050 this ratio is expected to fall to 2.7. Thus, service delivery must become more effective and efficient, but this will not, in itself, sufficiently reduce the rate of growth of public expenditure.

**Table 1 Lifetime risk of requiring aged care, 2006–08**

<i>Remaining lifetime risk of requiring care (%)</i>	<i>At birth</i>	<i>At age 65</i>	<i>At age 75</i>	<i>At age 85</i>	<i>At age 95</i>	<i>At age 100 or over</i>
Females	62	68	72	80	83	65
Males	42	48	53	62	67	41

The relaxation of supply-side constraints is essential to improving choice and competition, but it will add to the risk of even greater public expenditure unless there are also changes to funding arrangements. The Commission aims to contain the fiscal risks associated with aged care, while recognising that, even under the current system, the public costs to the Australian Government are projected by the *2010 Intergenerational Report* to rise significantly.

Many participants to the inquiry, including consumer organisations, recognised that if aged care were to be greatly improved, there would need to be higher aged care contributions from those older Australians who have the financial capacity to pay, provided that those with limited means were protected. Co-contributions were also seen as a way of encouraging people to more closely assess the value of the care and support they were receiving, to better appreciate the value of those services and in turn to increase pressure on providers to improve the range and quality of their services.

Providers' concerns with the funding arrangements centred on the residential high care accommodation charge and the indexation rates applying to care payments. They claimed that the former no longer provides an adequate return on capital, and drew attention to the reduction in the construction of residential high care facilities. Providers who have both low and high care licences are cross subsidising from the escalating values of low care and extra service accommodation bonds and from the carry forward of bonds into high care through 'ageing in place'. The average bond paid by new residents has risen from \$58 000 in 1997-98 to over \$230 000 in 2009-10. Thus, whereas the average bond exceeds the cost of new construction for basic residential accommodation, the accommodation charge in non-extra service high care is insufficient to meet a reasonable return on equity for investment in new construction.

A further significant funding issue is the complex and distortionary interaction between the income and assets tests for the Age Pension and for co-contributions for aged care. Incoming residents have an incentive to pay large accommodation bonds so as to retain their Age Pension and reduce their care co-contributions. Providers have an incentive to ask for high bonds as they are an interest-free source of debt financing, and their ability to get them has been reinforced by artificial supply constraints.

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## **A new care co-contribution regime**

Under current arrangements, there is considerable discontinuity between the levels of private co-contributions paid for HACC services, for CACP and EACH packages, and for care delivered in residential aged care facilities. This has led to inequities between older people with the same needs and the same financial capacity, and to an inefficient allocation of resources within and between the different forms of community and residential care.

The Commission proposes that the current arrangements be replaced by a single national care co-contribution regime which would apply across the Aged Care System, whether services are delivered in the community or in a residential aged care facility. The rate of the private co-contribution would be set according to a person's financial circumstances, with the amount paid varying according to the underlying price (which would reflect both the complexity and extent of care). The Government, on the transparent advice of the proposed AACC, would set care prices. Co-contributions for services delivered under the Aged Care System would be treated separately from user charges for community support services.

To reinforce the transfer of choice and control to older people, they would be responsible for paying their co-contribution directly to the provider, or providers, from whom they selected to purchase services. They would also assign their Government subsidy to the selected approved provider(s). Older people could change providers at their discretion, with the Government subsidy then flowing to the newly selected approved provider(s).

The design of the co-contribution regime needs to take into account the variability of the financial capacity of older people to make a co-contribution. While the majority of older Australians receive either a full or part Age Pension, even by 2050, a large proportion of these pensioners are expected to have considerable wealth, with the principal residence making up most of this wealth. Currently, the median household of those aged 65 to 74 holds around 79 per cent of their net worth in their principal residence, rising to 90 per cent for the median household of those aged 75 and over.

The Commission proposes that a person's capacity to contribute to aged care be based on an assessment of both their income and their assets, and that this assessment be undertaken on behalf of the Gateway by Centrelink. For the income assessment, the Age Pension's income test would be used — for ease of understanding by older people and for efficiency of administration. However, to promote equity, the assets test needs to overcome the exclusion of the principal residence and accommodation bonds from the Age Pension assets test. A further

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complexity of the current Age Pension assets test is that lump sums arising from the sale of the principal residence, but invested in instruments other than housing or accommodation bonds of similar value, are not exempt assets. The Commission therefore proposes that all people be subject to an assets test on those assets exempt from the Age Pension assets test (such as the principal residence and accommodation bonds). The income test would include interest deemed to accrue from assets included in the Age Pension assets test. Such an approach would retain the familiarity with, and efficiency of, a Centrelink social security assessment. It would not affect the person's ongoing eligibility for the Age Pension.

*The Commission proposes that the assessment of financial capacity to pay care co-contributions use a 'comprehensive aged care means test'. For income, the Age Pension income test would apply, including interest deemed to accrue from assets that are included in the Age Pension assets test. The assets test would apply to those assets exempt from the Age Pension assets test (such as the principal residence and accommodation bonds).*

The Commission recognises that the new arrangement will require some older people, whose wealth is in assets rather than income, to draw down on those assets. An existing scheme, the Pension Loans Scheme administered by Centrelink, enables people of Age Pension age (or their partners) to receive, or top up, their pension payments to the level of a full Age Pension by accessing capital tied up in their assets. The 'loan' is secured against Australian real estate owned by the person — primarily their principal residence. A similar arrangement could be attractive where an older person moves into residential care and their partner or dependent remains in the principal residence, or to help them fund their care co-contributions while living at home.

*The Commission proposes that older Australians should not be required to sell their home to meet their aged care co-contributions or accommodation costs. For older Australians whose financial capacity is mainly in the form of their principal residence, there be a Government-backed Australian Aged Care Home Credit scheme, which they could flexibly draw against for their care co-contribution and other aged care accommodation costs up to a specified limit. The scheme would be designed to protect those remaining in the former principal residence, such as a spouse, partner or dependent child with a disability (and other protected persons). The scheme would charge interest on the outstanding balance at a rate equal to the consumer price index, but, as a safeguard, there would be a minimum asset floor below which no further funds could be drawn, and interest would be no longer charged.*

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## Protection against very high costs of care

The costs of aged care (not including accommodation and everyday living costs) vary considerably. They can range from less than \$1000 per annum for basic home support to around \$50 000 for people with dementia on an intensive package in the community, and to around \$65 000 per annum for the highest cost of care services in a residential facility.

The starting point for the Commission is to ensure that care co-contributions are reasonable and affordable, that they are comparable with current arrangements for those of limited means, and that they do not place any group in a position of hardship. Hence, the Commission recognises that some people would not be able to contribute. The report illustrates the effects of an upper limit of co-contributions of 25 per cent of the cost of care, for people with the greatest income and assets, and also illustrates the effect of other upper limits. The final decision as to the appropriate level of co-contributions is one for the Government in balancing the relative proportion of private co-contributions and taxpayer funding. For the purposes of this report and the illustrative cameos, an indicative range of co-contributions of zero (for those with least means) to 25 per cent (for the wealthiest) of the cost of care services was chosen. On this basis, the Commission estimates that two-thirds of community care recipients and three-quarters of residential care recipients would pay a care co-contribution of 15 per cent or less in 2013.

A further source of variability is the probability of needing very costly care. Lifetime estimates show that 68 per cent of women and 48 per cent of men at age 65 will require at least one intensive aged care service at some time in their remaining life (table 1). Less predictable is whether an individual will require such services for an extended period. Many who suffer dementia and need long term residential care fall into this category, and so can others such as those with acquired brain injury or long term chronic health care conditions.

*The Commission proposes that, as a safeguard, there would be an upper limit — a lifetime stop-loss limit — to the value of care co-contributions for approved aged care services that any one person pays over their lifetime, irrespective of their financial circumstances. The report illustrates the effect of an indicative lifetime limit of \$60 000, but also examines other limits that the Government might choose.*

*The lifetime stop-loss limit should be subject to annual indexation at a rate announced by the Government on the transparent advice of the AACC.*

The price paid to providers for care services (by way of the user co-contribution and the relevant public subsidy) should be set by the Australian Government at a level

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which meets the cost of efficiently delivering approved aged care services. The service payment amounts should be updated annually based on transparent recommendations from the AACC. The level of payment would continue to recognise, as appropriate, any different costs of providing care to special needs groups, including Indigenous Australians and older people living in rural and remote areas. There would be some form of block funding of specialised services, such as for the homeless.

## **Funding accommodation**

The Commission, and many participants in this inquiry, consider that accommodation expenses are a personal responsibility throughout life, while recognising that there are accommodation subsidies (including the availability of public housing and rental assistance) for those in need.

As noted earlier, there are many distortions in the present residential aged care funding arrangements. In terms of high care, providers receive a standard daily accommodation payment, irrespective of the number of beds per room, age of facility or quality of fittings. There is evidence that the present daily charge for high care accommodation does not provide an adequate return on the cost of new supply. Some allocated beds have not been made operational, new rounds of allocations have not been fully subscribed, and some bed licences are being handed back.

In low care and extra service high care, escalating accommodation bond values are a consequence of their attraction to providers and to pensioners. A number of participants argued for the extension of bonds to high care, but if bonds were left uncapped, this could burden many more older people.

In designing its proposals, the Commission focussed on the following considerations. The need to:

- provide a sustainable funding regime to allow for long term investment in aged care residential accommodation
- design a comprehensive but fair co-contribution regime to assist older Australians to access the equity in their principal residence and so contribute to their care costs but be protected from catastrophic costs of care and from having to sell their home
- remove incentives for the payment of very high accommodation bonds that are disproportionate to the value of the accommodation.

Under the Commission's proposals, accommodation providers would receive a sufficient payment from all residents to meet a reasonable return on equity to

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maintain and build new facilities, irrespective of whether they receive periodic payments or accommodation bonds. The proposals also remove the incentive for intending residents to pay excessive accommodation bonds by providing an Australian Age Pensioners Savings Account, (which preserves their access to the Age Pension should they choose to sell their home) and by ensuring that care co-contributions are not affected by the size of any accommodation bonds. By removing supply constraints, providers will be less able to use their market power to demand excessive bonds.

*The Commission proposes the establishment of an Australian Age Pensioners Savings Account scheme, for those on a full or part-rate Age Pension who wish to deposit all or some of the proceeds of the sale of their principal residence. The real value of the savings account would be maintained by consumer price indexation, and be excluded from the Age Pension assets and income tests. The savings account could be drawn down flexibly by the account owner for any purpose.*

*The Commission proposes that residential care providers be required to offer a periodic accommodation charge, and, where offered, an accommodation bond of an equivalent (or lower) value, and for both to be published.*

In the face of actual or potential competition, the Commission expects that the price of accommodation would be reflective of its value, rather than of the wealth of the consumer. To guard against temporary opportunities for price exploitation, however, the Commission proposes price monitoring during the transition period.

For those in rural and remote localities, where market forces are likely to be weak, the Commission proposes that residential services be provided by the most appropriate local means, whether through a competitive tender or through block funding.

Unlike the current aged care system where older Australians are often forced to sell their home to pay an accommodation bond, the Commission's proposals provide them with the alternatives of an Australian Age Pensioners Savings Account scheme and Australian Aged Care Home Credit scheme.

These reforms, together with the lifting of supply constraints, would enable competing providers to offer a range of accommodation, from a basic standard to very high quality. Older people would be able to choose the standard of accommodation that they want and could afford, just as they have done when living in the community. Those with limited means would, however, be supported through an adequately funded supported residents subsidy.

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*The Commission proposes that the Australian Government set a supported resident ratio (or quota) in each region, to be met by residential care providers. In setting regional ratios, the Government should assess the potential social impact within regions and, where appropriate, set ratios for subregions that exhibit a degree of homogeneity in the demographic mix. A pilot scheme to test the viability and efficacy of trading supported resident ratio obligations within the same region (or subregion) should be undertaken. If successful, the scheme should be extended to all regions to increase flexibility in the delivery of services.*

The Commission suggests that the approved basic standard of accommodation for supported residents should be funded at the prevailing applicable standard of 1.5 beds per room per facility on average, with the funding amount to be transparently assessed by the AACC.

### **Financing the costs of aged care**

The Commission examined a range of options for broadening the funding base to meet the costs of caring for older Australians.

Voluntary personal insurance would allow risk-averse individuals to insure against the possibility of high care costs but it is unlikely to work in anything but a very modest way because of problems on both the supply and demand side of the insurance market. Under the lifetime stop-loss co-contribution model proposed by the Commission, where the Government covers all approved costs above a nominated cap, there could be a role for voluntary personal insurance as the Government would be taking on the ‘long risk’ that individuals and insurers are less willing to accept. Accordingly, the Commission does not support restrictions to voluntary personal insurance being offered by the private sector.

