



Aged Care Australia: Strategic Policy Solutions

**REPORT
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**Aged Care Association
Australia**

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Executive Summary of ACAA Policy Positions

Aged Care Association Australia (ACAA) has prepared this paper 'Aged Care Australia – Strategic Policy Solutions' as a guide to the issues currently impacting on the Australian aged care system that need policy reform to ensure ongoing future maintenance of Australia's aged care system as a world leader in care delivery. A full copy of the report can be downloaded from the ACAA website at

<http://www.agedcareassociation.com.au//content/Current%20Strategic%20Policy%20Solutions%207%20Sept%2007.pdf>

No system stays static. Policy reform today may not deliver the service improvements desired in five or ten years time.

Aged care is no exception.

ACAA was highly supportive of the reforms introduced by Government in 1997 and recognises that many of those reforms are still evolving and impacting on the aged care system we see today.

However, ten years later it is evident some change is necessary to the original package, some components of that package have not worked as effectively as hoped and some components have served their purpose.

Further reform is essential.

This paper sets out what ACAA believes those additional and ongoing reform steps should be.

A summary of our recommendations are as follows:

1. Care Funding

Aged care is charged with providing the best possible domestic support and care services to its clients within the financial limitations of subsidy provided by Government. Providing quality care is the absolute core of aged care service delivery.

However, the average subsidy provided by Government to maintain a resident in a residential care setting is currently \$92 per resident per day. The current financial support provided by Government to maintain the same person in an acute hospital setting is approximately \$800 per day, or a person in a detention centre \$238.00 per day.

The care services required to be provided by a residential care facility is akin to the level of services generally provided in an acute hospital medical ward \$450 - \$550 per day.

There has been no assessment within the residential care program of the cost of providing the quality and sophistication of services that are now required to be delivered in the name of quality care services.

In the aged care package announced by the Prime Minister in February 2007 the financial impact on aged care providers will be the transfer of \$50M in year one and \$350M in year four from operational care services to prop up the capital stream requirements of the industry.

ACAA estimates that the actual cost of providing services at the range and quality now demanded of the industry requires an additional \$513M per annum of base subsidy from Government or \$9.37 per resident per day.

Half this extra subsidy could be achieved if Government simply stopped double taxing those residents who pay a higher income tested fee because they have the financial capacity to do so. Where a resident pays a higher income tested fee, the Government reduces the subsidy paid to the aged care provider by an equal amount. ACAA believes Government should support consumer choice and not penalise those persons who contribute more towards their own care costs.

ACAA believes that if Government stopped clawing back the subsidy equivalent it would cost Government approximately \$280M in forgone subsidy reduction but it would have a major impact on supporting resident's rights to exercise choice.

2. Workforce – Funding for Competitive Wages

The aged care system will find it extremely difficult in coming years to recruit and retain sufficient staff across all classifications of staff to ensure a strong quality focused service regime. Without staff, there is no service as this industry depends upon people doing things for people.

It is therefore essential that aged care services are funded at a sufficient level in order to be able to pay aged care staff at a rate which is at least competitive with the rest of the broader health care system. Current subsidy rates preclude all aged care providers from paying rates that are competitive with the rest of the health care system.

National Aged Care Alliance estimates that an increase in funding of \$970M over four years will be necessary to make aged care providers competitive in the health professional recruitment arena.

ACAA estimates the additional subsidy needed to allow providers to pay competitive wages is \$233M per annum.

3. Capital Creation in High Care

Aged care has very limited options when considering capital contributions for upgrading existing building stock and providing sufficient new buildings for the future. Current annual expenditure is close to \$1.5B per annum with projected expenditure expected to double in the next twenty-five years.

The current system cannot support this growth in capital expenditure. A new system which will provide greater flexibility and capacity for consumers to exercise choice in the quality of hotel and accommodation services provided is essential for long term industry viability.

ACAA recommends that Government approve of the introduction of aged care specific financial products which will support aged care capital demands whilst maximizing the choices available to current and future residents. The current scheme discriminates against a resident depending upon where they enter into the system. Client choice should be optimized not limited.

There is no cost to Government in this reform. However Government must make the legislative changes to allow this reform to occur. That reform should mean that residents are treated the same whether entering high care or low care and can pay a lump sum or an equivalent daily accommodation contribution.

4. Aged Care Index a Supplement to COPO

Aged care operational funding requires a level of robustness and flexibility which will support a strong and sustainable aged care system in the medium to long term. This requires an indexation system which is aged care specific and reflective of the cost drivers impacting on the industry.

In 2004 in response to the Hogan report, Government approved an additional aged care annual supplement of 1.75% per annum for four years. Government has not as yet committed to maintenance of this aged care supplement beyond 30 June 2008.

ACAA believes Government should maintain the additional supplement indefinitely and that the level should be raised from the current 1.75% to 2.75% to ensure aged care providers can try and pay wages that are competitive with the broader health system.

5. Improve the Image of Aged Care and Make the Industry an Employer of Choice

ACAA believes that ageing and aged care needs a substantial public relations initiative to improve the broad community understanding of and attitude towards ageing and aged care issues. This objective should be multi pronged with the following suggested strategies being implemented:

- Engage an appropriate person to undertake the role of Ambassador for Ageing
- Allocate funds to undertake a broad spectrum marketing campaign to better inform the community generally about ageing and aged care services
- Engage in a broad spectrum marketing plan to school leavers and young persons about the benefits of working in the aged care industry

6. Removal of Red Tape Including Reduction of Regulation, Compliance and Validation Requirements on the Industry

The aged care industry is one of the most heavily regulated segments of the Australian economy. Whilst recognizing the need to protect the most frail persons in our society, ACAA believes that it is counter productive to pursue excessive regulation and compliance at the expense of efficient administration and quality service delivery.

ACAA calls on Government to undertake a complete review of the Aged Care Act 1997 with the objective of removing much of the legislative deadwood and compliance focused inefficiencies imposed on the aged care industry.

7. Accreditation System – Separating Compliance from Quality and Creating a Contestable Quality Improvement Service

ACAA would support the contention that the aged care industry has benefited from the introduction of accreditation and that the application of quality improvement systems has had a very positive impact on the quality improvement outcomes for the industry.

What ACAA does not support is the monopolistic powers granted to the Aged Care Standards & Accreditation Agency and the confusion between the compliance functions of the

Department of Health and Ageing and the compliance role that is now imposed upon the Agency. ACAA believes these two functions need to be clearly separated.

8. Innovation and Technology

There are few opportunities for aged care services to apply innovative new strategies to achieve significant operational efficiencies, as the work, in the main, does depend on hands on service delivery. However, the application of information technology systems in the business and clinical domains clearly demonstrates an area of efficiency that the industry could develop further if resourced sufficiently.

ACAA also believes that assistive technologies in the community setting will within years become part of mainstream care provision in the domestic setting. ACAA believes Government should amend the Medicare schedule to support the implementation of new assistive technologies to support the maintenance of a person's independence for the maximum period.

9 Cabinet portfolio for Aged Care

The radical changes in the Australian population demographic over the next fifty years means that all future Governments must ensure a whole of Government approach to ageing issues covering retirement incomes policy; social security services; housing for the elderly and care services both residential and community.

ACAA believes that to achieve this whole of Government approach and to ensure that related aged care issues are captured during debate on policy issues at the highest levels of Government; there is a real need for the creation of a senior cabinet position encompassing all aspects of the ageing population.

10. Systems Inefficiencies

Implementation of the current aged care funding system occurred in 1997. Much has changed in the nearly twelve years since those reforms yet much of the changes of 1997 are set in a legislative straight jacket of some one thousand pages imposing numerous restrictions and systems inefficiencies.

