



ACCV RESPONSE

TO

DRAFT PRODUCTIVITY COMMISSION REPORT

March 2011

SUPPORT FOR NATIONAL SUBMISSIONS

ACCV is the state member of both industry association federations, Aged and Community Services Australia (ACSA) and Aged Care Association Australia (ACAA).

ACCV expresses its clear support and endorsement for the submissions made by ACSA and ACAA on the draft report published recently by the Productivity Commission, 'Caring for Older Australians'.

It is thus not the intention of ACCV to replicate key elements of these two submissions. Rather, ACCV will focus on particular areas of importance to the Victorian community. Nonetheless, it is important to read the ACCV commentary in the context of our strong support for the submissions of our national bodies, ACSA and ACAA.

REFORM IS ESSENTIAL

The extensive and comprehensive Productivity Commission draft report, 'Caring For Older Australians', heralds a much needed breakthrough for a system long suffering from chronic under funding.

There can be no doubt whatsoever that effective and sustainable reform is the 'biggest game in town' for our aged and community care industry.

There is equally no doubt that current policy settings are not capable of delivering a viable and robust aged care industry for the longer term. What is at stake is the capacity of our aged care industry to provide consumers with increased choice and access to receive aged care services, and lifestyle support, as and when they need it.

The aged care industry is passionate about the quality of care it provides for older Australians. The outcomes under our Accreditation system demonstrate the most significant commitment by our entire industry to not only meet the needs of older Australians, but to excel.

However, under the current policy settings, our aged and community care industry is not capable of responding to all the demands which will be placed upon it in coming years given a burgeoning population of older Australians.

The Productivity Commission, in its draft report, has mapped out a vision for the longer term. ACCV, like our national bodies, supports the general direction of this reform agenda. While fine tuning is required in the final report, the Productivity Commission has laid out a comprehensive framework for aged care reform which, in our view, has the capacity for success if it is implemented in a partnership and collaborative model between Government and industry. During such an implementation process, there would of course be a vital role for consumers, professional bodies, unions and various key stakeholders.

ACCV strongly endorses a phased approach to reform, as outlined by the Productivity Commission, through a staged transition plan. However, there are some key changes to the staging of this plan, and these are outlined by our national bodies ACSA and ACAA in their submissions. Foremost in our mind is the need to see the fundamental connection between each of the key elements so that sequencing of change can occur appropriately.

In order to be responsive to providing consumers with greater choice, and providing an appropriate level of access for all, any reform must pass a number of litmus tests. These include:

- *The test of enabling a financially viable and robust industry at the provider level.*

This will mean an industry that is capable of providing services to the community across Australia. Consumers will rely on the capacity of a 'market model' to deliver services as and when they need them. One of the most significant challenges, and one that cannot be underestimated, is to make an orderly transition from the current system to a new model. That is, under the current system Government controls price, supply, demand and regulation. The move to a more 'market based' model around price, supply and demand will require a 'partnership' approach between Government and industry so that the aim of a financially viable and robust industry is achieved in practice.

- *The test of affordability for consumers, taxpayers and the Australian Government over the long term.*

Older people, and their families, want care as and when they need it. A central tenet of reform, and one supported by ACCV, is that those older Australians who can afford to make a greater financial contribution to their aged care costs should do so.

- *The test of an appropriate 'entitlement based' system.*

This will replace the current system which all too often results in a mismatch between supply and demand. In some areas we see waiting lists while in other areas unacceptable levels of vacancy rates.

- *The test of access for all.*

This means a viable and robust industry capable of providing services in various geographic locations and for those groups with special needs.

It also means a model that is capable of providing services in urban and regional centres, rural location and for those who are less well off including older Australians and communities with special needs. This especially includes people of a CALD background, or who have experienced homelessness, mental health problems or disability.

ACCV supports the direction of the reform agenda contained in the draft report, noting there are various changes and enhancements which we consider are essential to be reflected in the final report.

ACCV considers it is entirely appropriate, and strongly supports, the proposition that the Commonwealth Government make a greater proportionate financial commitment so that a robust and financially viable aged care industry evolves which is capable of meeting the needs of older Australians.

The current policy settings are characterised by chronic underfunding as well as totally inadequate annual indexation to meet ever rising costs, which include wages costs and areas such as ever increasing utility costs. The Commonwealth must ensure it appropriately funds a proper and reasonable safety net. ACCV also strongly supports the contention that those older Australians, who can

afford to do so, should be asked to make a greater contribution to the cost of
their aged care.

It is ACCV's view that the biggest threat to the industry, and the needs of consumers, is that reform ends up 'looking all too hard' for implementation and only minor adjustments to the current system replaces the comprehensive and visionary plan for reform outlined by the Productivity Commission.