Compulsory aged care savings accounts were rejected as they would reduce choice over savings vehicles and it is essentially too late for this strategy to effectively fund the aged care costs of the baby boomers. Two other broad options have been analysed: compulsory insurance, and the continuation of pay-as-you-go funding from annual government budgets and co-contributions.

The benefits and costs of a compulsory insurance model are explored in the Commission’s parallel inquiry into a national disability long term care and support scheme. Suggested benefits include greater intergenerational equity and certainty of the availability of funds. This option is, in practice, similar to the mandatory taxpayer funded component of the current funding arrangements. That is, to the extent that government ultimately bears the risk of any unfunded care, the notion of strict risk-pooling within a defined benefit fund loses much of its meaning. Indeed,

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government-owned insurance schemes have, in the past, returned surpluses to, and requested funding (to offset shortfalls) from, general revenue respectively.

Under a compulsory insurance model, there are also uncertainties relating to the actual premiums that should be set for future care, as well as administration and fund management costs. Under some schemes, premium payments to a compulsory insurance pool represent little more than the hypothecation of taxes, or some sub-set of the taxes, such as a levy on income. Any move to a compulsory insurance model raises significant design and transitional issues.

A key difference between the aged care and disability sectors is that the probability of needing to receive care and support in old age is much higher than the probability of acquiring a non age-related disability. Many older Australians needing aged care services have generally had the opportunity to purchase a home and to accumulate other wealth such as retirement savings, and therefore have the financial capacity to contribute to the costs of their care. Care co-contributions by older Australians, and ongoing responsibility for providing their own accommodation, achieve a measure of intergenerational equity. Also, as the boomers are moving into their retirement years, their scope to contribute to an insurance pool is limited.

Overall, in terms of meeting the costs of aged care, the Commission proposes a pay-as-you-go tax financed system supplemented by higher co-contributions from those with the financial capacity to make them, and a lifetime stop-loss mechanism (to achieve risk pooling) for the high costs of care. Cameos illustrating the effects on various cohorts of care recipients are at schedule C.

The Commission's projections suggests that the Australian Government's outlays under the reformed arrangements could represent in the order of 2.0 per cent of GDP by 2050, compared to the *Intergenerational Report's* projection of 1.8 per cent for the existing system on a comparable basis. Under the Commission's proposals, the Australian Government would meet around two-thirds of the costs of the proposed scheme, with one-third being paid for by, or on behalf of, care recipients.

An estimate of the cost to the Australian Government of the Commission's proposals over the forward estimates period is illustrated in table 2.<sup>1</sup> For the first few years, the cost to government is lower than in the current forward estimates because of the relatively early introduction of the proposed co-contribution regime, while the expansion of residential and community places is gradual over a number of years.

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<sup>1</sup> This table is for illustrative purposes only, and assumes that the co-contribution regime commences from 1 July 2012.

**Table 2 Aged care expenditure by the Australian Government — forward estimates and Commission’s proposals**

Millions of dollars (nominal)

	2012-13	2013-14	2014-15
Forward estimates	12 390	13 180	14 090
Commission’s proposals	11 077	12 084	13 310

To ensure comparability, the Commission has not included the assessment component, labour force initiatives and information provisions in both the forward estimates and in the Commission’s proposals. While the forward estimates are only available to 2014-15, the Commission estimates that the public cost of its proposals would exceed the cost of the current arrangements by 2016-17.

The Commission has not included potential savings from its proposals in its estimates, in particular through the more efficient use of hospitals and the provision of sub-acute services in residential care facilities at a lower cost.

The Commission is conscious that the removal of limits on aged care supply represents the removal of a significant constraint on the Australian Government’s potential expenditure over time. However, current supply limits restrict the ready availability of services and the exercise of choice by older people and the degree of competition between providers. Their repeal is essential to the success of the reforms. As the Australian Government could manage its fiscal exposure by setting the criteria for needs assessments, the resource levels for approved services, the co-contribution schedules and the standard for basic accommodation, the Commission considers that the removal of restrictions on supply is warranted and appropriate.

## **Care delivery by informal carers and the formal workforce**

Older people want to be cared for by someone who cherishes them, who has time for them, and who respects their right to make their own decisions. Most older people also want to continue to be relevant and connected to their families and communities. Informal carers and the formal care workforce play important roles in providing care and support. Volunteers also contribute to the wellbeing of older people, with many providing highly valued social engagement and spiritual support, and should be appropriately supported in these roles.

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## **Informal carers**

Family members and other informal carers, such as friends and neighbours, provide most of the care for older people. They assist with personal and health care, and coordinate the various formal services that the older person might be using.

Demographic trends indicate there will be a decline in the relative availability of informal carers, coinciding with an increased demand for aged care services. There are important implications of these opposing trends — most notably, the potential for greater reliance on formal care services for those with dementia — which will place increasing pressure on care resources and public expenditure.

The significant value to society from the care delivered by informal carers has been recognised by governments through carer payments and other support measures.

To further support carers of older Australians, the Commission proposes that the assessment of the needs of older people by the Gateway acknowledge the role of carers and provide entitlements for the older person to planned respite and other services where appropriate. Carers can also have an assessment of their needs undertaken by a Carer Support Centre. As proposed in this report, these carer services may be accessed either directly or through a referral from the Gateway. Carer supports should include carer education and training, carer counselling and peer group support, and advocacy services. Services specifically for supporting carers should be coordinated and undertaken, where appropriate, by a network of Carer Support Centres, which could also provide services to carers of people with disabilities. Most emergency respite services would also be organised and administered through these Carer Support Centres.

Broader reforms to the aged care system will also be of assistance to carers. These include the replacement of a variety of information sources with a single, easily understood and navigable information platform, and the availability of more flexible care options which are designed to meet the individual needs of those for whom they are caring.

## **The formal workforce**

The high standards of aged care are due, in large part, to the skill and dedication of Australia's health and personal care workforce. In this inquiry, the Commission has focused mainly on the contribution of nurses and personal carers whose roles and skill sets are directly concerned with providing care to older Australians. However, the Commission also recognises the important contributions made by support workers in residential facilities and in home maintenance services for the elderly,

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allied health professionals and medical specialists, and the primary and acute health care workforce more generally.

As the number of older Australians rises and the demand for aged care services increases, there will be a commensurate increase in demand for a well-trained aged care workforce. The Commission anticipates that the aged care workforce will need to more than quadruple by 2050, at a time when the overall employment to population ratio will be declining. Aged care employers will be under pressure to offer terms and conditions which will attract sufficient numbers of workers.

Opportunities to ameliorate this rising level of demand for aged care services are canvassed in the report, such as through the promotion of older people's independence and wellness, and the greater provision of reablement care services.

Improved employment terms and conditions are the foundation for building a larger supply of workers in the aged care sector. The most notable shortcoming is the low wage rates for personal carers and the long standing disparity between the wages paid to nurses employed in the aged care sector compared to those employed in comparable settings, such as the public health system. The fiscal impact of increases in wage rates would be felt equally on the current system or the reformed system as proposed by the Commission.

But wage increases alone will not be enough to set the industry on a sustainable path. A coordinated approach to improving the attractiveness of the aged care sector is necessary and will involve paying fair and competitive wages, improving access to high quality education and training, developing well-articulated career paths, improved management, extending scopes of practice, reducing the regulatory burden, and better use of technology. While some of these initiatives may improve productivity, aged care will remain a labour intensive service.

*The Commission proposes that scheduled care prices take into account the need to pay fair and competitive wages to nursing and other care staff. The Commission is also supporting the development of more attractive career paths, opportunities for professional development, improved managerial expertise and a review of registered training organisations to ensure the quality of delivery of accredited courses.*

The Commission has highlighted the need for workers who have a close connection with the cultural backgrounds of their clients. Attracting Aboriginal and Torres Strait Islander workers and workers from specific cultural and linguistic backgrounds will be especially important in the provision of appropriate care.

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## Reform of the regulatory framework

This inquiry confirmed the findings of previous reports that the current aged care system contains a plethora of unnecessary, complex and burdensome regulations. Many of them relate to quantity and price restrictions and over-reaction to specific incidents. Problematic governance arrangements have also inhibited best practice regulation. That said, regulation plays an essential role in how the Government manages the risks to the wellbeing of older Australians and the fiscal risks to taxpayers.

Many of the reforms proposed in this report will require the removal of existing regulation and, in some cases, amendments to reflect the new arrangements. The most important changes involve restructuring Australian Government governance arrangements.

The Commission proposes to simplify and streamline the front end of the aged care system through the establishment of the Gateway. This reform would consolidate a number of functions currently carried out by DoHA and by state and territory agencies and funded services.

*The Commission also proposes that the policy functions of DoHA be separated from the regulation of aged care, with the latter to be undertaken by an independent commission: the Australian Aged Care Commission (AACC).*

The main functions of the AACC (figure 4) would include:

- administering regulations covering the quality of community and residential care, prudential requirements and supported resident ratios, and assisting and educating providers in relation to compliance and continuous improvement
- assessing, reporting, and transparently recommending and monitoring service prices
- providing information, including collecting and disseminating data
- determining and referring complaints and handling reviews.

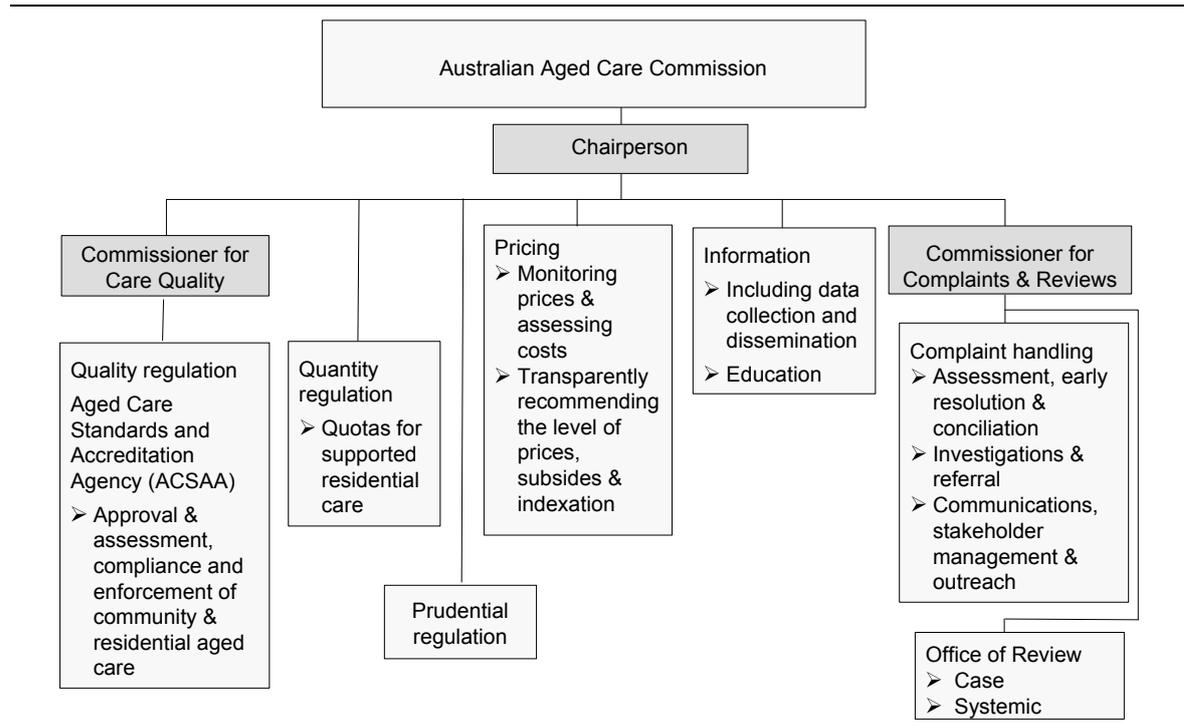
The AACC would have three full-time, statutory Commissioners: a Chairperson; a Commissioner for Care Quality (including standards and accreditation); and a Commissioner for Complaints and Reviews.

The Commission proposes that the Aged Care Standards and Accreditation Agency operate as a statutory office within the AACC and undertake the quality assessment, accreditation and approval of community and residential care providers. Alongside the AACC's education and compliance checking activities it would also determine

enforcement sanctions, drawing from a broad range of enforcement tools (to ensure that penalties are proportional to the severity of non-compliance).