One example is the requirement of the industry to ensure that it maintains forty percent concessional residents. The Government admits that as of today there are only thirty three percent of future clients likely to enter care who will be classified as concessional yet it reduces aged care provider payments if the forty percent target is not achieved.

11. Extra Services

Extra Service was introduced in 1997 as a component of client choice where a residential client willing to pay an additional fee could access superior accommodation and hotel type services.

Extra Service was introduced with a ceiling of twelve percent of all aged care places and subsequently increased to fifteen percent of all available places. Ten years after implementation, the number of extra service places stands at less than six percent.

One reason for this poor uptake is that Government in allowing clients to exercise choice and pay a higher fee, then claws back from them twenty five percent of the extra service fee thus applying a form of double taxation.

ACAA believes the Government claw back from extra service residents should be abolished which would cost Government approximately \$41M per annum in foregone clawback from extra service residents, but maximise consumer choice.

12. Community Care

It is generally accepted that as Australians have grown older and remained healthier for a longer portion of their life the flexibility to provide a variety of home based care services has also substantially expanded to meet that demand. The demand is driven by a desire by a majority of the community to remain independent in their own home for as long as possible.

The limitation of community care is the ability to be able to supply a skilled workforce in sufficient numbers to meet the significant growth in demand that will occur over the next 25 years. It is therefore essential that Australia use every available means to enhance the range of services that can be provided in a community setting through assistive technologies, congregate communities and other efficiency generating strategies that can expand the range of services provided to the most clients in the most efficient manner.

ACAA believes that Government should consider adopting a range of additional Medicare rebate items which will support a range of assistive and support technologies being installed to assist a home based care recipient to help maintain their home based independence.

13. Aged Care Five Year Agreement

ACAA believes that Government should consider introducing an Aged Care Industry/Government five year agreement similar to the Pharmacy Guild-Government Five Year agreements which set an agreed series of activities that the industry and government have agreed to work on over the next five year cycle.

14. Research

Aged care funding and administration is poorly served by a research capability that can deliver informed knowledge and understanding about the current system its performance and future directions.

ACAA believes that new strategies need to be developed which will provide the necessary research of these issues to better inform government and industry about the best policy options to meet the future needs of clients.

ACAA believes that the priority research activities for a future aged care research program should be as follows:

- Cost of care
- Aged Care Approvals Round - Allocation Ratio Formula
- Palliation/Dementia services and costs

BACKGROUND

Australia's ageing population

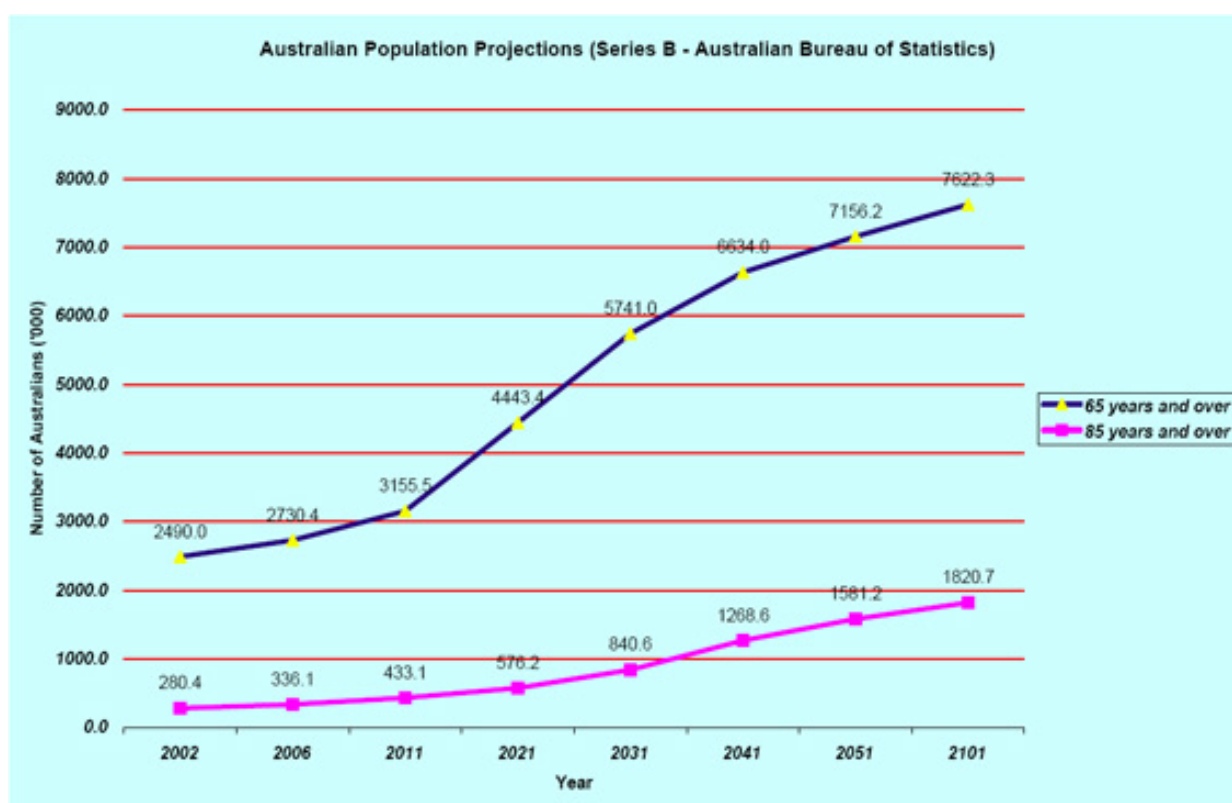
In 2011, baby boomers of the world will begin to reach 65 years of age.

By making certain assumptions about future fertility, mortality and migration¹ in Australia, a clear profile of an ageing population emerges.

According to the Australian Bureau of Statistics², in 2002 the proportion of the population 65 and over was around 13 per cent.

By 2051, this is projected to rise to 27 per cent.

Look forward another fifty years, and 7.6 million Australians will be over 65 (29 per cent of the population). This is virtually the entire population of NSW today.



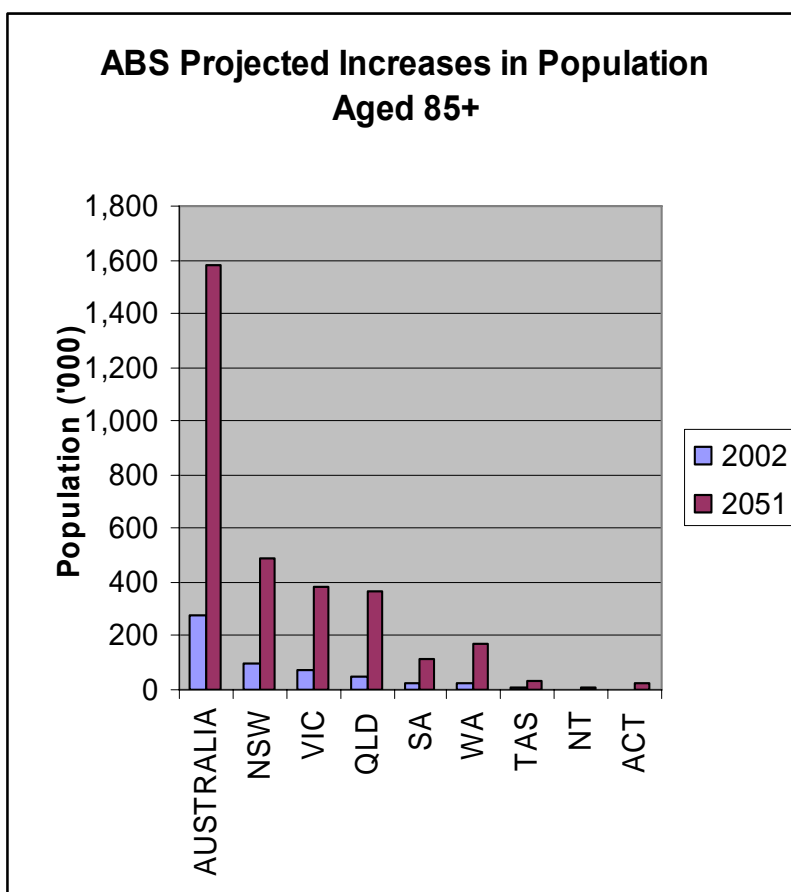
However, the greatest growth is projected in the population aged 85 years or over.