Listed below are four key areas which are highlighted by ACCV on behalf of our members in Victoria. ACCV is the single and united voice of the aged and community care industry here in Victoria. We represent over 90 percent of the for-profit, not-for-profit and public sector services in residential care, community care, independent or retirement living and bush nursing.

THE ACCV RESPONSES

Impact of the move to a more 'market based model'

The Productivity Commission bases its reform agenda around the move to more of a market based approach to aged and community care. This is underpinned by increased consumer choice, a greater financial contribution by those who can afford to pay and the capacity for the industry to charge fees for additional care, lifestyle and living expenses.

This clearly has the potential to create a positive environment through implementation of policy settings which enables the aged care industry to increasingly match care, services and lifestyle support for older Australians.

Our clear caution is that the exact structural architecture of the market model itself does need further refinement. The Productivity Commission itself, in the draft report notes:

"There are strong rationales for government involvement in aged care, including the pursuit of equity of access to care and correcting market failures (information gaps and protection of vulnerable consumers) (p65)"

a) *The market model will not work in all instances – but how will the gaps be best addressed?*

In the move to a far more market based model, it is clear there are areas where any 'market model' will not function effectively. This has been openly acknowledged by the Productivity Commission both in its draft report and in consultation sessions.

ACCV's view is that the final report of the Productivity Commission must pay greater attention to defining:

- areas where the market model is not capable of being effective; and
- an outline and identification of a range of specific strategies such as blocking funding models, capital grants, and innovative approaches to capital raising.

An expansion in the range of solutions for areas of 'identified market gaps' must address both capital and recurrent funding. For example, services in smaller rural communities, services for homeless or those of other special needs groups, will require both block or recurrent funding solutions as well as capital raising solutions to build aged care facilities which meet consumer needs.

b) *Getting the transition phasing right and ongoing partnership implementation plan.*

There are enormous implications which arise just from a fundamental shift in system design from a model where Government controls price, supply and demand to a greatly enhanced market based system. This requires greater consideration in the final report so that both the system design and appropriate transition are robust and well considered.

We obviously cannot afford a situation where, in the transition from the current model to any new model, that there is an unacceptable level of risk of market failure.

Any reform program will, in our view, have the best chance for success if it is implemented in a partnership and collaborative model, between Government and industry. This will allow implementation issues to be both identified and addressed as part of the reform process itself.

c) *Getting the 'market based system right'.*

An area where ACCV and our national associations are currently focussing, is around the need for robust modelling of the key assumptions proposed by the Productivity Commission in the overall architecture of the new system.

ACCV supports the move to more of a market based model where Government eases existing restrictions on supply, demand and pricing. However, we are keen to have further engagement with the Productivity Commission in coming weeks about three areas in particular:

- firstly, whether there are some refinements which need to be made to the market model proposed;
- secondly, whether the transition provisions need modification or strengthening; and
- thirdly, the vital importance of industry re-alignment or development including exploration of innovative service design models.

To assist this process, ACCV and our national associations, are seeking independent financial modelling so that we can provide informed contributions in further dialogue with the Productivity Commission in each of these three areas. Some examples of issues which ACCV members have raised that would form part of this financial modelling include:

- What are the implications for approved providers in the intended shift away from the current level of 'lump sum' bond income to an increased reliance on daily accommodation charges? Is such an objective to reduce reliance on lump sum payments appropriate in the light of the long term reform agenda?
- What are the implications for older people who have little or no accumulated asset wealth, nor an income in substantial excess of the aged pension.

- What is the level of threat that the 'market model' does not operate as anticipated and the outcome is under-supply in some areas and over-supply in others? How can this best be managed? What is the level of risk of provider failure and its associated negative impact on consumers, including residents?
- What relationship should exist between the daily (periodic) accommodation charge and a one-off lump sum?

Once this independent financial modelling is completed ACCV will be in a position to provide further input to the Productivity Commission, as a priority, about the operation of the 'market based model' and the transition sequencing.

ACCV expressly supports the creation of an Industry Re-development Fund to actively encourage the aged care industry to adapt to a new model. For example, with the recent implementation of ACFI, the Department provided access to consultancy services to ensure organisations properly and appropriately implemented this fundamental change. While in this particular case the focus was on smaller organisations, including rural and remote providers, a far wider program is envisaged in this instance during the transitional period.

These are just some of the areas where ACCV and our national associations seek further dialogue with the Productivity Commission in coming weeks once independent modelling data is available.

d) Supported resident accommodation.

