



Summary of Proposals

Caring for Older Australians

Productivity Commission Inquiry Report

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> |
|--|---|---|
| Funding | | |
| <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. |

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| Funding | | |
| <i>Co-contributions across community and residential care</i> | | |
| 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. Excessive or catastrophic costs of care could totally consume older people's accumulated wealth. | 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. A lifetime limit to the care recipients' co-contributions towards the cost of government-subsidised care services. | 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. The stop-loss limit ensures consumers and their families are not exposed to excessive costs of care (but it excludes accommodation costs). |
| <i>Assisting older Australians to pay for care and support</i> | | |
| 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. |
| <i>Residential care for those of limited means</i> | | |
| 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. |

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| <p>The Government subsidy for supported residents is inadequate.</p> <p>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.</p> | <p>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.</p> <p>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.</p> | <p>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).</p> <p>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.</p> |
| <p><i>Scheduled prices, subsidies and co-contributions to reflect actual costs</i></p> | | |
| <p>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.</p> | <p>Transparent recommendations from the new independent Australian Aged Care Commission (AACC) on the scheduled set of prices and related indexation.</p> | <p>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.</p> |
| <p>Care and support</p> <p><i>A single gateway into the aged care system</i></p> | | |
| <p>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.</p> | <p>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.</p> <p>The Gateway will facilitate the assessment of capacity to pay for the purpose of co contributions.</p> | <p>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.</p> |

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| <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. | <p>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.</p> <p>The Gateway will approve a set of services to individuals on an entitlement basis. Individuals may choose an approved provider or providers.</p> <p>To support these arrangements, fund an expanded system of consumer advocacy services and provide care coordination and case management as needed.</p> | <p>Consumers will have better access to services appropriate to their needs as these needs change.</p> <p>Consumers will be able to exercise greater choice about who provides those services.</p> |
| Some basic community support services for older people need to be supported and easily accessible. | <p>Provide support for a range of basic community support services for older people and their carers.</p> | <p>Expanded consumer advocacy services and other supports will assist informed choice, particularly among vulnerable consumers.</p> <p>Improve access to community support services for the aged.</p> |
| <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. | <p>Introduce an intensive time-limited reablement service, with eligibility and entitlement assessed by the Gateway.</p> | <p>A greater focus on independence for the aged, through providing rehabilitation and restorative care.</p> |
| <i>More flexible arrangements for respite care</i> | | |
| Current arrangements inhibit the delivery of respite care that is best suited to individual circumstances. | <p>More flexible respite arrangements to be trialled, such as cashing out respite entitlements and extending the range of approved informal respite providers.</p> | <p>Provide more appropriate respite arrangements for carers of older Australians.</p> |
| <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. | <p>Promote the expanded use of in-reach services to residential aged care facilities and the development of visiting multi-disciplinary aged care health teams.</p> | <p>Improve wellbeing of residents from not having to move between residential and hospital care. Reduce cost burdens on the health system.</p> |
| 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. | <p>The Australian Government to set cost reflective fees for certain sub-acute services delivered in a residential care facility.</p> | <p>Teams will develop expertise in aged care, deliver more responsive services and attract health workers to this sector.</p> <p>Assists providers to deliver a more flexible range of care services, and diversify their client and revenue bases.</p> |

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| 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. |
| Quality of care | | |
| <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. |
| Catering for diversity | | |
| <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> |

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| 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

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| 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

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| 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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|---|--|---|
| Regulation of retirement-specific living options | | |
| 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. |
| Carers and volunteers | | |
| Improving support for informal carers | | |
| 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. |
| Improving conditions for volunteers | | |
| 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. | | |
| Workforce issues | | |
| Improving employment conditions and training for the formal care workforce | | |
| 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. |

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|--|---|---|
| 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

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| 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. | |

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| 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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| Policy research and evaluation | | |
| <i>Improving data collection and access</i> | | |
| There is a significant lack of publicly available data and policy relevant evidence in the area of aged care. | <p>The AACC should be responsible for ensuring the provision of a national 'clearinghouse' for aged care data.</p> <p>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.</p> | <p>Provide a better evidence base for government policy and for decision making by providers, care recipients and their families.</p> <p>Improve transparency within the sector.</p> |
| Implementing the proposed package of reforms | | |
| <i>The path to a new aged care system</i> | | |
| 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. |