



GOODWIN
THE BETTER LIFE CHOICE

Submission by
Goodwin

to the
Productivity Commission
on the
Draft Report: Caring for Older Australians

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Executive Summary

- Goodwin supports the approach and majority of recommendations contained in the draft report.
- The removal of regulatory restrictions on the number of community care packages and removal of the distinction between high and low care packages is strongly supported.
- The value of community care packages in supporting the health of older Australians should not be underestimated. In the main, Australians are entering and receiving aged care support services at a much older age, it is therefore essential that community care packages provide more tailored and individual support for positive 'ageing in place' outcomes.
- Goodwin recommends that further consideration is given to the proposal to abolish retention charges. Many providers of aged care services apply retention amounts on accommodation bonds as a means of offering a more affordable solution. A decision to abolish retention charges would require providers to secure revenue from alternate sources to maintain assets and service provision.
- In developing and promoting skills development it is important that providers of aged care services are encouraged and suitably incentivised to take on a more active role in the provision of training and skills development. Incentives and appropriate funding for aged care providers to become training providers would assist in ensuring a sufficient future workforce for the sector.
- It is important that a safety net is established to ensure that older Australians of limited means have equitable access to appropriate aged care services.
- The draft report on page xxxii makes reference to applying an alternate mechanism for determining the eligibility for subsidised home and community care to that applied to determine eligibility for the aged pension. An unintended consequence of the implementation of this measure in the short term may see a deterioration of the current understood and observed benefits of ageing in place and/or an increase in the incidence of illness and injury for that section of society who would have otherwise been eligible for subsidised home and community care.
- Further consideration should be given to the adoption of an accepted asset test for both subsidised home and community care and eligibility and full and part pensions.

- Recommendations associated with the abolition or capping of bonds are not supported such options would limit flexibility in service delivery and user choice.
- Removing FBT tax concessions for charitable aged care providers will almost certainly raise the costs associated with providing aged care services and restrict the ability of sector to grow the work force required to meet existing and future demand.

About Goodwin

Goodwin Aged Care Services Limited (Goodwin) is a not for profit organisation. The organisation manages some 350 independent living units and some 240 aged care places across three sites in the ACT.

A key component of the organisations work is the provision of a range of government assisted community care programs that cater for a range of needs. These programs include Community Aged Care Packages (CACP), Extended Aged Care at Home (EACH) and Extended Aged Care at Home – Dementia (EACH D).

In recent years Goodwin has achieved strong growth and has set new standards for aged- care and retirement living. Goodwin Villages have been awarded numerous building and design awards at both state and national levels.

The organisation is making further investments at Monash in the ACT with the construction of a new 84 place Residential Aged Care Facility and an additional 57 independent living units.

Goodwin has a skills based Board of Directors who have formal qualifications and experience in the following fields:

- accommodation for the aged
- aged care
- asset management
- property development
- social policy
- law
- accountancy
- corporate finance

Goodwin is managed by a senior executive management team with qualifications and experience in business, health and aged care, construction, project management and government. The organisation has over 360 employees responsible for ensuring the delivery of high quality care and support services to all residents and clients.

Introduction/Overview

Goodwin thanks the Productivity Commission for the opportunity to comment on the draft report entitled, "Caring for Older Australians". The Productivity Commission conducted extensive consultation with a range of stakeholders on this topic and has distilled a number of extremely complex issues, suggestions and expert opinions into a report that has a number of sensible and pragmatic recommendations, which if implemented, could see greater efficiency, further user choice and improved levels of service delivery and accountability across the aged care sector.

The draft report notes a number of the defining challenges faced in meeting the needs of an ageing population, these include: bolstering consumer choice, raising awareness of consumer rights and simplifying the current complexity associated with the delivery of aged care services and related support.

Importantly, the draft report examines a range of options to meet the accommodation and living costs of older Australians. Self funded options for those Australians who can potentially contribute more to their future aged care requirements should be explored further. These options may help address murmurings of 'intergenerational resentment' primarily based on gross exaggerations of the cost or providing these services along with a failure to recognise the ability of older Australians to partly fund their future aged care requirements.