This age bracket is expected to expand from 1 per cent of the total population in 2002 to between 6 and 9 per cent by 2051.

This is the age group of greatest consequence as it is this group which will need the Government's support in the areas of housing, health and disability services.

¹ ABS Population Projections Australia 2002-2101, Series B, page 1

² ABS Population Projections Australia 2002-2101



In 2051:

- NSW and Victoria can both anticipate a fivefold increase in the size of the over-85 years age group. By 2051 this will be approximately 871,600 Australians;
- Queensland, Western Australia, the ACT and NT, the age group is projected to expand to over seven times its current size – a total of 563,000 Australians;
- there will be over four times the number of South Australians aged 85 or over, and
- 31,900 Tasmanians will be 85 or over, compared to 7,500 in 2002.

Across Australia this age group is projected to be over five times larger in 2051 than in 2002 – approximately 1.6 million Australians may need aged care of some description.

Implications for the nation’s aged care system

The implications of an ageing population for the nation are broad. The burden will be largely borne by the health, welfare and of course, aged care sectors.

It is not only the increase in the number of persons requiring aged care services in the future, which will have ramifications for the aged care industry, but also social changes such as changing family structures. With shifting work patterns, higher divorce rates, smaller families and a higher level of geographical scattering of families, ‘informal’ care is likely to become less viable for a growing number of people.

Greater demand for aged care facilities is inevitable.

In June 2002, 29.5 per cent of people aged 85 or over (the age bracket of the majority of aged care residents) were in residential care or receiving an aged care package or service. A further 121,000 Australians aged 85 and over received a HACC³ service each year.

It is inevitable, that as the number of Australians in this age bracket increases, the demand for residential and community aged care services will also increase. A growing preference for at-home care will place additional pressure on the community care sector.

However, for a large number of older Australians, at-home care is not a realistic option.

Admission to nursing homes generally occurs as a result of falls, dementia, incontinence and discharge from an acute episode in hospital.

About 5 per cent of people 65 years and over and 20 per cent of 80+ year olds suffer some form of dementia.

As a consequence of the growing number of aged Australians, the number of dementia sufferers is projected to increase significantly. By mid century, over 580,000 Australians (2.3% of the population) will have dementia⁴. The demand for dementia services will increase respectively.

It is imperative that industry and governments continue to work together to prepare for the significant increase in demand on aged care services in 2011 (and beyond) and put in place long term solutions to cope with the population change.

This will take time. Appropriate steps are needed now. Solutions must be long term.



³ Home and Community Care

⁴ *The Dementia Epidemic: Economic Impact and Positive Solutions for Australia* Access Economics, Canberra 2003

ACAA STRATEGIC POLICY SOLUTIONS

1. CARE FUNDING

1.1 Care Funding Shortfall

Aged care is charged with providing the best possible domestic and care services to its clients within the financial limitations of subsidy provided by Government. Providing care is the absolute core of aged care service delivery.

However, the average subsidy provided by Government to maintain a resident in a residential care setting is currently approximately \$92 per resident per day. The current financial support provided by Government to maintain a person in an acute hospital setting is approximately \$800 per patient per day and to house a detainee in an immigration detention centre \$238.00 per day.

The care services required to be provided by a residential care facility is akin to the level of services generally provided in an acute hospital medical ward, \$450 - \$550 per day on average.

There has been no assessment within the residential care program of the level, quality and sophistication of services that are required to be delivered in the name of quality care services and the costs attached to the provision of those services.

In the aged care package announced by the Prime Minister in February 2007 the financial impact on aged care providers will be the transfer of \$50 million in year one and \$350 million in year four from operational care income to support the capital stream requirements of the Industry.

ACAA estimates that the actual cost of providing services at the range and quality now required by government requires an additional \$513 million per annum in base government subsidy or \$9.37 per resident per day.

ACAA calls on the Government to recognise the funding shortfall for the industry and to increase care subsidies by \$9.37 per resident per day.

1.2 Cost of Care

The funding for care required today to adequately provide for residential care recipients is clearly inadequate and based on the funding support provided by the scheme 25 years ago. The increasing acuity and frailty of aged care residents and dementia now estimated to affect 7 in 10 residents in care it is quite obvious that there is a need to reassess the adequacy of the funding that is attached to the subsidy provided for care services. This has not been undertaken since the 1980's with a consequence that the care subsidy today in no way reflects even secondary issues such as the provision of incontinence aids which in 2007 are almost universally disposables and though this provides a superior outcome for residents, the cost is estimated to be approximately three times that of reusables which has never been recognized in any consideration of government funding.

The care subsidy provided for the care of residents has never reflected this change or many others in industry servicing and is an example of the lack of care subsidy reflecting the changing nature of the care service and the increased quality of that service together with the increasing dependency and clinical requirements of the resident population.

ACAA believes Government should commission research that will thoroughly assess the real cost of care.

1.3 Double Taxation

Half the extra subsidy needed by the industry could be achieved if Government simply stopped double taxing those residents who pay a higher income tested fee because they have the financial capacity to do so. Where a resident pays a higher income tested fee the Government reduces the subsidy paid to the aged care provider by an equal amount.

ACAA believes Government should support consumer choice and not penalise those persons, who contribute more towards their own care costs.

ACAA believes that if Government stopped clawing back the subsidy equivalent it would cost Government approximately \$280m in forgone subsidy reduction but it would have a major impact on supporting resident's rights to exercise choice, and impact on the industry's capacity to provide further choice options to clients in the future.

2. WORKFORCE – FUNDING FOR COMPETITIVE WAGES

2.1 Quality

The 2003 National Institute of Labour Studies survey of the aged care workforce revealed a highly motivated workforce, dedicated to the provision of high quality care. However, the survey also clearly indicated a workforce demographic, which is ageing rapidly. Unless solutions are found soon to alleviate the attrition caused naturally from an ageing workforce the problem will become endemic.

In addition the survey also clearly demonstrated that particularly among registered nurses, the major deterrent to working in the sector is the volume of red tape with which nurses must contend. Nurses coming from the acute sector cannot believe the red tape environment that exists in residential care and in fact many immediately flee back to the acute sector, having experienced this aspect of residential care.

ACAA considers this aspect of our workforce situation doubly perplexing when one of the major issues for staff turnover is substantially caused by the Government's own validation processes imposed on the industry to satisfy accountability for the expenditure within the residential care programme.

Other parts of the Australian health care system with much larger government outlays do not have imposed upon them this highly intrusive, subjective and inspectorial process.

ACAA recognises that workforce planning is not a short term issue however; we also recognise that it is unlikely that the status quo will deliver the necessary staff with the appropriate skills mix for the future.

ACAA supports a radical review of the structure and form of the future residential and community care workforce to ensure the long-term viability of the sector and its capacity to deliver adequate care.

2.2 Competitive wages for aged care workers

ACAA recognises the difficulties that will be faced by many providers in coming years to attract and retain sufficient skilled staff to meet the needs of staffing in both residential and community settings.

ACAA believes that as the 9th largest employer in the country, aged care should be viewed as a separate and distinct industry.

Aged care is highly dependant upon people doing things for people. There are limited opportunities for gaining significant efficiency improvements due to the hands on nature of the industry. Seventy percent of all costs are related to costs of labour.