In order to facilitate feedback loops between complaints and the AACC’s compliance and enforcement activities, complaints handling and review should be handled by a division of the AACC. It is envisaged that this division be structured along the lines recommended by the Walton Review (2009), with the addition of conciliation, referrals and outreach. Individuals and providers, who do not agree with the decisions of the AACC, would also be able to request an independent review of the decision. This reform, together with the referral of all appeals against the decisions of the AACC and the Gateway to the Administrative Appeals Tribunal, means that the Office of the Aged Care Commissioner would become redundant.

**Figure 4 Proposed functions of the Australian Aged Care Commission**



## The need for better data and ‘evidence’ in aged care

Many participants to this inquiry complained that aged care data is difficult to access, there is limited reporting and public availability of analysis and evaluations, and there are ‘gaps’ in research on ageing. There are also potential conflicts of interest arising from DoHA’s role as policymaker, evaluator and main repository for aged care data.

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*To promote greater transparency and accountability, the Commission proposes that the AACC ensure the provision of a national aged care data clearinghouse.*

The clearinghouse's functions will include coordinating, storing and distributing aged care data and facilitating greater access to datasets for researchers, policymakers and the community at large. These will assist decision-makers in the sector (particularly under a more market-based and consumer-directed regime), facilitate more (and more timely) research in aged care, and — through a stronger evidence base — help ensure that aged care policies are soundly based.

## **Enhancing quality**

Participants expressed views about variability in the quality of care provided within the aged care sector, with that quality being seen predominantly in terms of the skills and attitudes of staff, as well as the personal contact time they are able to offer. The amenity of the accommodation and standards of everyday living services are also seen as important. One of the reasons for the quality variation is the design of the current system which allows operators who only meet the minimum standards to survive, but who in a more competitive market might otherwise fail.

The Commission believes that the reforms proposed in this report will promote high quality care through:

- greater consumer choice, more competition and more responsive service providers
- improved funding and, as a result, improved working conditions
- improved regulation and regulatory oversight
- making standardised performance information available to further facilitate the decisions by care recipients and their families on care options and to make providers more accountable for quality outcomes
- greater recognition by providers, staff and trainers of the needs of culturally diverse groups and those with special needs
- increased access to consumer advocates, including through a statutory Community Visitors Program to promote and protect the rights and wellbeing of residents.

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## Technology

As noted in many submissions, technology has a vital role in improving the quality and range of care available to older Australians, reducing the strain on care workers and improving labour and capital productivity for aged care providers. The Commission's reforms will remove barriers in the aged care system to adopting cost-effective technologies and will provide systemic incentives to improve technology use in aged care.

The Gateway assessment process will assist older people to identify where assistive/enabling technologies are the best fit to meet their care needs. More funds for advocacy services will improve their ability to inform care recipients about the benefits of technologies. These changes, coupled with older people's control over their entitlements to care services and choice of care provider(s), will allow them to select providers who can deliver that best fit.

The national clearinghouse for aged care data will also facilitate the collection and dissemination of information on the cost-effectiveness of technologies in achieving care outcomes. This will benefit care recipients, providers and policy makers by supporting informed decisions on the most appropriate care services.

The proposal to phase-out supply restrictions will mean that providers that offer services (embodying technologies) preferred by care recipients will now benefit from any increase in demand for those services. Further, the AACC will take into account the contribution of technologies in delivering cost-effective services in its recommendations on efficient prices for approved aged care services. This will reinforce the incentives for providers to adopt that technology.

More generally, the Commission's proposal for prices and subsidies to reflect the efficient cost of delivering services should overcome concerns by providers that, under the current system, they cannot find the capital and recurrent funding to introduce new technologies.

## Diversity and special needs

The increasing diversity of older people's needs presents an additional level of complexity in the aged care system. Older Australians are increasingly of different ethnic and cultural backgrounds, and have differing preferences. Some live in rural and remote locations. A number have long term disabilities. Sexual diversity also needs to be recognised.

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The Commission believes that the systemic reforms proposed will assist all users of aged care services. To ensure better outcomes for those with special needs, the Commission's proposals have placed additional emphasis on the need for improved funding, better skills training of staff, flexible service delivery models, culturally appropriate assessment tools, and enhanced recognition of diversity and special needs in standards and care practices. Successful providers of specialist care will not be constrained from expanding their services. The Commission also proposes that the Gateway operate a range of access hubs for older people from culturally and linguistically diverse backgrounds. Where there is a demonstrated need, block funding should be available to services dedicated to delivering aged care to specific groups, such as homeless people or people from Indigenous communities in remote locations.

## **Interfaces with disability care and health systems**

The Commission is conducting a concurrent inquiry into disability care and support and the draft report of that inquiry has recommended the establishment of a National Disability Insurance Scheme (NDIS) for eligible individuals. The Commission strongly advocates that adequate care and support should be available in both the disability care and aged care systems.

The Commission notes the agreement by the Council of Australian Governments that under the National Health and Hospital Network Agreement (NHHNA), the Australian Government agreed to funding specialist disability services provided under the National Disability Agreement for people aged 65 years and over (50 years and over for Indigenous Australians). Funding for this agreement is already factored into the Australian Government's budget commitments.

Should the Government accept the recommendations of the forthcoming disability care and support inquiry to establish an NDIS, those persons who have been assessed as eligible for the NDIS would, once they reached 65, have a choice of remaining in the NDIS or to transfer to the aged care system. Funding under the NHHNA would follow the person to the system chosen.

Where the person elects to transfer to the aged care system, that system's assessment, care services entitlement, and funding rules would apply. This does not require the person to change provider. Should a person with a disability move into a residential age care facility on a permanent basis, he or she will be deemed to have transferred to the aged care system.

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For younger people with disabilities who receive services through the aged care system, the disability care system (including the NDIS where applicable) will meet those costs.

Problems with the interface between the aged care and health care systems are a key factor in preventing older Australians from receiving appropriate and seamless care. The Commission has therefore recommended several specific reforms to assist. These include increased use of visiting multi-disciplinary aged care health teams and measures to allow some sub-acute services to be provided in residential facilities where cost-effective and appropriate. Further, the Commission proposes that for regional aged care planning and service delivery the regions should be aligned to the proposed Medicare locals or, where not appropriate, the Local Hospital networks. For certain purposes, subregions may need to be used.

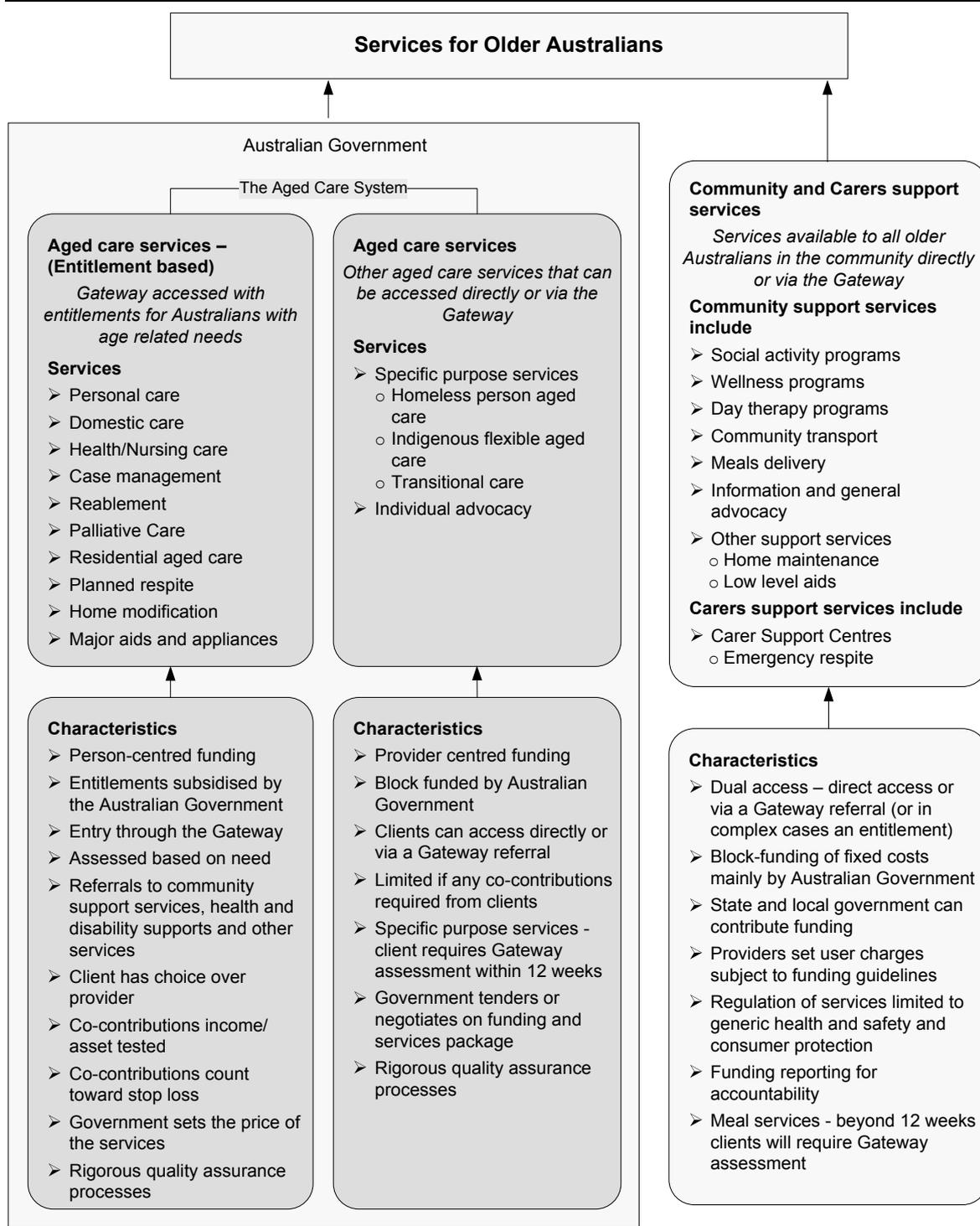
## **The implementation pathway**

The reforms proposed in this report will lead to a new system of aged care services supported by a range of community and carers support services as set out in figure 5. To be credible, these reforms need a strong commitment to change from the Australian Government and from state and territory governments. There is also a need for a properly empowered implementation body that is separate from, but consults with, the key stakeholders; and an implementation plan that is signalled in advance and has clear and measurable milestones. Older Australians, their carers, providers and aged care workers all need certainty about the reform plan and confidence that it will be implemented. The proposed implementation plan includes provisions to protect existing consumers and certain providers of aged care services from disruptive changes and provides a sequenced approach over a five-year period to facilitate a smooth transition to the new arrangements.

*The Commission proposes that there be an Aged Care Implementation Taskforce which would drive the reform agenda in consultation with an Aged Care Advisory Group.*

An implementation plan, involving three broad stages of reform, is set out in schedule A. In addition, a profile of the impact of the proposals from the perspective of older Australians, their carers and providers is at schedule B.