Future policy considerations in this area should, however, remain mindful of the 'sacredness' of the family home. The individual(s) preference along with the widely accepted benefits of ageing in place should not be lost on account of a rapid implementation of self funding instruments to ensure manageable outlays for the provision of aged care services.

Notwithstanding some concerns, Goodwin supports the approach and majority of recommendations contained in the draft report. The following submission outlines some further considerations and comments that Goodwin believes the Productivity Commission should consider in formulating the final report. Commentary on specific draft recommendations contained included in the draft report follows.

Draft Recommendation 1.3

The Australian Government should remove regulatory restrictions on the number of community care packages and residential bed licences over a five-year period. It should also remove the distinction between residential high and low care places.

The removal of regulatory restrictions on the number of community care packages and distinction between high and low care packages is strongly supported. Restrictions in these areas have, in part, resulted in deficiencies in the quality and availability of services for older Australians. The removal of restrictions will support existing market mechanisms designed to respond to consumer choice.

Current restrictions on community care packages place artificial restrictions on available services in areas of higher need and often frustrate the provision of services to those recipients who relocate from one location to another.

Goodwin recommends that assessments to determine eligibility for community and residential care be undertaken in a more efficient manner to ensure those requiring assistance are assessed in a timely fashion so as to allow providers the necessary time to respond to demand. An approach that promotes an 'individual needs based assessment' should have a greater role in determining the type and location of community care services provided.

The value of community care packages should not be underestimated. In the main, Australians are entering and receiving aged care support services at a much older age. It is essential therefore that community care packages provide more tailored and individual support to support positive ageing in place outcomes.

Removing the distinction between residential low and high care is essential and would reflect a growing need for more tailored care to all recipients of residential aged care. In part, this recommendation would also remove the potential for providers to 'cherry pick' clients. This recommendation supports the provision of greater user choice. This recommendation may also assist providers in providing for expected demand for the future.

The use of bonds is an effective means of raising the necessary capital to construct new and more modern aged care facilities. Restrictions, in recent years, on the availability of finance has meant that applications for finance based strictly on revenue from operations may not be sufficient to secure the necessary capital to fund the construction of new facilities.

Draft Recommendation 1.4

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 retention amounts on accommodation bonds. The Government should require that those entering residential care have the option of paying for their accommodation costs either as:

- *a periodic payment for the duration of their stay.*
- *a lump sum (an accommodation bond held for the duration of their stay).*
- *or some combination of the above.*

To ensure that accommodation payments reflect the cost of supply, and are equally attractive to care recipients and providers, the Australian Government should require that providers offer an accommodation bond that is equivalent to, but not more than, the

relevant periodic accommodation charge. Accommodation charges and their bond equivalents should be published by the residential care facility.

The publishing of accommodation charges and their bond equivalents may provide some clarity for existing and future clients, however, in a growing number of cases clients are seeking a combination of a bond and periodic payments. Therefore, while the benefits of transparency are understood, in many instances an overly simplistic approach to publishing an 'effective rate' would not cover instances where clients seek a combination of bond and periodic payment and such information may prove misleading.

Goodwin recommends that further consideration be given to the proposal to abolish retention charges. Many providers of aged care services apply retention amounts on accommodation bonds as a means of offering a more affordable solution. A decision to abolish retention charges would require providers to secure revenue from alternate sources to maintain assets and service provision. The likely outcome from this recommendation would be an increase in resident fees or charges or the need for a greater subsidy from government to meet the loss of revenue.

The draft report mentions, although not expressly detailed in a recommendation, that accommodation charges should also be uncapped to reflect differing standards of accommodation. It is recommended that the final report provide an express recommendation in this regard.

Draft Recommendation 10.3

The Council of Australian Governments should develop a strategic policy framework for ensuring that sufficient housing is available that would cost effectively meet the demands of an ageing population.