Until aged care facilities are receiving the appropriate levels of funding, wage rates in the sector will suffer. While this is the case, top end nursing staff will not be attracted to work in aged care.

The aged care sector must have the financial strength to offer competitive wages to nursing staff. There will continue to be an overall shortage of registered nurses in the industry until this objective is achieved.

The 2004-05 federal budget provided \$101 million over four years for the development of additional aged care nursing scholarships, training of enrolled nurses particularly in

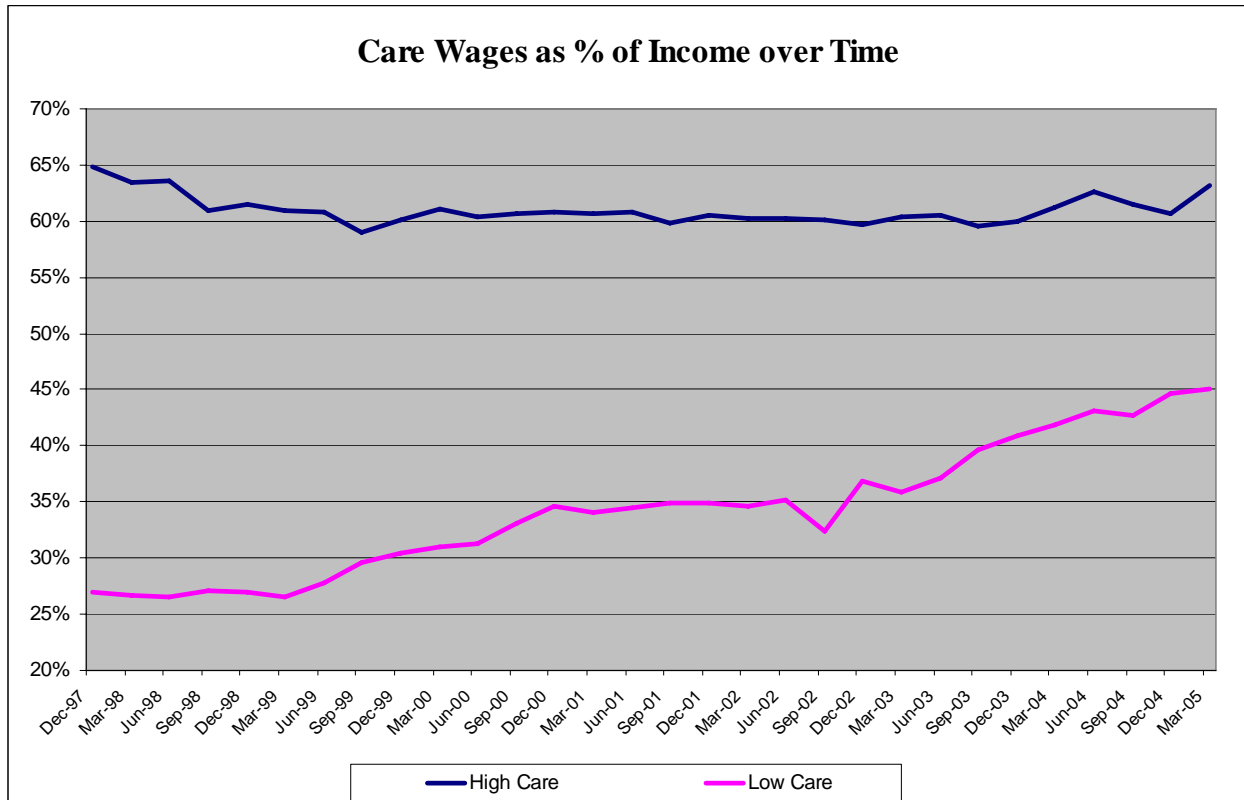
enhanced medication management and the development of language skills among general staff.

However, the nurse training scholarships are unlikely to deliver one additional registered nurse in less than five years and even then there is no absolute guarantee the these nurses post graduation will take up positions within the residential care sector. Every attempt will need to be made to secure mentors and quality clinical placements, which will ensure a strong positive experience for each of these undergraduates.

We must build an industry that can afford the best possible staff and resources to provide the highest level of care.

The aged care industry has been accused by various unions of not using additional funding from Government to support staff salaries and wages.

The graph below is a time series developed by accounting firm Stewart Brown and Associates and clearly shows the industry continues to pay approximately the same percentage of income in labour costs.



ACAA believes that nurses and carers require competitive remuneration in recognition of their unique skills. Government must support the payment of competitive wages in the sector by paying sufficient subsidy. COPO indexation is insufficient to meet this requirement.

2.3 Nursing Scholarships

ACAA was delighted with the workforce budget allocations in the 2004/05 and 2007/08 budgets. However, believes there should have been a much greater focus on the creation of aged care specific nursing scholarships, particularly in metropolitan settings.

The Rural Nurse Scholarship Scheme managed by the Royal College of Nursing Australia, has been highly successful. It has the added advantage of providing real incentives and support for the new graduates to commence in and stay working within aged care.

ACAA believes that an additional four hundred nurse scholarship positions should be created per annum for deployment across all parts of the aged care system.

ACAA believes the existing rural scholarship scheme and the proposed expanded scheme should attract additional financial support to provide the new graduates with mentoring and positive work placement during their first post graduate year.

ACAA recommends the Government fund an additional 400 undergraduate aged care nursing scholarships for deployment across the aged care system.

ACAA recommends the existing rural nurse scholarship scheme and the enhanced nurse scholarship scheme receive additional funding to support a graduate mentoring and employment placement support during the first post graduate year.

2.4 Aged Care Career Pathways

The Aged Care Career Pathways scheme has proved effective in supporting undergraduate and post graduate first year employees to obtain positive clinical placements and workplace experience in aged care settings.

ACAA believes this type of program needs to be created in all states and in many regions.

ACAA recommends that funding be allocated to support the creation of Aged Care Career Pathway models in all states and regions with the objective of supporting undergraduate nurses gain a positive aged care clinical placement and mentoring graduate nurses in a positive employment environment during their first post graduate year.

2.5 Nurse Practitioners

A successful Nurse Practitioner trial has been undertaken in the ACT to assess the applicability of the role in an aged care setting.

One difficulty in developing the role in a residential care setting is the scarcity of resources to experiment with new staffing structures. One obvious benefit of Nurse Practitioners is their ability to supplement and support the role of general practitioners.

However, obtaining support for such a scheme will in the first instance prove difficult unless such arrangements can be funded separately and conducted as a pilot pending development and clarification of the role.

ACAA recommends Government fund fifty Nurse Practitioner trials to ensure aged care providers have the capacity to pilot various structural models including potential GP supplementation.

2.6 Medical Workforce

It is generally recognised that securing sufficient GPs to visit aged care residents is problematic in many parts of the country.

There are a variety of problems ranging from small client numbers, poor remuneration, lack of consultation facilities, lack of GP confidence in treating the very old and lack of coordination of consultation times.

ACAA welcomed the GP Panels Initiative and believes the initiative has been helpful but a lot more needs to be done if GPs are going to form an integrated part of aged care facilities care teams.