**Figure 5 The structure of the wider system of support for older Australians**



## Schedule A Implementation Plan

<i>Stage 1: expedited measures within two years</i>	<i>Stage 2: within two to five years</i>	<i>Stage 3: five years and beyond</i>
<ul style="list-style-type: none"> <li>Establish the Aged Care Implementation Taskforce and Aged Care Advisory Group</li> <li>Establish the Australian Aged Care Commission (AACC) and Australian Seniors Gateway Agency (the Gateway)</li> <li>Transfer the Aged Care Standards and Accreditation Agency to a statutory office in the AACC</li> <li>Remove the distinctions between low and high care, and between ordinary and extra service</li> <li>Require residential aged care facilities to offer and publish periodic accommodation charges and, optionally, equivalent (or discounted) accommodation bonds. Remove regulated accommodation bond retention amounts</li> <li>Introduce price monitoring for residential accommodation</li> <li>Increase the number of community care places by 20 per cent above the baseline established by the Aged Care Approvals Round, including the introduction of a temporary intermediate community care level between Community Aged Care Packages and Extended Aged Care at Home</li> </ul>	<ul style="list-style-type: none"> <li>Introduce the new model of care assessments and services entitlements</li> <li>Create the formal entitlement based aged care system, together with the block funded community support services</li> <li>Finalise the major regulatory changes</li> <li>Introduce the new co-contribution and lifetime stop-loss funding arrangements</li> <li>Introduce the Australian Aged Care Home Credit scheme</li> <li>Set care prices and the accommodation charge for supported residents based on transparent advice and recommendations from the AACC</li> <li>Review the pilot scheme for trading the supported residents ratio obligations</li> <li>Undertake an assessment of the appropriate total assets test thresholds for the supported resident accommodation supplement</li> <li>Gradually increase the quantity of residential places by 10 to 20 per cent above the baseline established by the Aged Care Approvals Round</li> <li>Introduce measures to improve the quality of aged care services, including the promotion of transparency and accountability</li> </ul>	<ul style="list-style-type: none"> <li>After five years, remove supply restrictions in both residential and community care</li> <li>Commission a public review which would analyse and recommend: <ul style="list-style-type: none"> <li>whether the consumer-directed system had developed sufficiently so that care and supported accommodation prices could be liberalised in certain markets</li> <li>whether any changes to the Accreditation Grant Principles, the Quality of Care Standards, and the Community Care Common Standards were required</li> <li>any changes that may be needed to maintain fiscal sustainability</li> <li>any changes that may be needed to ensure access for special needs groups</li> <li>whether supported residents should receive funding directly from an entitlement and the need for a mandatory ratio applying to residential facilities</li> <li>the efficacy and cost of the reablement service</li> <li>any changes to the financing arrangements, arising from a thorough examination of the operation of the new financial arrangements</li> </ul> </li> </ul>

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## Schedule A (continued)

<i>Stage 1: expedited measures within two years</i>	<i>Stage 2: within two to five years</i>	<i>Stage 3: five years and beyond</i>
<ul style="list-style-type: none"><li>• Set region specific supported resident ratios for all new and existing residential providers (except those subject to explicit grandfathering arrangements) and introduce a pilot scheme for trading supported resident ratio obligations</li><li>• Increase the supported resident accommodation supplement progressively to a level commensurate with the cost of an approved supported resident place</li><li>• Introduce the Australian Age Pensioners Savings Account scheme</li><li>• Conduct a public benchmarking study of aged care costs to initially set the scheduled prices</li><li>• Provide protection to existing recipients of aged care services through appropriate grandfathering</li><li>• Increase the release of data, information and research findings with the AACC having the responsibility for the dissemination of data as a national clearing house</li><li>• Introduce a temporary assistance package for small residential providers.</li></ul>	<ul style="list-style-type: none"><li>• Continuing the increase in the number of community care places that commenced in stage 1</li><li>• Implement the Commission's remaining recommendations relating to care, quality, catering for diversity, age-friendly housing and retirement villages, carers, the workforce and regulation.</li></ul>	<ul style="list-style-type: none"><li>– an appropriate timeframe for a subsequent public review of the aged care system</li><li>– re-evaluate workforce sustainability.</li></ul>

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## Schedule B What do the proposed reforms mean?

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### *Older Australians and their carers*

The Commission's recommendations will significantly improve the quality and quantity of aged care services for older Australians. As a result of the reforms, older Australians would:

- have ready access to general advice on ageing issues, as well as specific information about their local aged care services. This advice and information would be available from a range of sources that all draw from a national information platform run by the Australian Seniors Gateway Agency (the Gateway)
- be assessed for their care and support needs by the Gateway. They could also go directly to community-support services (such as meals delivery and community transport) which would continue to be block funded (or receive a Gateway referral to them)
- receive an entitlement to services that matched their needs, and be advised of the price of those services and the details of approved providers in their local area
- be offered a care coordination service run by the Gateway and a case management service when needed
- have a single, updated, aged care electronic record that means that they do not have to keep repeating their history and personal circumstances
- benefit from a new intermediate community care package between CACP and EACH as part of the transitional arrangements
- choose their preferred provider (quantity limits on providers having been lifted), having regard to the quality of services being offered, including the professional and relationship skills of the personal carers, the cultural awareness and languages spoken and the ability to negotiate timing of service delivery
- seek a reassessment of their needs if there is a material change in their circumstances
- be subject to a fair and comprehensive financial means test — based on income and assets — to determine their level of co-contribution for approved care and support services (whether in their home or in residential care), with a safety net for those of limited means and with a lifetime stop-loss for care co-contributions

### *Aged care providers*

The Commission's reforms will involve significant changes for community and residential aged care providers, overcome current financial pressure points and create scope for individual providers to grow within an emerging competitive market. Good managers who meet the needs of empowered older people will have significantly more opportunities to be successful contributors to the caring of older Australians. Providers would:

- be subject to quality accreditation, but be free of any quantity limitations such as bed licences and numbers of care packages (with a five year transition to an open market)
- compete with other providers for clients who had entitlements to care and support services, subject to being approved providers of those services
- receive a price set by the Government for those approved care and support services determined through the assessment process by the Gateway (comprising a care co-contribution from the client and a subsidy from the Government)
- while meeting the approved quality and safety standards, and operating within the price set for the entitlement, compete on a range of dimensions such as the professional and relationship skills of their workforce, the cultural awareness and languages on offer, the quality of food and other services and their responsiveness to the particular requests of individual clients
- offer a range of additional services, at a quality and price set by the provider
- liaise with the Gateway on matters of initial assessments of client needs and entitlements, and be able to undertake subsequent assessments in response to a material change in a client's needs, subject to a risk management audit process
- liaise with the Australian Aged Care Commission on matters of quality standards and assessments, complaints handling and costs of service delivery

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## Schedule B (continued)

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### *Older Australians and their carers*

- have access to a government-backed Australian Aged Care Home Credit scheme with a no negative equity guarantee to meet their care and accommodation costs if their wealth is held mostly in the form of their house while protecting the share of the equity held by a spouse/partner
- be able to retain their house and be confident that their spouse, dependent child or other 'protected persons' would continue to be able to live in that house, rather than be forced to sell their home in order to go into residential care, as is the case for some at present
- if in residential care, pay a basic daily fee (currently set at 84 per cent of the single age pension), pay their care co-contribution, and pay a daily periodic accommodation charge or equivalent bond, with a safety net for those of limited means
- retain their Age Pension if they sell their home to move to alternative accommodation (such as a retirement village, serviced apartment, or a residential care facility) and pay a lower capital sum or daily charge by investing the excess proceeds from the sale in a Government-guaranteed Australian Age Pensioners Savings Account scheme
- benefit from measures to improve the quality of aged care services, including through a quality assurance framework, better evidence and information, and a more competitive environment facing approved providers
- receive enhanced access to general practitioners at residential aged care facilities through an increased Medicare rebate
- be given every opportunity to maintain or regain functional independence (including reablement)
- be free to choose whether to purchase additional aged care services (including accommodation) beyond the minimum approved entitlement and meet the associated costs themselves
- be confident that the Australian Aged Care Commission is monitoring the quality of care by providers and the price of residential accommodation during the transition period to protect against providers exploiting supply shortages and is an independent avenue for examining consumer complaints
- receive improved access to information about advance care directives, with a link to the proposed electronic records
- get better palliative and end-of-life care through an assessed entitlement from the Gateway.

### *Aged care providers*

- be able to access information from the proposed Australian Aged Care Commission regarding projections of future demand trends and ways to improve the quality of services.

#### **In addition, providers of residential care would:**

- be able to seek approved provider status for all levels of care and support delivered in a residential setting (with inability to meet the demands of specific residents being dealt with on a strict exception basis), with the distinction between low, high and extra service care being removed
  - receive care payments for community and residential care set by the Government on the transparent advice and recommendation of the Australian Aged Care Commission
  - charge all residents for their everyday living costs by way of a basic daily fee (currently set at 84 per cent of the single age pension)
  - set their own periodic accommodation charge for all new residents and, if desired, offer an accommodation bond of up to the equivalent amount, and publish those charges and bonds (with current bonds being grandfathered)
  - receive a set daily accommodation fee for supported residents, based on the average cost of 1.5 beds per room per facility at a level designed to meet the value of that standard of accommodation
  - be required to provide for a minimum quota of supported residents with a pilot scheme on a tradeable ratio obligation within the relevant region
  - be able to offer a range of other services in their facilities, such as respite care, transition care, reablement, sub-acute care, rehabilitative and restorative care, behaviour management stabilisation, palliative pain management and end-of-life care, subject to meeting the relevant quality and safety requirements, and reaching agreement on prices and other terms and conditions
  - access a transitional assistance package for small residential providers.
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## Schedule C — Illustrative cameos

The recommendations in this report will change the way in which consumers of aged care engage with the sector. In particular, the recommendations will result in consumers:

- being assessed by the Gateway for eligibility for an entitlement to aged care services in the community or in a residential aged care facility
- having their capacity to contribute to the cost of care assessed by Centrelink on behalf of the Gateway
- paying a co-contribution for their care costs (a possible indicative range from 0 to 25 per cent of the cost of their care based on the means test)
- being protected against catastrophic care costs by a lifetime (indexed) stop-loss limit (a possible indicative cap of \$60 000)
- paying for residential accommodation via a periodic charge or an accommodation bond of equal (or lower) value, or some combination thereof
- having access to the Government-backed Australian Aged Care Home Credit scheme which would help unlock their home equity so they could contribute to their care and accommodation costs while not having to sell their home. The scheme would protect a spouse, partner, dependent child with a disability or other ‘protected person’ still living in the principal residence
- having access to the Australian Age Pensioners Savings Account scheme if they wish to sell their principal residence and remain an age pensioner.

This schedule examines, for illustrative purposes only, the possible implications of the Commission’s recommendations for various cohorts of persons who may be subject to the new co-contribution regime.

The comprehensive aged care means test will ensure that those with insufficient resources to make any contribution to their aged care costs will be protected.

### Assumptions

The cameos in this section are based on the following assumptions.

- Total care costs in community care of \$25 000 per year (\$961.40 per fortnight), expected to be around the cost of the intermediate package proposed in the transition period.

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- Total care costs in residential care of \$35 000 per year (\$1346.15 per fortnight), which approximates the average care cost in residential care.
  - House prices of \$500 000 and \$1 million.<sup>2</sup> Where only one member of a couple needs care, only that person's share of the equity (generally 50 per cent) is taken into account for the means test.
  - Indicative residential accommodation charges of \$50 per day (\$700 a fortnight).
  - The following categories of older people:
    - a full-rate age pensioner (both a home owner and non-home owner) and partnered and single
    - a single part-rate age pensioner (home owning) with an income of \$1500 per fortnight (inclusive of the Age Pension)
    - a part-rate age pensioner couple (home owning) with a combined income of \$2000 per fortnight (\$1000 per fortnight each, inclusive of the Age Pension)
    - a single self-funded retiree (home owning) with an income of \$2500 per fortnight
    - a self-funded retiree couple (home owning) with a combined income of \$3000 per fortnight (\$1500 per fortnight each).
  - The cameos examined cover single persons and couples in community care and couples in residential care where one person remains in the principal residence.

## Community care

Under the Commission's proposals, older people assessed as eligible for community care services by the Gateway would be able to choose their provider(s) and would also be assessed (by Centrelink on behalf of the Gateway) for the co-contribution they would be required to pay based on their assets and income. Based on indicative figures, the proportion of approved care costs payable would range from 0 to 25 per cent, subject to the indicative lifetime stop-loss limit for care co-contributions of \$60 000.

The relevant cameos for a single person with total care costs in the community of \$25 000 per year are shown at table C.1 and for a couple (with one person requiring care) at table C.2.

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<sup>2</sup> The median price of established house transfers (ABS Cat. No. 6416.0) ranged from \$345 000 (Hobart) to \$595 000 (Sydney) in the September quarter 2010 (most recent estimates available).

**Table C.1 Community care cameos — single persons**  
(dollars)

<i>Person</i>	<i>Home</i>	<i>Total care cost per fortnight</i>	<i>Care co-contribution per fortnight</i>
Full-age pensioner	No	961.40	40.00
Full-age pensioner	500 000	961.40	195.13
Full-age pensioner	1 million	961.40	240.38
Part-age pensioner	500 000	961.40	240.38
Part-age pensioner	1 million	961.40	240.38
Self-funded retiree	500 000	961.40	240.38
Self-funded retiree	1 million	961.40	240.38

**Table C.2 Community care cameos — couple, one person receiving care**  
(dollars)

<i>Person</i>	<i>Home 50% of equity for means test</i>	<i>Total care cost per fortnight</i>	<i>Care co-contribution per fortnight</i>
Full-age pensioner	No	961.40	40.00
Full-age pensioner	500 000	961.40	115.38
Full-age pensioner	1 million	961.40	195.13
Part-age pensioner	500 000	961.40	139.15
Part-age pensioner	1 million	961.40	218.90
Self-funded retiree	500 000	961.40	175.16
Self-funded retiree	1 million	961.40	240.38

## Residential care

The following cameos are based on a couple where one person needs to enter residential care for a service involving an annual total care cost of \$35 000, the other remaining in the home. The assessed co-contribution for care could be obtained through the Commission's proposed Australian Aged Care Home Credit scheme to access the person's share of their home equity (which excludes the share of a spouse or other 'protected person'). The relevant care co-contributions for the cameos are shown at table C.3.