While the need for more cost effective housing is supported, the recommendation does not advance any practical or possible solutions to achieve the desired outcome(s). The aged care and retirement living sector has, and continues to implement innovative models that improve housing affordability and amenity. For example, loan and licence schemes are providing affordable and high quality housing for older Australians. Loan and licence schemes also offer other tangible incentives such as an exemption from stamp duty, a factor that often discourages older Australians from 'right sizing' their housing requirement.

The ageing of Australia's population and housing stock may require more Australians to find alternate accommodation as their current residence may be inadequate to meet their living requirements. The decline in housing affordability and restrictions on development will mean that many older Australians will not be able to purchase appropriate housing through traditional purchase arrangements. The loan licence scheme currently used by many operators of independent living units offers a part solution.

The broader issues of declining housing affordability has been the subject of numerous reviews and COAG recommendations, however, community attitudes to development and affordable housing along with the benefits derived from all levels of government from over taxing and regulating the supply of new housing means that solutions are unlikely to be implemented in the short term.

To address prevailing shortages in affordable housing for older Australians it is strongly recommended that consideration be given to quarantining a percentage of funding from the soon to be renegotiated National Affordable Housing Agreement (NAHA). In particular, funding should support the delivery of “growth housing models”.

The provision of underutilised and surplus State and Commonwealth land at concessional or discounted values would provide valuable assistance to the not-for-profit sector in addressing the current lack of supply of affordable housing.

The availability of affordable land in appropriate locations is key to the not-for-profit sector boosting the supply of housing for older Australians. Assistance in overcoming this impediment could see significant growth in the provision of more appropriate and affordable housing solutions for older Australians. Goodwin is happy to discuss these issues in further detail with the Productivity Commission.

Draft recommendation 11.3

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

- *Advanced clinical courses for nurses to become nurse practitioners.*
- *Management courses for health and care workers entering management roles.*

Skill shortages are prevalent across almost every sector of the Australian economy and governments, faced with a shrinking pool of labour are almost forced to “pick winners” to address specific and emerging needs.

Goodwin recommends that in addition to existing arrangements, additional incentives are considered that involve wage subsidies for individuals who elect to pursue a career in the aged care sector. Increases in the subsidies currently offered for the provision of residential care will assist the aged care sector in providing wages that are potentially more competitive with other sectors of the economy, however, a greater focus on promoting the aged care sector as a ‘career of choice’ must also be considered.

In developing and promoting skills development it is important that providers of age care services are encouraged and suitably incentivised to take on a more active role in the provision of training and skills development. Incentives and appropriate funding for aged care providers

to become training providers would assist in ensuring the future workforce has the prerequisite skills, experience and size to meet the level of demand expected in future years.

It is important that providers of aged care services establish effective relationships with tertiary institutions to ensure that opportunities exist in the sector for new students and that courses reflect industry needs. There is considerable opportunity for improvement in this area.

Draft Recommendation 12.9

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 scope of practice, power of attorney, guardianship and advanced care plans.

The recent announcement of the Council of Australian Governments (COAG) to centralise the provision of services for older Australians is supported. It is noted, however, that this recommendation and relevant sections of the draft report have not captured the full suite of legislation and regulation that the current aged care sector must comply and conform to. It is recommended that a further examination of the full complement of regulation be undertaken to assess the true regulatory cost of compliance for the aged care sector. This exercise may also assist in identifying redundancies and opportunities to streamline or improve the existing regulatory regime.

Draft Recommendation 1.2

The Australian Government should adopt the following principles to guide the funding of aged care:

- *Accommodation and everyday living expenses should be the responsibility of individuals, with a safety net for those of limited means*
- *Health services should attract a universal subsidy, consistent with Australia's public health care funding policies*
- *Individuals should contribute to the cost of their personal care according to their capacity to pay, but should not be exposed to catastrophic costs of care.*

In principle this draft recommendation is supported and is considered appropriate and necessary to overcome (what has been identified earlier in this paper) the emergence of 'intergenerational resentment'. It is important that a safety net is established to ensure that older Australians of limited means have access to appropriate aged care services. It is equally important that those that have the capacity to contribute to their personal care are required to do and importantly can elect to choose the type of care that meets their individual preference(s).