ACAA considers that a complete rethink of the current arrangements is required with a sample of options being tested to determine best performance outcomes. Some of the models ACAA believes should be tested are:

- cashing out Medicare rebates
- aged care facilities contracting service provision with GP group practices
- funding of GP coordinators who will liaise between GPs and aged care facilities about consultation and appointment times
- capital grants to aged care providers to assist with provision of clinical consultation rooms

ACAA calls on Government to fund various trials to test better GP service arrangements including:

- **cashing out Medicare rebates**
- **aged care facilities contracting service provision with GP group practices**
- **funding of GP coordinators who will liaise between GPs and aged care facilities about consultation and appointment times**
- **capital grants to aged care providers to assist with provision of clinical consultation rooms**

3. CAPITAL CREATION IN HIGH CARE

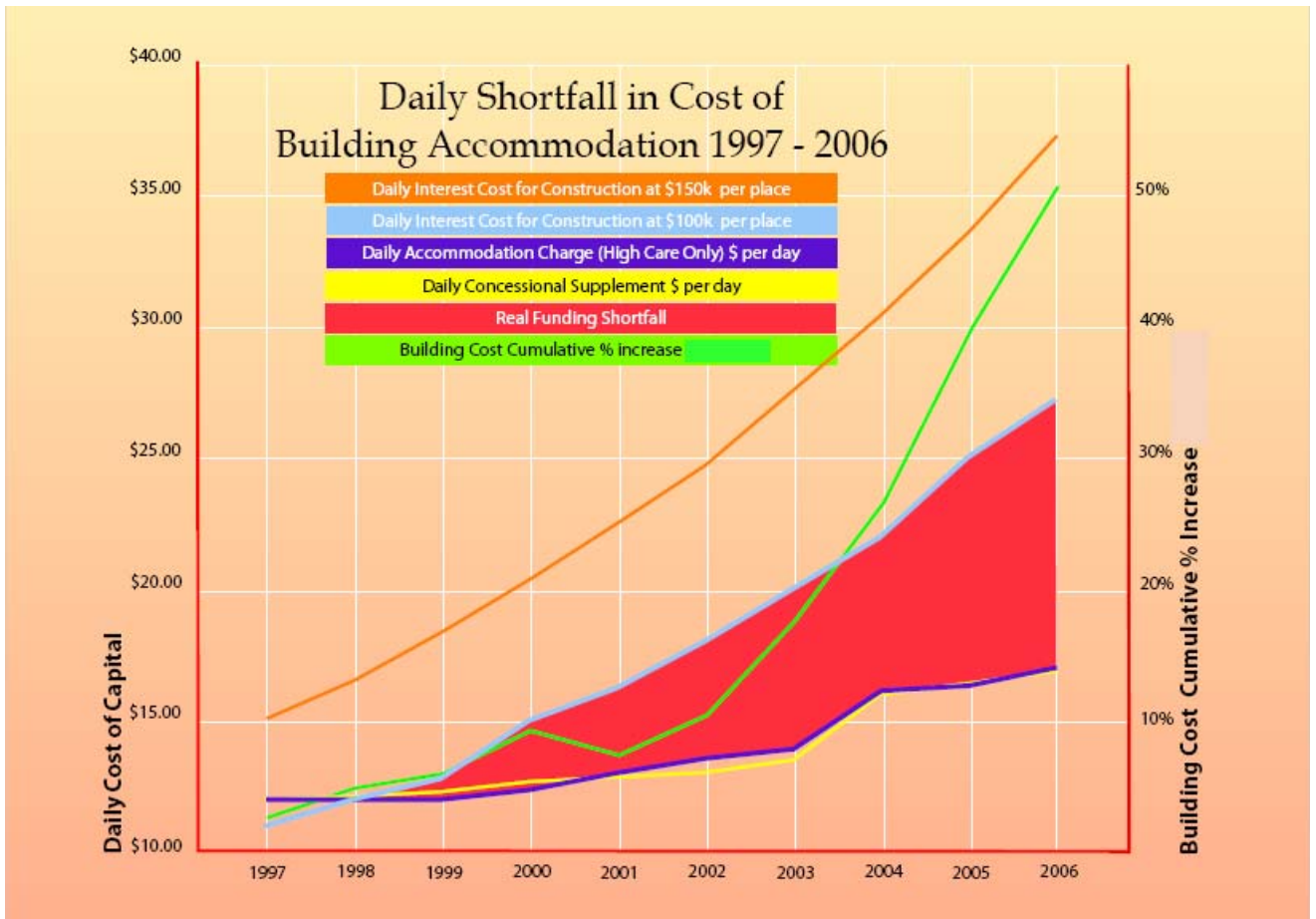
The following graph indicates the level of capital shortfall impacting on the industry and the reason Government must act to resolve the medium term effect on the industry.

The situation is now so severe that high care stand alone nursing home beds are not being built by the industry. At a capital expense of approximately \$170,000.00 per place and an income stream maximum of \$6,252.00 per annum it is not hard to determine why.

It is simply impossible to service a capital outlay of \$170,000.00 with a capital income stream of \$6,252.00 per resident.

Many aged care facilities have been cross subsidising their high care building costs from low care and extra service capital streams. However as the percentage of vacant beds continue to rise across the industry continued cross subsidization is becoming highly problematic.

It is essential that long term capital viability of the industry be restored. To achieve this Government must enhance consumer choice and allow consumers with the capacity to pay to be treated equally wherever they may reside within residential care.



3.1 Capital Raising - High care/Low care

The Hogan report recommended that the capital raising options for high care and low care be uniform and that refundable accommodation deposits for high care be introduced.

The Association supports Hogan's recommendation and believes that the options available to all residents should be:

- Payment of a refundable accommodation deposit or;
- Payment of a daily fee set as an equivalent to the current capital income stream available from the accommodation deposit, currently assessed at \$39.96 per day or;
- A refundable combination of both the daily fee and the accommodation deposit paid on a periodic basis or;
- A deferred fee attracting the variable treasury rate and paid on the assessed average refundable accommodation deposit from the previous financial year or;
- Uncap the accommodation charge to allow a high care resident to pay a charge equivalent to the income achieved on the average accommodation bond calculated on the previous years average refundable accommodation deposit

ACAA believes the options available to persons entering residential care should be expanded and that residents who satisfy the asset test on entry be permitted to exercise a choice as to the option which best suits their financial circumstances.

3.2 Dedicated Aged Care Financial Accounts / Deemed Exempt for Pension Assessment

An additional option that could be added to the above options is the creation of Pension Assessment Exempt Accounts which are dedicated to the purpose of funding a person's residential care needs.

Currently, approximately 90% of residents in residential care are full or part pensioners.

The Government, from 1 July 2004 improved the current scheme by allowing residents paying an accommodation charge or a periodic payment as an alternative to a refundable accommodation deposit to treat any income earned from a rented family home as exempt from asset or income assessment purposes for pension assessment.

However, if a resident sells that same home and invests the funds to help pay their accommodation charge, then any balance not paid as a refundable accommodation deposit in residential care will attract asset and income test assessment for ongoing pension entitlement.

ACAA believes that a person entering residential care should not be discriminated against. If their choice is to sell the family home or obtain a reverse mortgage then they should be in no worse a position than if they decided to rent the family home.

ACAA therefore believes that Government should approve the creation of a new residential aged care financial account which would be exempt from income and asset testing for income assessment purposes whilst the person is in receipt of care in a residential care setting and is contributing towards the cost of that care.

ACAA recommends Government approve the creation of a new category of financial instrument titled ‘Deemed Aged Care Financial Account’ which is available only to residents of residential care, part of which must be used to support residential care hotel and accommodation services and which will be exempt from income and asset test assessments for pension entitlement.

3.3 Aged Care Annuity

Another alternative that ACAA has suggested be considered by government as an alternative to the existing accommodation bond is an aged care annuity.

Market forces would ensure that accommodation fees remain reasonable and commensurate with the quality of accommodation and overall building fabric.

When you choose to stay in a hotel, a consumer would expect to pay more to stay in a five star hotel, than they would to stay in a budget alternative.

Similarly, in residential aged care, it is reasonable for a consumer to expect to pay more to be accommodated in a single room with an ensuite bathroom than they would to stay in shared accommodation.

The introduction of accommodation fees into high care with the capacity to provide an appropriate return commensurate with the level of accommodation would ensure financial viability of the sector into the future.

At the same time, it would encourage providers to upgrade capital stock in the knowledge that the investment will provide an appropriate capital return.

