



AGAC Response to Productivity Commission Draft Report Caring for Older Australians

The Australian Guardianship and Administration Council congratulates the Productivity Commission for the comprehensive Draft Report – Caring for Older Australians. AGAC supports the policy objectives outlined on Page XXV and many of the recommendations contained in the report. In particular we applaud the move to simplify access to the aged care system and the establishment of an Australian Seniors Gateway Agency.

The Guardianship Tribunal, Public Advocates/Guardians and Trustees regularly witness the distress and confusion occasioned by the complexity of the current aged care system in Australia.

AGAC recognises the necessary changes to the supply of accommodation in aged care and to address the current inequitable funding practises. We note the Commissions' recommendation to remove the distinctions between low and high care and ordinary and extra service status. The cost implications are clearly identified and addressed at several point throughout the report.

AGAC also notes the Commissions' proposal to fund aged care through both liquid and non-liquid assets of older Australians and the complexities associated with such a system. We will make further comment on the proposal to access reverse mortgages or an equity release scheme similar to the current pensioner loan scheme. We applaud the proposal to introduce an upper limit on the value of care contributions for approved aged care services. The proposed introduction of an Australian Pensioners Bond is attractive; however the prudent management of such a scheme would be central to its success.

AGAC notes with interest the Commissions attention to the complexity of the existing bond system and the need to consider more flexible methodologies of funding aged care. The table on Page 165 of the report provides very strong evidence of the problems that Trustees members of AGAC regularly experience when managing the affairs of a person under a Financial Management Order. Our client and more particularly their family are often under extreme pressure to acquiesce to large bonds and are easily influenced into the payment of the same on the basis that their parent will be able to receive a pension and associated services. The desire to access a pension is ill-conceived and is well demonstrated in Table 6.3 of the report.

AGAC has reviewed with interest the alternative funding options identified in Chapter 6. We agree that the dismantling of the Bonds scheme is not viable. In our original submission we urged caution about the application of a cap which we saw as potentially problematic, however a cap combined with other strategies may be

reasonably considered. AGAC supports recommendations 6.3 to 6.7 with some qualification. The pensioner bond scheme does offer an attractive alternative and a potential equitable solution. We note the intention that they be free of entry, exit and management fees and the potential for scheme to be outsourced. It is difficult to imagine how this would be viable without some level of management fee. If the scheme were to proceed we would recommend that any fees be set by regulation.

AGAC notes with interest the two proposals to access locked equity, reverse mortgages and home reversion. We support the cautious approach adopted by the Financial Planning Association of Australia. We believe there are significant risks in the use of reverse mortgages. Trustee members of AGAC rarely agree to reverse mortgages because of the attendant risks. When making our decision we utilise expert advice. We note the well documented concerns about the risks of equity release product and the average consumers' ability to understand the complexity of these products.

We note that when considering reverse mortgages the following circumstances may apply:

- Banks encourage a maximum possible loan
- Hidden rules requiring immediate payment
- Inhibits flexibility and limits accommodation options later on
- Inclusion of default clauses penalising minor oversights
- Higher interest rates and costs generally
- Significantly dissipates value of home in a relatively short period
- May affect borrower's eligibility for age pension and other Centrelink benefits
- High early termination fees

In 2007, Choice found that none of the 23 reverse mortgage products on the market met their recommended standards

While less concerned about the risk of reducing "the kids' inheritance" Trustees do acknowledge that whatever system is adopted transparency and ease of understanding are essential to its success.

The Government backed equity release scheme outlined in recommendation 7.1 is viewed with interest. We give cautious support to the concept of a Government-run or backed equity release scheme provided it addressed all of the risks that currently attend to reverse mortgages.

Enduring Guardianship, Power of Attorney and Advanced Care Planning

Finally, AGAC notes with specific interest the recommendation that;

"the Council of Australian Government should identify and remove as far as possible, onerous, duplicate and inconsistent regulations, including in relation to infectious disease, outbreak, occupational health and safety, food safety, nursing scope of practice, power of attorney, guardianship and advanced care plans"(our emphasis).

AGAC notes that the Standing Committee of Attorney Generals (SCAG) is currently reviewing powers of attorney and the AHMAC Australian Health Minister's Advisory Council is similarly seeking a national framework for advanced care directives. AGAC supports a national and unified approach to Enduring Powers of Attorney and Enduring Guardianship.

Yours sincerely,

Imelda Dodds
NSW Trustee and Guardian
For and on behalf of the
**Australian Guardianship and
Administration Committee
(AGAC)**

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