Notwithstanding the agreement in principle to this draft recommendation, Goodwin holds some concern in regard to the reference made on page xxxii of the draft report which refers to the

establishment of a single National Care Co-contribution which would apply across all approved based support and personal care services, whether they be delivered in the community or in a residential care facility.

The draft report on page xxxii goes on to make reference to applying an alternate mechanism for determining the eligibility of individuals to subsidised home and community care to that applied to determine eligibility for the aged pension. The application of such a mechanism, given the prevailing importance many individuals place on retaining home ownership, may result in many individuals (despite an obvious need for community care) electing not to pay for home or community care. The unintended consequence of such an arrangement may see a deterioration of the current understood and observed benefits of ageing in place and/or increase the incidence of illness and injury for that section of society who would have otherwise been eligible for home and community care.

A preferred longer term solution may involve the adoption of an accepted asset test for both subsidised home and community care. The asset test should be established at such a value so as not to effectively force an individual to sell their principle place of residence. It is understood that this may have significant budget implications, however, restricting eligibility to subsidised home and community care on the basis of an asset test that includes the principle place of residence is likely to have significant negative health and welfare outcomes for a section of Australian society and is therefore not supported.

Role of bonds in boosting investment and ensuring consumer choice

The draft report calls for comments on the options of: not allowing bonds; allowing but capping bonds; and effectively pegging bonds to an equivalent periodic accommodation payment. As identified earlier the application of accommodations bonds is considered necessary to allow and promote user choice in the provision of aged care services. To this end, recommendations associated with the abolition or capping of bonds are not supported as it considered such options would limit flexibility and user choice.

Similarly, the application of bond setting mechanism pegged to an equivalent period accommodation charge is also not supported. It should be understood that bonds play a significant role in the provision of new and more advanced aged care facilities. It should also be noted that bonds are refundable at the end of a residents stay and therefore have an assignable and/or refundable value and should be treated accordingly.

In view of recent restrictions on the availability of finance in Australia, the inability to charge bonds for the provision of additional aged care places may place further restrictions on investment in the sector. Restrictions on the quantum or ability to charge bonds would limit growth and supply in the sector. Current arrangements afford considerable consumer choice and as supply responds to existing and future demand, consumer expectations will drive further competition and improvements in service delivery.

Importance of retaining Not for Profit Status in the sector

While not a draft recommendation of the report, reference is made on pages 118 and 119 to the taxation treatment afforded to not for profit providers, "*FBT concessions should be phased out slowly to provide the sector the opportunity to adjust....In the event of a significant increase in aged care salaries, the efficacy of the FBT concession should be re-examined*".

Given the acknowledged concerns with skill shortages in this sector and the expected pressures on capacity, it is surprising that this reference is featured in the draft report. Furthermore, given that the Australian Government has already rejected the recommendation of the Henry Review of 2010 regarding this issue, the inclusion of this reference would not appear to serve any realistic consideration in advancing solutions or reforms to assist the sector to improve service delivery or address future requirements associated with the ageing of the population.

Assumptions are made to the value of FBT exemptions to the sector based on the salaries of aged care workers, however, further research is recommended on the value of existing benefits in attracting and retaining appropriate levels of management expertise. Such expertise will be essential in delivering many of the reforms outlined in the draft report.

Further reference should be made to the benefits not for profit providers in the sector achieve in reducing the cost of aged care services and additional community and social services provided due in part to not for profit status and the associated mission and agenda of many of the not for profit providers operating in the sector.

Australian Governments of both political persuasions have seen the benefits of tax concessions for not for profit organisations. Removing FBT tax concessions for charitable aged care providers will almost certainly increase the costs associated with providing aged care services and restrict the ability of sector to grow the work force required to meet future demand.

End Note

Goodwin congratulates the Productivity Commission on the work completed and looks forward to an opportunity to provide further input as required.