Indeed, careful consideration should be given to adopting this model across all sectors (high care, low care and extra service) as it is infinitely more marketable and will provide the consumer with consistency of fee structure.

The ability to fund the accommodation fee through the provision of a refundable accommodation deposit simply gives the consumer more choice.

	DAILY ACCOMMODATION FEE			
	Nil Bond Paid	\$50,000 Refundable Bond Paid	\$100,000 Refundable Bond Paid	\$200,000 Refundable Bond Paid
Single Room	\$54.00	\$40.50	\$27.00	Nil
Twin-Share	\$27.00	\$13.50	Nil	
Multi-Share	\$13.50	Nil		

Daily Accommodation Fee reduces by \$13.50 for every \$50,000 paid as a refundable Accommodation Deposit (effective interest rate 9.86%)

ACAA strongly recommends government consider options such as the aged care annuity if the expansion of refundable accommodation deposits to all parts of the industry continues to be politically unacceptable.

3.4 Concessional Supplement

Hogan recommended the concessional supplement be raised to at least \$19 per resident per day based on 2002-03 dollar values. The Government's response was to raise it to only \$16.25. The concessional supplement is the Government's contribution towards the capital cost of providing aged care places for residents who are exempt from paying a financial contribution towards their accommodation because they have no available assets or a spouse/partner is living in their family home.

The cost of constructing an aged care place is now approximately \$170,000.00 with Government contributing a maximum of \$6,069.95 per resident per annum. Obviously, it is not possible to service the current cost of building residential places from a capital stream set this low.

ACAA believes it is in the interests of residents, their families, care providers and the industry for the Government to accept the recommendation to raise the concessional supplement and believes that should now stand at \$39.96 per resident per day.

ACAA believes that the concessional resident supplement should therefore increase from the current \$17.15 to \$39.96 per resident per day.

3.5 Accommodation Charge

Similarly, Hogan recommended that the accommodation charge for high care be lifted to \$19.00 per day based on 2002-03 dollar value. The Government raised the charge to only \$16.25. The Association has modelled the impact of the \$16.25 as compared to \$19.00 and determined that the sector will be at least \$3.4B short of the Government's own capital expenditure target for the next ten years of \$10.1 billion.

The industry's estimate of capital expenditure for the current ten year period is \$13.5B. \$3.4B more than the Government's estimate which is concerning when the capital generation capacity of the largest part of the industry is so severely restricted.

As stated above ACAA believes that the accommodation charge should be uncapped, to the extent, at least, to permit a capital contribution from high care residents at least equivalent to the income stream achieved from the refundable accommodation deposit in the previous financial year e.g. average bonds in year 2005/06 \$141,000.00. Apply the statutory interest rate 9.8%, total income per annum = \$14,100.00 that a resident could be asked to pay.

In addition, high care residents should be in the same financial position as other persons in the residential care system. Residents entering high care today can be adversely affected because they are treated differently than others. Why does Government discriminate, unfairly in ACAA's opinion, against some persons entering residential high care?

This problem could be solved simply by the provision of Dedicated Financial Accounts deemed exempt for pension assessment purposes as outlined at 3.2 above.

ACAA strongly supports Hogan's recommendation to increase the accommodation charge to a more sustainable level. This level should be pegged to the average refundable accommodation deposit received by the industry in the previous financial year and calculated by applying the current statutory interest rate.

3.6 Refreshing Capital Contributions

When a resident moves from one facility to another even if the move is to an extra service facility, the receiving aged care provider must accept the capital arrangements already in place with that resident and is not permitted to negotiate a fresh contract even when that is the wish of the resident or their family.

ACAA believes care providers should be able to negotiate a fresh capital contribution contract with a resident who is moving from one aged care facility to another and to treat the time for payment of the capital contribution as running again for the prescribed period.

3.7 'Securing the Future' Aged Care Reform Package

The Government released its final response to the 2004 Hogan Report in February 2007.

In this response titled 'Securing the Future' Government claimed to have addressed the capital needs of the industry, unfortunately, ACAA's analysis of the reform package clearly indicates that moving to an accommodation supplement of \$26.88 in March 2008 falls well short of the capital stream needs of residential high care.

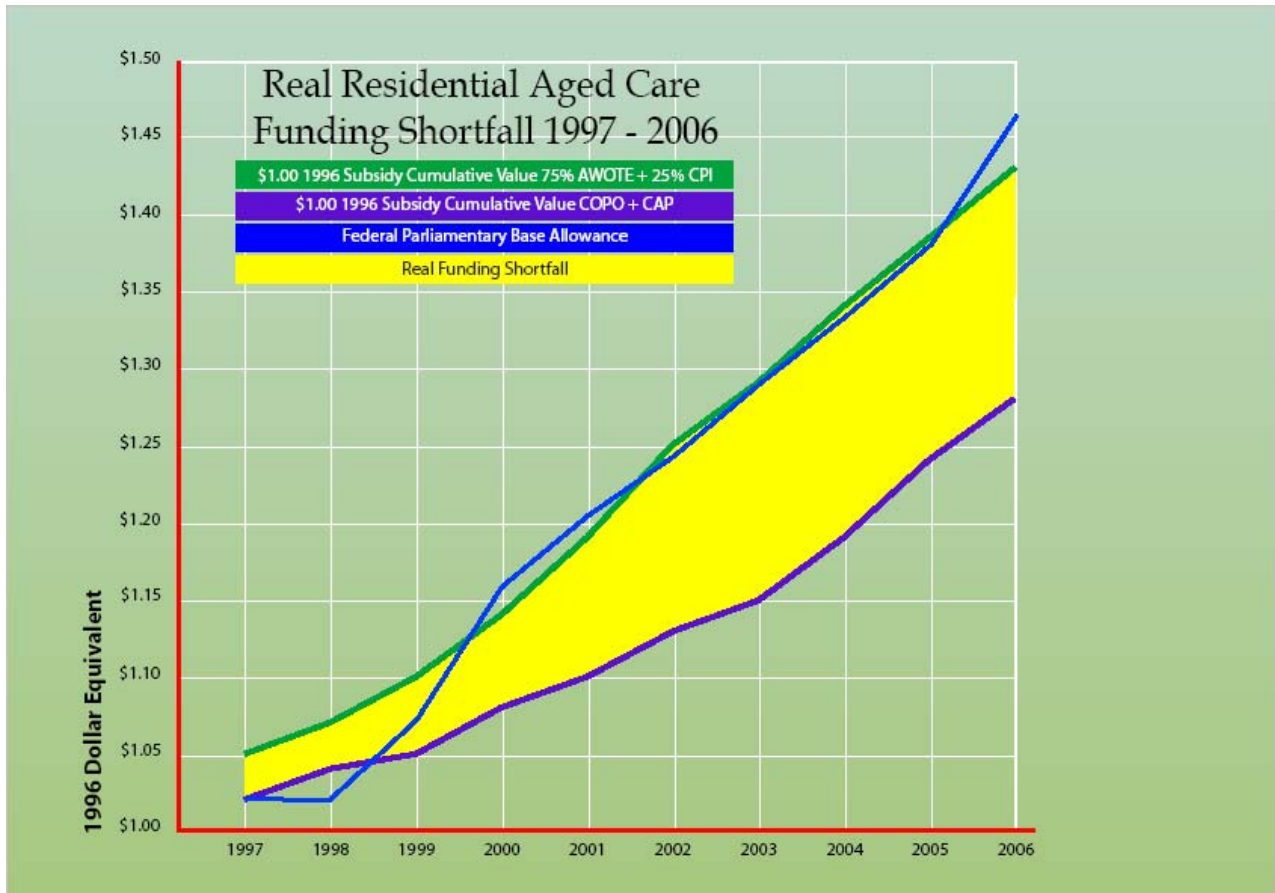
ACAA also believes the way the package was structured by incorporating existing supplements that are primarily used for operating care purposes is misleading. ACAA's analysis indicates that industry operating care income will reduce by approximately \$50M in year one and increase to nearly \$350M at year four, thus again distorting the operating and capital income streams available to the industry.