**Table C.3 Residential care cameos — care co-contributions for a couple, one person in residential care**  
(dollars)

<i>Person</i>	<i>Home 50% of equity for means test</i>	<i>Total care cost per fortnight</i>	<i>Care co-contribution per fortnight</i>
Full-age pensioner	No	1346.15	0
Full-age pensioner	500 000	1346.15	94.23
Full-age pensioner	1 million	1346.15	205.88
Part-age pensioner	500 000	1346.15	127.50
Part-age pensioner	1 million	1346.15	239.15
Self-funded retiree	500 000	1346.15	177.92
Self-funded retiree	1 million	1346.15	289.56

In addition, the resident would be required to pay for his or her accommodation and everyday living expenses.

Accommodation charges (or bonds) would be paid according to the price published by the relevant residential care provider. For illustrative purposes, an accommodation charge of \$50 per day, or \$700 per fortnight, has been used.

All residents (including supported residents) pay the everyday living expense of \$553.05 per fortnight (84 per cent of the basic single rate Age Pension).

The total cost of residential care, including accommodation, care and everyday living expenses, is illustrated in table C.4.

**Table C.4 Residential care cameos — total cost covering one person in residential care, partner remaining at home**  
(dollars)

<i>Person</i>	<i>Home 50% of equity for means test</i>	<i>Accommodation per fortnight</i>	<i>Everyday living expenses per fortnight (84% of the Age Pension)</i>	<i>Care co-contribution per fortnight</i>	<i>Total per fortnight</i>
Full-age pensioner	No	0	553.05	0	553.05
Full-age pensioner	500 000	700	553.05	94.23	1347.28
Full-age pensioner	1 million	700	553.05	205.88	1458.93
Part-age pensioner	500 000	700	553.05	127.50	1380.55
Part-age pensioner	1 million	700	553.05	239.15	1492.20
Self-funded retiree	500 000	700	553.05	177.92	1430.97
Self-funded retiree	1 million	700	553.05	289.56	1542.61

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A person entering residential care would be protected in several ways under the Commission's proposals. First, by the care lifetime stop-loss limit, which takes account of co-contributions for care in community and residential settings. Second, where a person retains a principal residence and uses the Australian Aged Care Home Credit scheme to draw upon his or her share of the home's equity, there would be both a maximum drawdown on that share of the home equity and a no negative equity guarantee. When a person reached that limit, he or she would become a supported resident and be liable only for paying everyday living expenses (currently \$553.05 per fortnight).

A spouse (or other 'protected person') would also be able to remain in the principal residence when the older person moved into residential care.

### **Why a comparison with the current aged care system is not practical**

The Commission has not included a comparison of the proposed new co-contribution regime to that which applies under the present aged care system.

While DoHA has issued a policy indicating what co-contributions providers can charge for community care packages, the actual amount individuals pay is determined through a negotiation between the care recipient and provider. Recent information from the Community Care Census highlights that the actual fees charged are well below the maximum permitted. In the case of residential care, the widely varying amounts deposited in accommodation bonds preclude any meaningful comparison.

While information is available on the distribution of co-contributions that are currently charged, it is not possible to determine how these fees relate to the income and assets of care recipients. As such, it is not possible to compare what people would pay under the proposed arrangements with the current co-contributions they make.

Effectively, the current system has an arbitrary application of fees and charges: two people of identical financial means using the same aged care services could pay significantly different fees and charges. A key advantage of the proposed new co-contribution regime is that it is coherent, transparent and equitable.



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# Caring for Older Australians

## Recommendations

### Assessing the current system

RECOMMENDATION 4.1

*To guide future policy change, the aged care system should aim to:*

- *promote the independence and wellness of older Australians and their continuing contribution to society*
- *ensure that all older Australians needing care and support have access to person-centred services that can change as their needs change*
- *be consumer-directed, allowing older Australians to have choice and control over their lives and to die well*
- *treat older Australians receiving care and support with dignity and respect*
- *be easy to navigate, with older Australians knowing what care and support is available and how to access those services*
- *assist informal carers to perform their caring role*
- *be affordable for those requiring care and for society more generally*
- *provide incentives to ensure the efficient use of resources devoted to caring for older Australians and broadly equitable contributions between generations.*

### Principles of funding

RECOMMENDATION 6.1

*The Australian Government should adopt separate policy settings (including for subsidies and co-contributions) for the major cost components of aged care, namely care (including personal and nursing care), everyday living expenses and accommodation.*

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## Paying for aged care

### RECOMMENDATION 7.1

*The Australian Government should remove regulatory restrictions on the number of community care packages and residential bed licences. It should also remove the distinction between residential high care and low care places.*

### RECOMMENDATION 7.2

*The Australian Government should remove regulatory restrictions on accommodation payments, including the cap on accommodation charges in high care. It should also abolish the charging of regulated retention amounts on accommodation bonds. The Government should mandate that residential aged care providers:*

- *offer and publish periodic accommodation charges*
- *where offered, publish accommodation bonds and any combinations of periodic charges and bonds.*

*The Australian Government should require that, when a provider offers an accommodation bond, the bond does not exceed the equivalent of the relevant periodic accommodation charge. The paying of interest on accommodation bonds should be prohibited.*

### RECOMMENDATION 7.3

*The Australian Government should establish an Australian Age Pensioners Savings Account scheme to allow recipients of the age and service-related pensions to establish an account with the Government (or its agent) with some or all of the proceeds of the sale of their principal residence.*

- *The account would be exempt from both the Age Pension assets and income tests and would pay interest equal to the prevailing consumer price index to maintain its real value. All accounts would be free of entry, exit and management fees.*
- *Apart from the proceeds from the sale of a principal residence (including the sale of any subsequent principal residences), no other amounts should be able to be deposited into the account.*
- *Account holders would be able to flexibly draw upon the balance in the account.*

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RECOMMENDATION 7.4

*The Australian Government should charge residential providers a fee to reflect the costs of providing the Government guarantee on accommodation bonds.*

RECOMMENDATION 7.5

*To ensure sufficient provision of the approved basic standard of residential aged care accommodation for those with limited financial means, providers should continue to be obliged to make available a proportion of their accommodation to supported residents. The Australian Government should set the level of the obligation on a regional basis.*

*Where providers do not meet the supported resident ratio obligation in their region, a sliding scale of penalties should be levied, where the size of the penalty would depend on the severity of the non-compliance. The current pricing arrangements (which apply a 25 per cent discount to the full rate of the accommodation supplement when facilities do not have more than 40 per cent supported residents) should be abolished.*

RECOMMENDATION 7.6

*For supported residents, the Australian Government should set a subsidy level for the approved basic accommodation standard of residential care which reflects the average cost of providing such accommodation. The subsidy should be set regionally and on the basis of the July 1999 building standard (an average of 1.5 beds per room). A lower subsidy level should be paid to those facilities which do not meet the July 1999 building standard. The Australian Aged Care Commission should be empowered to consider exceptional circumstances for those facilities which do not meet the July 1999 building standard and make an appropriate recommendation to the Australian Government to increase the level of the supported resident accommodation subsidy for these facilities.*

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RECOMMENDATION 7.7

*To better target the supported resident accommodation subsidy, the relevant share of a person’s former principal residence should be included in the total assets test and the exemption of the principal residence when there is a ‘protected person’ remaining in the former principal residence should be abolished. To allow an existing ‘protected person’ to continue to remain in the former principal residence, there should be guaranteed access of the resident to the Government-backed Australian Aged Care Home Credit scheme and the existing option of deferred payments. Further research and modelling should be undertaken to consider the scope for assessing the total assets test thresholds for supported resident accommodation payments.*

RECOMMENDATION 7.8

*The Australian Government should remove the regulatory restrictions on supplying additional services in all residential aged care facilities, discontinue the issuing of extra service bed licences and remove the distinction between ordinary and extra service bed licences.*

RECOMMENDATION 7.9

*The Australian Government should:*

- *prescribe the scale of care recipients’ co-contributions for approved aged care services which would be applied through the Australian Seniors Gateway Agency*
- *set a comprehensive means test for care recipients’ co-contributions for approved aged care services. This test should apply the Age Pension income test. The test should also apply an assets test to the relevant share of a person’s assets which are excluded from the age pension means test (such as the principal residence, accommodation bonds and the proposed Australian Age Pensioners Savings Account).*

*To facilitate greater consistency in co-contributions across community and residential care, comprehensive aged care means testing to determine care recipient co-contributions to care costs in both settings should be undertaken through the Australian Seniors Gateway Agency by Centrelink.*

*The care recipients’ co-contributions scale should be regularly reviewed by the Australian Government based on transparent recommendations from the Australian Aged Care Commission.*

*The Australian Government should set a lifetime stop-loss limit comprising the care recipients' co-contributions towards the cost of approved aged care services (excluding accommodation and everyday living expenses). Once the limit has been reached, no further care recipients' co-contributions would be required for those services.*

*With a stop-loss limit in place, the Australian Government should exclude aged care costs from the net medical expenses tax offset.*

## **Broadening the funding base**

*The Australian Government should establish a Government-backed Australian Aged Care Home Credit scheme to assist older Australians to make a co-contribution to the costs of their aged care and support.*

- *Under the scheme, eligible individuals would receive a Government-backed line of credit secured against their principal residence, or their share of that residence.*
- *In establishing the line of credit, the Australian Seniors Gateway Agency would arrange a valuation of the principal residence and specify a minimum level of equity for the person's share of the home. The individual could draw progressively down to that minimum to fund their aged care costs. The drawdown on the line of credit would be subject to interest charged at the consumer price index. If the outstanding balance and accumulated interest reached the minimum limit set by the Australian Seniors Gateway Agency, the interest rate would fall to zero, and no further draw down would be permitted under the scheme.*
- *The outstanding balance of the line of credit would become repayable upon the disposition of the former principal residence including upon the death of the individual, except where there is a protected person permanently residing in the former principal residence.*
- *In the latter circumstances, the outstanding balance of the line of credit would be repayable when the protected person ceases to permanently reside in that former principal residence, or ceases to be a protected person. (Protected person is defined in the Aged Care Act 1997 and includes, for example, a partner, dependent child or a carer.)*

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## Access to aged care

### RECOMMENDATION 9.1

*The Australian Government should establish an Australian Seniors Gateway Agency to provide information, needs assessment, care coordination and carer referral services. The Gateway would deliver services via a regional structure.*

- *A platform within the Gateway would provide information on healthy ageing, social inclusion and participation, age-friendly accommodation, and information on the availability, quality and costs of care services from approved providers, and how to access those services.*
- *Assessments of the needs of older people would be undertaken for their potential entitlement to approved care services. The level of assessment resourcing would vary according to anticipated need.*
- *Assessments of financial capacity to make care co-contributions toward the cost of services would be undertaken by Centrelink on behalf of the Gateway.*
- *The assessment of the individual could lead to an entitlement to a set of aged care services which the older person and their carer may access from approved aged care providers of their choice.*
- *The assessment could lead to a referral or an entitlement to community support services and carer support services where such services form an essential part of a set of services to meet complex needs.*
- *Initial care coordination services would be provided, where appropriate and requested, as part of the Gateway. Further care coordination and case management, which may form part of the entitlement, would be provided in the community or in residential aged care facilities by an individual's approved provider of choice.*

*The Gateway would:*

- *have a separate Australian Government Budget appropriation for the entitlement-based services that it approves*
- *be a Prescribed Agency under the Financial Management and Accountability Act 1997.*

*The Gateway would operate via a network of regional centres to enhance local responsiveness, with operational regions defined with reference to those for Medicare Locals and/or Local Hospital Networks. These regional centres would offer the full range of information, needs assessment and care coordination services and their operation may be subcontracted to third party operators including other government agencies or non government or private entities.*

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RECOMMENDATION 9.2

*An intensive reablement service should be introduced to give greater focus on independence, rehabilitation and restorative care. Eligibility and entitlement for this service should be assessed by the Australian Seniors Gateway Agency.*

RECOMMENDATION 9.3

*A trial of more flexible arrangements for respite care, such as cashing out for respite services and extending the range of registered individuals who can be approved to provide respite, should be conducted as part of a broader introduction of an entitlement based approach to care services.*