ACCV cannot support the contention in the draft report that the Commonwealth Government safety net for supported residents is a two person room with shared ensuite. This is neither equitable, nor appropriate from a cost perspective and does not reflect the current building program of our industry which is now dominated by single rooms with an ensuite. ACCV suggests accommodation for supported residents be based around a 'price point' - inclusive of cost of construction and return on investment - assuming provision of a single room and ensuite with an appropriate amount of floor space.

A local Gateway and provisional funding assessment

ACCV supports the move to a Gateway concept provided there is adequate resourcing which can ensure local access, including in rural communities, as well as avoidance of delays in assessment.

It is essential, that the Gateway does not end up with problems of capacity or bottlenecks.

The shift of the funding classification assessment from the provider to the ASGA includes a move from longitudinal to "point in time" assessment. As experience shows - good assessment does not simply make judgements based on snapshots of individuals - but relies upon analysing patterns over a reasonable period observation. This especially holds true if an assessment occurs, as it often does, in a period of health crisis.

This carries a very real risk of inappropriate funding levels being determined for clients. ACCV considers it critical that the Productivity Commission recommendations be modified so that the Gateway assessments are 'provisional' and the aged care provider will lodge formal assessments within defined periods. Appropriate validation mechanisms at the aged care provider level would continue to ensure appropriate accountability of provider assessments.

The new building block approach to funding

The Commission itself seeks further comment on the approach proposed in the ASGA AACS report with regard to the Australian Seniors Gateway Agency (and its hubs) and the layered "building blocks" funding model.

The building blocks and overall continuum model is welcome by ACCV. Such a system will deliver a set of choices to older people that enable them to untangle the issue of receiving care from where care is received. It also fits with an international trend toward service integrated housing. Our industry welcomes the credible structural solutions to the long standing conundrums of the gulf between CACP and EACH funding and differently driven models between HACC and packaged care.

However, the Productivity Commission's recommendations will not achieve their full fruition without HACC being included in the building blocks model. More explicit discussion and work is therefore required to determine how the proposed system is achieved in Victoria and Western Australia.

ACCV considers there is a need for further examination of the ongoing role which approved providers need to play in both care coordination and case management. In our view these key roles for aged care providers are underestimated in the draft report.

Consumers and or their families may find it difficult to navigate the market place as they are faced with a bewildering range of choices. The proposed advocacy service is strongly supported. Nevertheless, consideration should be also given to consumer dis-incentives to engage too many providers where this may lead to care fragmentation, loss of effectiveness and inefficient use of tax-payer dollars.

In addition to consumer advocacy support is the type of support which must be available for clients whose needs are complex and involve a range of psycho-social and physical issues. In Victoria, this complexity is often being reached by the time a person commences receiving a Community Aged Care Package (CACP) as a progression beyond receiving a suite of coordinated HACC supports – and as the reason for this progression from HACC to packaged care. Therefore, a further issue is to determine the level of support above which case management must be a core funded item due to the presence of other issues which add complexity to people's needs and managing effective responses to them.

ACCV endorses the PC's view that, as far as possible, people should retain responsibility for their daily living expenses. However, it has been difficult to obtain sufficient clarity in the draft report between what expenditure remains the responsibility of the individual within the "living expenses basket" versus "care and support basket" for residential versus community care.

More importantly, explicit discussion and work is required about lifestyle and social inclusion in both residential and community settings. We accept that many consumers want real choice as to the types of ongoing and periodic experiences which provide them with fulfilment and enrichment of their dual lives beyond a mere existence. However, the right balance needs to be achieved between this being a “care and support” funded item (eg clients with dementia or depression) versus a consumer purchasable commodity.

Finally, we draw attention to our earlier position that pricing studies for the cost of care must occur within the first phase of transition. A critical success factor for the building blocks model is adequate pricing to deliver care and support. Therefore, the proposed pricing studies must not simply be based on historical data, but reflect the skill levels required to deliver the care and support which consumers will both need and want.

Special needs groups and specialised services

As noted above, ACCV calls for a strengthening in the final report on the funding models which need to be in place for various special needs groups with regard to such criteria as CALD, mental health, disability and homelessness, as well as rural and remote locations where a market model framework is simply not appropriate.

ACCV endorses expansion of a broader range of alternate funding options including, but not limited to, blocking funding, additional supplements, capital grants, and funding for in-reach services.

There is a need to expand the funding support for those from a CALD background, whether they are in a culturally specific or a main stream service setting. ACCV suggest a broader range of both capital and recurrent programs need to exist on an ongoing basis.

Not only are market failure corrections a matter of funding alone, but other isolated features of the current system – which have had some useful protections for special needs and disadvantaged groups and communities. We therefore advocate to retain planning and procurement mechanisms for special needs groups, in the fashion of the current Aged Care Approvals Rounds (ACAR) but subject to a detailed review and improvement modifications.