ACAA calls on Government to reinstate the pensioner supplement and the additional basic daily care fee as operational income supporting care services and to find an additional \$50M year one and \$350M year four to support the capital needs of the industry.

4. AGED CARE INDEX A SUPPLEMENT TO COPO

4.1 Inadequate Subsidy

The graph below clearly demonstrates the variations between the indexation methodology currently used by Government to recognise cost pressures on the industry and the actual cost pressures. The graph demonstrates that the current year subsidy shortfall stands at \$513M per annum.



It is essential Government recognises that aged care operates within the broad Australian economy with health related wages and other costs outstripping Commonwealth Own Purpose Outlays (COPO) and Conditional Adjustment Payment (CAP) considerably.

There is an urgent need for Government to recognise that aged care requires an aged care specific index which will recognise this cost impact on the aged care industry.

Hogan recommended Government commit an additional 1.75% adjustment to top up the inadequacy of the COPO index. Government accepted that recommendation. However, Government only committed to the additional 1.75% until end 2007/08 financial year.

What happens after 2007/08 financial year?

An aged care specific index is essential.

ACAA recommends Government recognise the serious shortfall in operational income affecting the aged care industry using the existing indexation methodology.

ACAA recommends the Government commit \$513M year one and indexed in the forward years to ensure the industry is made operationally viable and to repair the impact on subsidies using the existing indexation methodology.

ACAA recommends Government commit to the development of an aged care specific index as a supplement to COPO.

ACAA recommends that Government commit to the continuation of the 1.75% CAP index in additional to COPO and that this index be increased to 2.75%.

ACAA recommends Government commit to the continuation of CAP ongoing and incorporates CAP into the base subsidy.

4.2 Income Tested Fee

In 1997 the Government introduced the Aged Care Act which provided for an income tested fee to be applied to residents who were means tested and assessed as having an income above a set amount with these residents being required to make a greater contribution towards their care costs based on a sliding scale with a fixed ceiling.

The Government then deducts the equivalent amount paid by the resident from the subsidy paid to the approved provider.

Hence any capacity for the resident paying additional fees to exercise greater choice is considerably reduced.

It is in effect a form of double taxation. The residents paying this additional contribution receive no direct benefit from their contribution.

ACAA has estimated that the amount of savings to Government of the income tested fee is approximately \$280M per annum.

ACAA contends that this money should remain in the industry and should be used to enable aged care residents to exercise a greater degree of choice regarding the services they are able to select.

ACAA recommends Government stop double taxing residents who pay an income tested fee. Government should support residents paying the income tested fee to exercise greater choice.

ACAA recommends Government cease reducing subsidy by the same amount as the income tested fee and allow the fee to be used within the industry.

5. IMPROVE THE IMAGE OF AGED CARE AND MAKE THE INDUSTRY AN EMPLOYER OF CHOICE

5.1 Ambassador for Ageing

The issue of ageing and the broader community response to aged care and ageing issues is a matter that is rapidly evolving.

At the same time, many of the issues relating to aged care, ageing and an ageing society are poorly understood.

ACAA believes that the time is ripe for the engagement of a high profile person in an apolitical role with the objective of speaking for and educating the broader community on the myriad of issues that impact upon ageing and the many ways our ageing demographic will impact upon society over the next five decades. The model which we believe may best suit a person in this role is the Beyond Blue model.

ACAA recommends government endorse the creation of an Ambassador for Ageing and undertake to consult with the various stakeholders regarding the implementation and funding of the Ambassador.

5.2 Community Campaign

Ageing and aged care generally speaking have a fairly poor media profile and require considerable work to improve the communities understanding of ageing and the nature of the services provided by aged care providers and the valuable work contributed by aged care staff.

ACAA believes that a public campaign needs to be delivered to significantly change the communities' attitude to ageing and aged care services. In order to achieve this ACAA believes that Government needs to commit the requisite funding to undertake a media campaign that improves the community's understanding of aged care and ageing

ACAA calls on Government to fund a media campaign aimed at changing the community's attitude towards ageing and aged care.

5.3 Employer of Choice

Little work is currently done in most of Australia to impress upon school leavers and young people about aged care as a possible employment option. A major campaign needs to be conducted in schools, TAFEs and other appropriate locations to inform younger persons about aged care career paths and job opportunities and to better inform younger people about the nature of the work and the attractiveness of considering aged care as a career path option. ACAA believes that a co-coordinated campaign needs to be conducted to better prepare young people to understand about aged care and to consider aged care as a career path option.

ACAA believes a coordinated campaign needs to be conducted to better prepare young people to understand about aged care and to consider aged care as a career path option.

6. REMOVAL OF RED TAPE INCLUDING REDUCING, REGULATORY COMPLIANCE AND VALIDATION REQUIREMENTS OF THE INDUSTRY

6.1 Red Tape

ACAA is aware Government has now committed to introduce the new Aged Care Funding Instrument (ACFI) from 20 March 2008 however ACAA remains gravely concerned that one of the primary objectives of the ACFI reform the total overhaul of the existing validation system will not be achieved. The Department has expanded the powers of its own officers to review industry assessments and has so far refused to take the opportunity a new system presents to develop a very different validation process; one that would still achieve accountability requirements.

The punitive provisions such as six month back dating of downgraded validation assessments will continue. There is no equivalent backdated funding increase if an aged care provider has failed to claim a higher level of funding than assessed as appropriate by Departmental assessors. Indeed the Departmental officers appear to consider it not their problem if they discover a provider under claiming. Their only role appears to be to punish providers where they determine over claiming.

The industry remains very concerned that even with a new tool this punitive attitude will remain and all the effort of developing and implementing a new funding instrument will be lost if the primary objective is not achieved.

As an interim solution ACAA recommends the Government remove the existing retrospective aspect of the financial penalty attached to validation downgrades. Because the retrospective penalty is so punitive and providers who have employed staff and provided services at the higher level for the six months of the retrospective period, providers are driven to maintain excessively detailed documentation to avoid validation downgrades.

ACAA recommends the Government remove the retrospective component of the existing validation downgrade system and ensures it does not become part of the new ACFI funding system.

Government plans to continue validation of resident funding using the existing RCS assessment tool for the first six months following the introduction of ACFI as well as validating ACFI assessments.

ACAA believes that the additional work required of the industry to introduce the new funding tool means Government should not be imposing a dual validation process.

ACAA calls on Government to cease validating RCS funding from 20 March 2008 once the new ACFI tool becomes operational.

6.2 Police Checks

The Government has determined that all aged care providers, staff and volunteers must in future be the subject of police checks.

The industry has accepted this additional compliance requirement as a measure to maintain community confidence in the quality of staff engaged in the aged care industry.

However, the aged care industry has no way of meeting the cost of this undertaking other than to review service quality.

ACAA recommends Government assists aged care providers to meet the costs of undertaking police checks at an estimated annual cost of \$30M.

6.3 Aged Care Funding Instrument (ACFI)

The new Aged Care Funding Instrument (ACFI) will come into effect 20 March 2008.

One of the primary objectives for moving to the ACFI is to recognise the escalating costs of particularly high end care.

The original ACFI model met this objective of distributing additional subsidy to high high care residents.

Unfortunately, Government then changed course and is now proposing to implement the additional high high care subsidy increase in four equal amounts of \$10.00 each.

ACAA believes this change significantly reduces the subsidy to high care providers and that the original proposal should be reinstated.

ACAA believes the full effect of additional subsidy for high care residents should be reinstated effective 20 March 2008.