RECOMMENDATION 9.4

*The Australian Government should replace the current system of discrete care packages across community and residential care with a single integrated, and flexible, system of care entitlements (the Aged Care System). The System would have the following features:*

- it would cover services including residential care, community care (domestic, personal, nursing), reablement, planned respite, home modification, palliative care, high level aids and equipment, and care coordination*
- the Australian Government should approve a schedule of aged care services to be provided to individuals on an entitlement basis, according to the Gateway's assessment of their need. Individuals should be given an option to choose an approved provider or providers*
- the entitlement provided to consumers as part of the Gateway assessment process should include a detailed statement of the care assessment, the care objectives, the type and intensity of services to meet those objectives, the total value of the entitlement, and the period of the entitlement. In addition the consumer would receive a statement of their co-contribution obligation*
- the Australian Government would set the scheduled price of approved services based on a transparent recommendation by the Australian Aged Care Commission*
- the Australian Government should fund an expanded system of aged care individual advocacy by initially expanding funding and access to advocacy under the National Aged Care Advocacy Program.*

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*The Australian Government should also support a range of community support services which would be directly accessible by older Australians and their carers and through the Gateway. Such community support services would include funding from the Australian Government (including, for example, block funding for infrastructure and overheads) as well as user charges and financial and in-kind support from state, territory and local governments and the community. For some community services, where a person requires long term support, an assessment from the Gateway may be required.*

RECOMMENDATION 9.5

*The Australian, state and territory governments should promote the expanded use of in-reach services to residential aged care facilities and the development of regionally or locally-based visiting multi-disciplinary health care teams (including from oral and mental health disciplines and dementia care specialists as appropriate).*

RECOMMENDATION 9.6

*The Australian Government should set scheduled fees for the delivery of certain sub-acute services that are delivered in a residential aged care facility. These fees should be cost reflective and, in general, lower than the scheduled fee for the equivalent service provided in a hospital.*

RECOMMENDATION 9.7

*The Commission notes that the Australian Government has agreed to assume funding responsibilities for specialist disability services delivered under the National Disability Agreement for people over the age threshold.*

*In that context, the Australian Government should ensure that:*

- a person with a disability eligible for and being supported within the disability care system prior to reaching the aged threshold should be able to be continue to be supported by services best able to meet their needs including through the disability care system*
- such a person may at any time after reaching the age threshold elect to be supported through the aged care system and be subject to that system's arrangements and shall be deemed to have done so upon permanent entry into a residential aged care facility.*

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## Quality of aged care

### RECOMMENDATION 10.1

*The quality assurance framework for aged care should be expanded to include published quality indicators at the service provider level to help care recipients and their families make informed choices about care and to enhance transparency and accountability about funds spent on care. The Australian Aged Care Commission should develop a Quality and Outcomes Data Set for use by care recipients and bring together evidence on best practice care, with the information openly accessible via the Gateway.*

### RECOMMENDATION 10.2

*The Medicare rebate for medical services provided by general practitioners visiting residential aged care facilities and people in their homes should be independently reviewed to ensure that it covers the cost of providing the service.*

### RECOMMENDATION 10.3

*The Australian Government should ensure that residential and community care providers receive appropriate payments for delivering palliative and end-of-life care. These payments should form part of the assessed entitlement determined by the Gateway assessment process. The appropriate payment for palliative and end-of-life care should be determined by the Government on the transparent advice of the Australian Aged Care Commission and in consultation with the National Hospital Pricing Authority.*

### RECOMMENDATION 10.4

*Providers of aged care services should have staff trained to be able to discuss and put in place advance care directives.*

*Funding should be made available for community awareness education about advance care planning.*

*Advance care directives should be included in the proposed electronic records.*

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## Catering for diversity

### RECOMMENDATION 11.1

*The Australian Government should ensure the accreditation standards for residential and community care are sufficient and robust enough to deliver services which cater to the needs and rights of people from diverse backgrounds including culturally and linguistically diverse, Indigenous and sexually diverse communities.*

### RECOMMENDATION 11.2

*The Australian Seniors Gateway Agency should cater for diversity by:*

- *ensuring all older people have access to appropriate information and assessment services*
- *facilitating access for people with language and cultural needs through the development of specific hubs for older people from diverse backgrounds that have limited English skills and require access to bi-lingual staff*
- *ensuring that diagnostic tools are culturally appropriate for the assessment of care needs.*

### RECOMMENDATION 11.3

*The Australian Aged Care Commission, in transparently recommending the scheduled set of prices for care services, should take into account costs associated with catering for diversity, including:*

- *providing ongoing and comprehensive language services for clients from non-English speaking backgrounds*
- *ensuring staff undertake appropriate professional development activities to increase their capacity to deliver care with dignity and respect to all older people.*

### RECOMMENDATION 11.4

*The Australian Government should ensure that rural and remote, and Indigenous aged care services be actively supported before remedial intervention is required. This support would include but not be limited to:*

- *the construction, replacement and maintenance of appropriate building stock*
- *meeting quality standards for service delivery*
- *clinical and managerial staff development, including locally delivered programs and enhanced use of technology assisted training*

- 
- *applying funding models that ensure service sustainability and support the development of service capabilities at a local level.*

RECOMMENDATION 11.5

*The Australian Government should partially or fully block fund services where there is a demonstrated need to do so based on detailed consideration of specific service needs and concerns about timely and appropriate access. Such services might include:*

- *dedicated aged care services for homeless older Australians*
- *Indigenous specific, flexible aged care services.*

*Direct access to these services would be available immediately but care recipients would be required to undergo an Australian Seniors Gateway Agency assessment within three months of entering such care services and, where appropriate, pay relevant co-contributions.*

## **Accommodation**

RECOMMENDATION 12.1

*The Australian, state and territory governments should develop a coordinated and integrated national policy approach to the provision of home maintenance and modification services, with a nominated lead agency in each jurisdiction.*

*To support this national approach, all governments should develop benchmarks for the levels of services to be provided, terms of eligibility and co-contributions, and the development of professional and technical expertise.*

RECOMMENDATION 12.2

*The Australian Government should develop building design standards for residential housing that meet the access and mobility needs of older people.*

RECOMMENDATION 12.3

*The Council of Australian Governments, within the context of its agreed housing supply and affordability reform agenda, should develop a strategic policy framework for ensuring that an adequate level of affordable housing is available to cost effectively meet the demands of an ageing population.*

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RECOMMENDATION 12.4

*The regulation of retirement villages and other retirement specific living options should remain the responsibility of state and territory governments, and should not be aligned with the regulation of aged care services.*

RECOMMENDATION 12.5

*State and territory governments should pursue nationally consistent retirement village legislation under the aegis of the Council of Australian Governments.*

## **Carers**

RECOMMENDATION 13.1

*The Australian Seniors Gateway Agency, when assessing the care needs of older people, should also assess the capacity of informal carers to provide ongoing support. Where appropriate, this may lead to approving entitlements to services for planned respite and other essential services.*

*Carers Support Centres should be developed from the existing specialist carer support service programs to undertake a comprehensive and consistent assessment of carer needs. Such centres should be directly accessible to carers as well as through the Gateway and would also deliver carer support services, including:*

- *carer education and training*
- *emergency respite*
- *carer counselling and peer group support*
- *carer advocacy services.*

RECOMMENDATION 13.2

*Funding for services which engage volunteers in service delivery should take into account the costs associated with:*

- *volunteer administration and regulation*
- *appropriate training and support for volunteers.*

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## Workforce

### RECOMMENDATION 14.1

*The Australian Aged Care Commission, when assessing and recommending scheduled care prices, should take into account the need to pay fair and competitive wages to nursing and other care staff delivering approved aged care services and the appropriate mix of skills and staffing levels for the delivery of those services.*

### RECOMMENDATION 14.2

*The Australian Government should promote skill development through an expansion of accredited courses to provide aged care workers at all levels with the skills they need, including:*

- *vocational training for care workers entering the sector and looking to upgrade their skills*
- *adequate tertiary nursing places to meet the anticipated demand from the health and aged care sectors*
- *advanced clinical courses for nurses*
- *management courses for health and care workers entering these roles.*

### RECOMMENDATION 14.3

*The Australian Government, in conjunction with universities and providers, should fund the expansion of ‘teaching aged care services’ to promote the sector and provide appropriate training for medical, nursing and allied health students and professionals.*

### RECOMMENDATION 14.4

*Given industry concerns about the variability in training outcomes for students, the Australian Government should undertake an independent and comprehensive review of aged care-related vocational education and training (VET) courses and their delivery by registered training organisations (RTOs). Among other things, the review should consider:*

- *examining current practices that may be leading to variability in student outcomes, including periods of training and practicum*
- *reviewing procedures to ensure that VET trainers and assessors possess required current practice knowledge*

- 
- *identifying whether regulators are adequately resourced to monitor and audit RTOs using a risk-based regulatory approach and have appropriate enforcement regimes that allow for appropriate and proportional responses to non-compliance by RTOs*
  - *identifying reforms to ensure students demonstrate pertinent competencies on a more consistent basis.*

## Regulation

### RECOMMENDATION 15.1

*The Australian Government should establish a new independent regulatory agency — the Australian Aged Care Commission (AACC). This would involve:*

- *the Department of Health and Ageing ceasing all its regulatory activities, except the provision of policy advice to the Australian Government on regulatory matters, including advice on the setting of quality standards*
- *establishing the Aged Care Standards and Accreditation Agency as a statutory office within the AACC*
- *establishing a statutory office for complaints handling and reviews within the AACC*
- *establishing a stakeholder advisory committee to provide advice to the AACC in relation to consumer and industry interests*
- *establishing it as a Prescribed Agency under the Financial Management and Accountability Act 1997.*

*The AACC would have three full time, statutory Commissioners:*

- *a Chairperson*
- *a Commissioner for Care Quality*
- *a Commissioner for Complaints and Reviews.*

*Key functions of AACC would include:*

- *administering the regulation of the quality of community and residential aged care, including compliance and enforcement*
- *promoting quality care through educating providers and assisting them with compliance and continuous improvement*
- *approving community and residential aged care providers for the provision of government subsidised approved aged care services*
- *administering prudential regulation and all other aged care regulation, such as supported resident ratio obligations*

- 
- *monitoring, reporting and assessing costs and transparently recommending a scheduled set of prices, subsidies and a rate of indexation for approved aged care services*
  - *handling consumer and provider complaints and reviews*
  - *providing information to stakeholders, including disseminating and collecting data and information.*

RECOMMENDATION 15.2

*The Australian Aged Care Commission's (AACC) Commissioner for Complaints and Reviews should determine complaints by consumers and providers in the first instance. Complaints handling should be structured into the three areas: assessment, early resolution and conciliation; investigations and referral; and communication, stakeholder management and outreach (including rural and remote and Indigenous outreach). A separate review office should be developed to hear and determine initial appeals of individual cases as well as to conduct 'own motion' systemic reviews within the AACC.*

*The Australian Government should abolish the Office of the Aged Care Commissioner.*

*The Australian Seniors Gateway Agency should establish a separate complaints handling and review office to deal with complaints about its decisions, including assessments and entitlements. These matters would not be subject to complaint handling or review by the Australian Aged Care Commission.*

*All appeals in respect of decisions of the AACC and the Australian Seniors Gateway Agency should be heard by the Administrative Appeals Tribunal. The allowable time in which to appeal should be increased to 13 weeks from the current 28 days.*

RECOMMENDATION 15.3

*The Australian Government should implement an independent statutory Community Visitors Program for residential aged care facilities akin to the operation of other types of statutory visitor programs operating in other residential settings (for example, disability and children's residential services) and in other jurisdictions, to promote and protect the rights and wellbeing of residents.*

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RECOMMENDATION 15.4

*The Council of Australian Governments should agree to publish the results of community care quality assessments using the Community Care Common Standards, consistent with the publication of quality of care assessments of residential aged care.*

RECOMMENDATION 15.5

*The Australian Government should provide a broad range of enforcement tools to the Australian Aged Care Commission to ensure that penalties are proportional to the severity of non-compliance.*

RECOMMENDATION 15.6

*In the period prior to the implementation of the Commission's new integrated model of aged care, all governments should agree to reforms to aged care services delivered under the Home and Community Care (HACC) program to allow the Australian Government to be the principal funder and regulator. However, in the event that they do not agree, the Victorian and Western Australian Governments should agree to harmonise (from 1 July 2012) the range of enforcement tools in HACC delivered aged care services.*

RECOMMENDATION 15.7

*The Australian Government should introduce a streamlined reporting mechanism for all aged care service providers (across both community and residential aged care) based on the model used to develop Standard Business Reporting.*

RECOMMENDATION 15.8

*The Australian Government should amend the residential aged care prudential standards to require residential aged care providers to disclose (to care recipients or prospective care recipients) whether they have met all prudential regulations in the current and previous financial years. At the same time, providers should be required to indicate that the following would be made available on request, rather than automatically:*

- *an audit opinion on whether the provider has complied with the prudential standards in the relevant financial year*
- *the provider's most recent audited accounts.*

*The Australian Government should amend the missing resident reporting requirements in the Accountability Principles 1998 to allow a longer period for providers to report missing residents to the Australian Aged Care Commission, while continuing to promptly report missing residents to police services.*

*The Council of Australian Governments should identify and remove, as far as possible, onerous duplicate and inconsistent regulations, including in relation to infectious disease outbreaks, occupational health and safety, food safety, nursing scopes of practice, advance care plans, power of attorney, guardianship and elder abuse.*

## **Policy research and evaluation**

*To encourage transparency and independence in aged care policy research and evaluation, the Australian Aged Care Commission should be responsible for ensuring the provision of a national ‘clearinghouse’ for aged care data. This would involve:*

- *establishing a central repository for aged care data and coordinating data collection from various agencies and departments*
- *making these data sets publicly available in a timely manner for research, evaluation and analysis, subject to conditions that manage confidentiality risks and other concerns about potential data misuse.*

*To maximise the usefulness of aged care data sets, reform in the collection and reporting of data should be implemented through:*

- *adopting common definitions, measures and collection protocols*
- *linking databases and investing in de-identification of new data sets*
- *developing, where practicable, outcomes based data standards as a better measure of service effectiveness.*

*Research findings on aged care and on trial and pilot program evaluations, including those undertaken by the Department of Health and Ageing, should be made public and released in a timely manner.*

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## Transition

### RECOMMENDATION 17.1

*The Australian Government should establish an Aged Care Implementation Taskforce to coordinate and manage the transition to the new aged care system, chaired by the Department of the Prime Minister and Cabinet.*

*To assist the Implementation Taskforce, a non-statutory Aged Care Advisory Group should be established comprising representatives from consumers (including carers), providers and the workforce.*

### RECOMMENDATION 17.2

*The Australian Government should negotiate with providers of care services to existing care recipients to harmonise care subsidies and other arrangements. It should reach an agreement within five years that would have the effect of removing grandfathering arrangements for existing and new places while protecting existing recipients of care from changes that would impose a new cost upon them.*

*The exemption from the supported resident ratio obligation provided to some extra service facilities should be removed at the end of the transition period as part of a negotiated settlement.*

### RECOMMENDATION 17.3

*The Australian Government should provide, during the transition period, capped grants to existing smaller approved residential care providers, on a dollar-for-dollar basis, for financial advice on business planning to assist in assessing their future options.*

*Subject to an audit to demonstrate solvency, the Australian Government should offer — during the transition period — existing smaller approved residential care providers a loan facility for the repayment of accommodation bonds. The Government should charge an interest rate premium on the facility to discourage its use when private sector options are available.*

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RECOMMENDATION 17.4

*The Australian Aged Care Commission should, during the transition period, formally monitor accommodation prices in residential care. If the price monitoring shows that residential providers are systematically charging excessive accommodation fees, the Australian Aged Care Commission should recommend that the Australian Government consider regulatory measures that might be implemented to reduce this practice.*

RECOMMENDATION 17.5

*The Australian Government should introduce at the earliest opportunity a temporary intermediate community care package level to reduce the gap between Community Aged Care Packages and Extended Aged Care at Home during the first stage of the transition period.*

RECOMMENDATION 17.6

*The Australian Government should conduct a pilot whereby providers could transfer (subject to approval by the Australian Aged Care Commission) up to 50 per cent of their supported resident ratio obligation per facility with other providers within the same region (or subregion).*

*This arrangement should be reviewed within five years with a view to assessing its widespread applicability and to consider the option of introducing a competitive tendering arrangement, or entitlement funding, for the ongoing provision of accommodation to supported residents as an alternative.*

RECOMMENDATION 17.7

*In implementing reform, the Australian Government should announce a detailed timetable for changes and how the changes are expected to affect consumers (including carers), providers, workers, and the sector in general. In particular, the Australian Government should:*

- carefully and fully communicate the design, objectives and implications of the reform measures*
- be guided by the three-stage implementation plan listed in schedule A.*



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# Summary of proposals

The following table does not include all the Commission's recommendations and represents only a brief summation of the reforms proposed. The full set of recommendations is provided in a separate section following the Overview.

<i>Current problem</i>	<i>Proposed reform</i>	<i>Main benefits of change</i>
<b>Funding</b>		
<i>The major components of aged care need separate policy settings</i>		
Current arrangements for aged care subsidies and user contributions are 'ad hoc' and 'inconsistent' and are not well aligned across care settings.	Separate policy settings (including for subsidies and co-contributions) for the major cost components of aged care, namely care, everyday living expenses and accommodation.	Unbundling or separating out the costs of aged care will facilitate a more effective and equitable funding framework for the aged care system and provide more choice for older people.
<i>Regulatory restrictions on community care packages and residential aged care bed licences</i>		
The supply of aged care services is not matched to the level of demand or the geographic incidence of that demand.	Remove restrictions on the number of community care packages and residential bed licences.  Remove distinction between residential high care and low care places and discontinue the extra service category.	Providers would be able to better respond to the level of demand and the preferences of a wider range of care recipients.  Consumer access to care will be substantially improved, regardless of their type of accommodation.
<i>Regulatory restrictions on residential accommodation payments</i>		
Accommodation charges do not reflect the costs of providing residential accommodation, with accommodation bonds bearing little relation to real costs.	Allow accommodation bonds for all residential care, abolish regulated retention charges and give residents the choice of a periodic charge, or, where offered, an accommodation bond or a combination of these.  Limit accommodation bonds to no more than the equivalent of periodic accommodation charges. But uncap such periodic accommodation charges to reflect differing standards of accommodation.	Improves the capacity of the industry to meet the demand for residential high care services and freedom to set accommodation charges.  Improves the transparency of accommodation costs for residents, gives them choice and ensures that if a bond is offered it reflects the actual cost of accommodation supplied, allowing for a reasonable return on investment.

<i>Current problem</i>	<i>Proposed reform</i>	<i>Main benefits of change</i>
<b>Funding</b>		
<b><i>Co-contributions across community and residential care</i></b>		
Consumer contributions, if allowed, vary and are not always related to cost of supply nor are they related to people's capacity to pay. The system abounds with cross-subsidies.	Rate of co-contributions to be determined by the Australian Government, and based on affordability and capacity to pay. A comprehensive means test for care recipients' co-contributions will apply.	Consumer contributions will better reflect people's capacity to pay based on their wealth, not just income. They will be transparent and fair, not ad hoc and arbitrary.
Excessive or catastrophic costs of care could totally consume older people's accumulated wealth.	A lifetime limit to the care recipients' co-contributions towards the cost of government-subsidised care services.	The stop-loss limit ensures consumers and their families are not exposed to excessive costs of care (but it excludes accommodation costs).
<b><i>Assisting older Australians to pay for care and support</i></b>		
Current arrangements provide an incentive for older people to sell their residence and 'over-invest' the proceeds in accommodation bonds which lose value at the rate of inflation.	Establish an Australian Age Pensioners Savings Account scheme to allow age pensioners to deposit proceeds from the sale of their principal residence. The account is exempt from the assets and income tests, and can be drawn on flexibly to fund living expenses and care costs.	Pensioners have more choice in how they use their housing wealth. If they chose to sell, their home, they can retain their pension benefits, and access the savings account to pay for living, accommodation and care costs while maintaining the real value of their asset.
Financial products to access equity in one's home are limited in scope, expensive and not well supported by older Australians.	Establish a Government backed Australian Aged Care Home Credit scheme to assist older Australians meet their aged care costs, including for accommodation, whilst retaining their primary residence. Dependents living in the residence will be protected.	Allows individuals to draw on the equity in their home to contribute to the costs of their aged care and support, in an easy and secure manner with a very low interest rate. Repayment not due until care recipient and all protected persons choose to vacate the residence.
<b><i>Residential care for those of limited means</i></b>		
Inadequate supply of residential aged care places for the financially disadvantaged.	Providers obliged to make available a proportion of their accommodation (set on a regional basis) to supported residents. A limited pilot would test the benefits of allowing the trading of the obligation between providers in the same region.	Ensures equitable access to residential care for those unable to pay for their own accommodation costs. This flexibility will allow providers to pursue more efficient and innovative residential business models.

<i>Current problem</i>	<i>Proposed reform</i>	<i>Main benefits of change</i>
The Government subsidy for supported residents is inadequate.	The subsidy for the approved basic standard of residential care accommodation for supported residents should increase to reflect the average cost of providing such accommodation within a region.	The level of subsidy will sustain the commercially viable provision of supported accommodation (based on the 1999 building standard, which is currently 1.5 beds per room).
Current eligibility conditions for a supported resident subsidy are inconsistent with the principle that care recipients with the means to do so should pay for their accommodation.	A person's share of their principal residence should be included in the total assets test for supported resident status, but that person should have guaranteed access to the Australian Aged Care Home Credit scheme.	This will allow subsidies to be better targeted to those most in need, but will remove the need for those moving into residential care to sell their residence in which a 'protected person' remains living.
<i>Scheduled prices, subsidies and co-contributions to reflect actual costs</i>		
Government set prices do not fully reflect the cost of delivering aged care services. As a consequence, the quantity and to some degree quality of services on offer has suffered.	Transparent recommendations from the new independent Australian Aged Care Commission (AACC) on the scheduled set of prices and related indexation.	Realistic prices, subsidies and indexation will support a sustainable aged care industry. Greater industry confidence in the price setting process. Protects consumers from market power of providers and encourages the supply (and choice) of aged care services.
<b>Care and support</b>		
<i>A single gateway into the aged care system</i>		
Consumers face a complex and confusing array of entry points into the aged care system and multiple sources of information about ageing and how they can best manage their own ageing.	Establish an Australian Seniors Gateway Agency to provide information, assessment of needs and entitlement to care and support services, care coordination and carer referral services, to be delivered via a regional network.  The Gateway will facilitate the assessment of capacity to pay for the purpose of co contributions.	The Gateway will make the aged care system easier to access and navigate for potential aged care recipients. It will be more efficient because it will remove duplication of some services and provide greater care coordination.

<i>Current problem</i>	<i>Proposed reform</i>	<i>Main benefits of change</i>
<i>Care continuity and consumer choice</i>		
At present, care provided in community and residential settings is provided in discrete care silos, and moving between these is problematic for consumers. Consumers have limited choice about the mix of services they receive and the provider of those services.	Replace current discrete care packages with a single system of integrated and flexible care provision. Government support for a range of community services which older Australians could access through the Gateway.  The Gateway will approve a set of services to individuals on an entitlement basis. Individuals may choose an approved provider or providers.  To support these arrangements, fund an expanded system of consumer advocacy services and provide care coordination and case management as needed.	Consumers will have better access to services appropriate to their needs as these needs change.  Consumers will be able to exercise greater choice about who provides those services.
Some basic community support services for older people need to be supported and easily accessible.	Provide support for a range of basic community support services for older people and their carers.	Expanded consumer advocacy services and other supports will assist informed choice, particularly among vulnerable consumers.  Improve access to community support services for the aged.
<i>Greater focus on reablement</i>		
The current system emphasises services to address symptoms of functional decline rather than on halting and reversing the decline.	Introduce an intensive time-limited reablement service, with eligibility and entitlement assessed by the Gateway.	A greater focus on independence for the aged, through providing rehabilitation and restorative care.
<i>More flexible arrangements for respite care</i>		
Current arrangements inhibit the delivery of respite care that is best suited to individual circumstances.	More flexible respite arrangements to be trialled, such as cashing out respite entitlements and extending the range of approved informal respite providers.	Provide more appropriate respite arrangements for carers of older Australians.
<i>Improving the interface with health and disability services</i>		
Limited integration of services between health and aged care service providers leads to inappropriate hospital admissions and care.  Current health services are not sufficiently responsive to aged care needs, and residents in aged care facilities face difficulties in accessing a range of health care services.	Promote the expanded use of in-reach services to residential aged care facilities and the development of visiting multi-disciplinary aged care health teams.  The Australian Government to set cost reflective fees for certain sub-acute services delivered in a residential care facility.	Improve wellbeing of residents from not having to move between residential and hospital care. Reduce cost burdens on the health system.  Teams will develop expertise in aged care, deliver more responsive services and attract health workers to this sector.  Assists providers to deliver a more flexible range of care services, and diversify their client and revenue bases.

<i>Current problem</i>	<i>Proposed reform</i>	<i>Main benefits of change</i>
Achieving continuity of care for people with disabilities as they age is difficult with different funding and care systems	<p>Arrangements for funding individuals in the aged care system should be consistent with those in the National Health and Hospitals Network Agreement.</p> <p>A person supported within the disability care system should be able to continue to be supported by the system best able to meet their care needs as they age. Older people with disabilities can elect to stay with disability system or transfer to aged care system.</p>	Ensure continuity of care for people with disabilities as they age, and allow them to choose services from providers who best meet their needs.
<b>Quality of care</b>		
<i>Quality assurance framework</i>		
Current aged care standards focus more on meeting minimum standards rather than on continuous quality improvement. Also, the quality framework is not focussed enough on outcomes for care recipients.	Publish quality indicators at the service provider level. The AACC to develop a Quality and Outcomes data set, accessible via the Gateway.	<p>Assist care recipients and their families to make informed choices about care.</p> <p>Improve accountability for government subsidies received for approved aged care services.</p>
<i>Access to general practitioners</i>		
Older people in residential care or in their homes do not always have ready access to medical services.	Review the Medicare rebate for services provided by GPs visiting residential care facilities or people in their homes.	Improve older people's access to medical services at a time in their life when their care needs are highest.
<i>End-of-life care</i>		
Palliative and end-of-life care needs of older Australians are not being adequately met under the current arrangements.	Ensure that residential and community care providers receive appropriate payments for delivering palliative and end-of-life care.	A greater role by residential and community care providers in delivering these services will provide more appropriate care and be less expensive than services delivered in a hospital.
<b>Catering for diversity</b>		
<i>Caring for special needs groups</i>		
Older people from culturally and linguistically diverse backgrounds can have difficulty in communicating their care needs or having their preferences and cultural needs respected. These circumstances can adversely affect the wellbeing of the older person receiving care.	The proposed Gateway should cater for diversity by establishing access hubs for older people from CALD backgrounds, providing interpreter services and ensuring its diagnostic tools are culturally appropriate for the assessment of care needs. Greater recognition in aged care standards of the rights and needs of older people from diverse backgrounds.	<p>Improved assessments of care needs and improved delivery of appropriate care for people from culturally diverse backgrounds will help enhance consumer wellbeing.</p> <p>Newer diversity needs will be better recognised including refugees and sexually diverse care recipients.</p>

<i>Current problem</i>	<i>Proposed reform</i>	<i>Main benefits of change</i>
Caring for special needs groups can involve added costs, which are not fully reflected in scheduled prices and subsidies.	The proposed AACC, in recommending care prices and subsidies, should take into account costs associated with catering for diversity.	Improved wellbeing of care recipients by facilitating access to services that are more appropriate to their particular needs.
There is limited capacity within Indigenous and remote communities to provide aged care services.	Ensure that rural and remote and Indigenous aged care services be actively supported before remedial intervention is required with an emphasis on building local capacity and service sustainability.	Address current and prospective workforce shortages. Help to ensure sustainable, culturally appropriate services.
Many programs that are currently block funded should receive funding through consumer entitlement commensurate with usage. But some will need to be directly funded.	Governments should block fund programs only where there is a demonstrated need to do so, based on specific service needs, such as for some remote and Indigenous specific services and homeless persons' aged care services.	Direct funding would target a limited number of aged care programs to ensure sustainability or where entitlement funding is not appropriate.

## **Housing of older Australians**

### *Improving the ability of older Australians to age in their homes and communities*

There is no overarching policy framework for providing home maintenance and modification (HMM) services at the national level or in most states.	Governments should develop a coordinated and integrated national policy approach to providing home maintenance and modification services.	Improved effectiveness of HMM services in achieving health, community care and housing outcomes for older people.
The absence of integrated information systems hampers planning and development of HMM services.	All governments should develop benchmarks for levels of services to be provided, eligibility and co-contributions, and professional and technical expertise.	
Access standards in building regulations have not been developed specifically for residential dwellings or been based on the characteristics of people 65 and older.	Develop building design standards for residential housing that meet the access and mobility needs of older people.	Improve the ability of older people to remain living in their homes and communities by using more appropriate standards, if they wish to modify their house.

### *Improving the supply of affordable housing for older Australians*

Australia has a shortage of affordable rental housing, and rental markets are pressed to meet the demands of older renters. This shortage is expected to worsen.	COAG to develop a strategic policy framework for providing affordable housing that would cost effectively meet the demands of an ageing population.	Identify what changes or additional policies (including assessing current initiatives) are required to ensure the housing needs of people as they age are being met.
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<i>Current problem</i>	<i>Proposed reform</i>	<i>Main benefits of change</i>
<b>Regulation of retirement-specific living options</b>		
Retirement-specific living options are attracting an increasing share of older Australians.	Regulation of retirement villages and other retirement-specific living options should not be aligned with the regulation of aged care.	Not imposing additional and inappropriate costs on retirement village accommodation.
Potential residents face complex and confusing financial arrangements and contracts.	State and territory governments should pursue nationally consistent retirement village legislation under the aegis of COAG.	Greater transparency in financial arrangements and residents' contractual rights and responsibilities.
Differing state and territory retirement village legislation impose costs which deters investment.		Reduce a significant impediment to new investment in the industry.
<b>Carers and volunteers</b>		
<b>Improving support for informal carers</b>		
Many carers are financially and socially disadvantaged and may have poor health, partly as a result of their caring activities.	The Gateway, when assessing the care needs of older people, should also assess the capacity of informal carers to provide ongoing support.	Encourage a strong and sustainable community of informal carers.
Carer support is currently administered in an ad hoc way across a number of programs and jurisdictions.	Carer Support Centres be developed from the existing carer support programs and to provide a broader range of carer support services.	Ensure carers access the services they, and those they care for, need and are entitled to receive.
		Make respite and other services more easily accessible and responsive to the needs of informal carers.
<b>Improving conditions for volunteers</b>		
Organisations face significant costs associated with organising, training and managing volunteers.	Funding for services which engage volunteers should take into account the costs associated with: volunteer administration and regulation; and appropriate training and support for volunteers.	Reduce barriers to individuals volunteering and improve organisations' ability to harness volunteers.
Activities can impose substantial costs on volunteers.		
<b>Workforce issues</b>		
<b>Improving employment conditions and training for the formal care workforce</b>		
Inadequate funding and indexation mechanisms diminish aged care providers' ability to pay fair and competitive wages.	Scheduled prices for aged care should take into account the need to pay fair and competitive wages to nursing and other care staff delivering aged care services.	The payment of fair and competitive remuneration for aged care workers should reduce the lack of parity, especially with the acute health care system, and enhance the attractiveness of the aged care sector to employees.

<i>Current problem</i>	<i>Proposed reform</i>	<i>Main benefits of change</i>
A lack of vocational training packages for the aged care sector and poor quality of training provided by some registered training organisations.	Promote skill development through an expansion of accredited courses to provide aged care workers at all levels with the skills they need.	Develop and promote career paths for aged care workers and improve the quality of care that those workers are able to deliver.
A limited number of specialist 'teaching aged care facilities'.	Fund the expansion of 'teaching aged care services' to promote the sector and provide appropriate training for personal carers and medical, nursing and allied health students and professionals.	Increase the willingness of personal carers and health professionals to enter the aged care sector and provide the training to equip the aged care workforce to deliver better quality aged care.
The quality of aged care training delivered by registered training organisations is variable.	Independently review delivery and outcomes of aged care related vocational education and training courses by registered training organisations.	Ensure that appropriate minimum standards are applied in the delivery of accredited aged care courses and that students demonstrate the appropriate competencies.

## **Regulatory institutions**

### *New regulatory arrangements are needed*

Governance arrangements in aged care do not clearly separate policy, regulation and appeals, which create inherent conflicts of interest within DoHA.	Establish a new regulatory agency — the Australian Aged Care Commission — with statutory offices and Commissioners for Care Quality and for Complaints and Reviews.	Removes potential conflicts of interests, ensures greater independence of regulatory roles and, thus, establishes a more effective regulatory governance structure.
A number of regulatory functions are undertaken by multiple jurisdictions, agencies and departments. This duplication creates confusion for providers, adds to regulatory costs incurred by the industry and can compromise the quality of care.	Also to have responsibility for recommending scheduled prices, subsidies and rate of indexation for care services, and administering prudential and all other aged care regulation.	
Complaint handling within DoHA creates conflicts of interest.	The AACC should handle complaints by consumers and providers in the first instance.	Create an independent complaints handling process which is separate from the funding and policy department.
A complex management and accountability structure exists within the Complaints Investigation Scheme and the Office of Aged Care Quality and Compliance.	The Gateway should establish a separate complaints handling and review office to deal with complaints about its decisions.	Provide a separate mechanism to determine appeals at arm's length to both the proposed independent regulator and the proposed Gateway Agency.
	Appeals in respect of AACC decisions and those of the Gateway should be heard by the Administrative Appeals Tribunal (AAT).	
	Abolish the Office of the Aged Care Commissioner.	

<i>Current problem</i>	<i>Proposed reform</i>	<i>Main benefits of change</i>
Concerns about retribution inhibit the free flow of complaints from those receiving care or from their families and friends.	Implement an independent statutory Community Visitors Program.	Promote and protect the rights and wellbeing of residents in aged care facilities. Increase access to, and enhance confidence in, the workings of the complaints processes. Allow objective scrutiny on a more informal basis.
<i>Publicising information about assessments of the quality care provided</i>		
No certainty that the results of quality assessments using the Community Care Common Standards be made publicly available.	COAG should agree to publish the results of community care quality assessments using the Community Care Common Standards, consistent with the publication of quality of care assessment of residential care.	Assist providers and consumers in making informed decisions about the aged care services they supply or receive.
<i>Encouraging and enforcing compliance</i>		
The range of enforcement options is limited, which in practice restricts their usefulness.	Provide a range of enforcement tools to the AACC to ensure penalties are proportional to the severity of non-compliance.	Better targeting and more effective penalties and interventions allow the regulator to more effectively manage risks of non-compliance.
<i>Putting streamlined reporting requirements into place</i>		
Reporting requirements are overly burdensome and duplicative, consuming management and staff time which could be better directed towards providing care services.	Introduce a streamlined reporting mechanism for all service providers (across both community and residential aged care) based on the model used to develop Standard Business Reporting.	Reduce unnecessary costs to providers while delivering timely reporting information to the regulator.
<i>Reducing the extent of some mandatory reporting requirements</i>		
Mandatory disclosure requirements to consumers impose unnecessary costs on providers.	Amend the residential aged care prudential standards to allow providers to disclose information (to care recipients or prospective care recipients) on request, rather than automatically.	Reduce the significant disclosure burden associated with servicing incumbent and prospective care recipients.
Reporting requirements impose a significant compliance cost and regulatory burden, and take resources away from the priority of finding the missing resident.	Amend the mandatory reporting requirements for missing residents.	Reduce costs to providers and free up resources to find missing residents.
<i>Clarifying and simplifying jurisdictional responsibilities and harmonising some regulations</i>		
Duplicate and inconsistent regulations impose unnecessary costs and impede achieving the objectives of those regulations.	COAG should identify and remove, as far as possible, onerous duplicate and inconsistent regulations.	Improve the efficiency and effectiveness of regulations.

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*Current problem*

*Proposed reform*

*Main benefits of change*

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## **Policy research and evaluation**

### *Improving data collection and access*

There is a significant lack of publicly available data and policy relevant evidence in the area of aged care.

The AACC should be responsible for ensuring the provision of a national 'clearinghouse' for aged care data.

Introduce measures to improve the usefulness, collection and public reporting of aged care data and research findings on aged care and on trial and pilot program evaluations.

Provide a better evidence base for government policy and for decision making by providers, care recipients and their families.

Improve transparency within the sector.

## **Implementing the proposed package of reforms**

### *The path to a new aged care system*

The implementation of reforms will require significant changes for all stakeholders and could have unintended costs to government and industry if not introduced carefully.

The Government should announce a timetable for reforms and how they are expected to affect the sector, and establish a high level implementation taskforce.

Provide a clear transition to new arrangements which allow the sector time to adjust and moderate disruption to consumers, providers and governments.

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