7. ACCREDITATION SYSTEM – SEPARATING COMPLIANCE FROM QUALITY AND CREATING A CONTESTABLE QUALITY IMPROVEMENT SERVICE

Accreditation of aged care facilities in Australia is a monopoly service contracted by Government to the Aged Care Standards and Accreditation Agency established in the 1997 reforms to the industry.

ACAA does not believe that the sector is well served by the monopolistic position given to the Agency.

In addition, ACAA does not believe that a quality improvement organisation can also undertake the task of being an effective compliance monitoring organisation.

An organisation can either be one or the other, not both.

ACAA supports the redesign of the existing accreditation arrangements and believes accreditation should be opened up to competition from those JAS-ANZ accredited organisations that can deliver the necessary quality improvement service.

The current aged care accreditation system and the associated forty four outcomes were developed in 1997-98.

No attempt has been made in the subsequent decade to review the appropriateness of the standards nor is there any process for the industry to change the quality outcomes even when industry practice may have changed significantly.

ACAA believes Government should ensure a review of the forty four accreditation standards is undertaken as a matter of urgency.

ACAA also believes that an appropriate structure needs to be put in place to support reform of the quality system on an ongoing basis.

8. INNOVATION AND TECHNOLOGY

The Aged Care sector has traditionally been a poor adopter of information technology.

In the last two years this situation has changed dramatically. Helped by a Government one off grant in 2005 of \$152M, the industry is moving rapidly to become electronically enabled.

ACAA believes information and assistive technologies is a rare opportunity for aged care to gain significant efficiencies both internally and externally.

ACAA also believes that one of the major planks of a future workforce strategy must include the use of Information Technology to achieve internal efficiencies, to make aged care more attractive to younger workers and to simplify the communication with GPs, pharmacists and acute hospitals. An electronic health record must be developed for use by GPs and aged care facilities.

ACAA believes that a coordinated long term strategic framework is essential to drive the reform whilst maintaining a strong working relationship with Government, National E Health Transition Authority (NEHTA) and the broader health system.

8.1 Using IT to improve efficiency

Government is working towards the implementation of a new funding instrument which has as a major objective, the reduction of unnecessary red tape associated with government validation of the industry's subsidy claiming process.

While any of these processes remain paper based, it is going to prove extremely difficult to overcome much of the negativity attached to the red tape imposed on the industry in order to comply with the highly intrusive validation process.

ACAA believes that another round of IT support funding specifically targeted at electronically enabling the documentation associated with ACAT assessment, resident assessments and the funding instrument would have significant efficiency benefits for Government and industry and substantially improve the effectiveness of the accountability regime and improve the attractiveness of aged care as a proposed place of employment for health professionals.

ACAA strongly supports the future development of IT infrastructure to maximise efficiencies among the aged care workforce and to support the implementation of the new aged care funding instrument.

ACAA recommends Government supports the electronic enablement of the Aged Care Funding Instrument Assessment tools.

ACAA recommends Government supports the electronic enablement of the Aged Care Funding Instrument tool.

ACAA recommends Government support utilisation of the electronic gateways to ensure electronic lodgement and transfer of the above documents can occur.

ACAA recommends Government financially assist aged care providers to upgrade or implement IT systems which will support electronic completion of the Aged Care Funding Instrument including clinical assessment tools and electronic lodgement and claiming with Medicare Australia.

8.2 Assistive Technologies

As the Australian population ages, innovative strategies to maintain people in their homes will become essential.

It is accepted policy that people wish to stay in their homes with as much independence for as long as possible.

To provide this level of choice to future consumers it will be essential for every possible strategy to be engaged to sustain persons in their home and in receipt of quality services with reasonable quality of life.

All indications in Australia are that within ten years:

- the demand for home based care will increase by 50%
- the ability to recruit and sustain workers in this sector will be under considerable pressure
- the availability of voluntary carers as a proportion of persons supporting individuals at home will be diminishing rapidly

All these factors mean that Australia will need to be looking at innovative assistive technologies which will sustain a person receiving quality service within the home environment.

Medicare rebates will need to be changed to allow remote assistive technologies to be delivered to care recipients within their own home.

ACAA recommends Government undertake a review of the Medicare Schedule with the intention of creating schedule items which will support the provision of home based assistive technologies.

8.3 e-Prescribing

The Northern Territory e-Prescribing trial has now confirmed the veracity of e-Prescribing in a GP/Pharmacy/Aged Care Facility Continuum. In addition, all but two states have now amended legislation to permit e-Prescribing.

The major barrier to implementation of e-Prescribing is an agreed remuneration for GPs.

ACAA believes aged care facilities should be funded to support e-Prescribing and that the Medicare Schedule be amended to allow GP remuneration for e-Prescribing.

9. CABINET PORTFOLIO FOR AGED CARE

The radical changes in the Australian population demographic over the next fifty years means that all future governments must ensure a whole of government approach to aged care issues covering retirement incomes policy; social security services; housing for the elderly and care in both community and residential settings.

ACAA believes that to achieve this whole of government approach and to ensure that related aged care issues are captured during debate on policy issues at the highest levels of government there is a real need for the creation of a senior cabinet position encompassing all aspects of the ageing population.

ACAA supports the creation of a senior cabinet position, charged with responsibility for aged care, retirement incomes policy; social security services, housing, health, and transport for the elderly.

10. SYSTEM INEFFICIENCIES

10.1 A fairer taxation system

The taxation system for aged care providers contains a building depreciation period of 40 years. However, the timeframe for upgrading and replacing buildings is considerably shorter.

The conflict between the taxation regime and the industry's building requirements is a potential penalty for operators.

The depreciation period should be reduced to more closely reflect the lifetime of the buildings and be more aligned to the building standards required by government of the industry.

ACAA supports the introduction of a building depreciation period of 20 years with an annual depreciation rate of 5%.

10.2 Workers' Compensation

The residential aged care sector is a single program funded by the Federal Government with a single subsidy covering all services across Australia. The scheme is highly rigid and providers have no flexibility with which to raise additional income to reflect state based variable costs such as workers compensation. State based costs such as workers compensation with premiums ranging from 3.8% to 7.8% of wages across various states creates an inequality among providers all of whom are trying to provide the same quality of care and service on vastly different net income levels.

Prior to the introduction of the 1997 reforms government shared the risk of substantial premium rises with providers. The scheme pegged the exposure of aged care providers to a maximum of 30% of additional premiums incurred following the lodging of a workers compensation claim.

ACAA believes that a 30% scheme should be reintroduced whereby any provider would incur the cost of higher workers compensation premiums to the extent of 30% with the Federal Government picking up the balance of the premium rise that occurs following a workers compensation claim being lodged.

10.3 Aged Care Approvals Rounds

The Government announced in the 2004-05 budget that an additional 27,000 aged care places would be allocated over the next three years. They also announced that, in future, the Government will indicate to the industry where the allocations are likely to be, on a regional basis, three years in advance.

ACAA welcomed this improvement to the allocation process however does not believe that it goes far enough. For some time ACAA has called for allocation of places to be made in principle five years in advance. Providers who are approved in principle would be required to meet agreed milestones (such as local government approval, land purchase, building contract and finance) by set dates. Provided these milestones are met, the approval in principle would be converted to full approval.

Failure to meet the milestones could mean removal of the approval in principle in favour of a second placed candidate.

ACAA believes that such a scheme would have the benefit of removing much of the lottery element that currently surrounds the system. It would also have the benefit of allowing providers to plan with much greater certainty and assurance over longer timeframes.

ACAA supports approval in principle of new aged care places five years in advance, with the proviso that agreed milestones be met or the approval in principle may be lost in favour of the second placed applicant.

10.4 Certification

Certification was implemented in the aged care industry in 1997 for the purpose of achieving specified space, privacy and building quality outcomes across the industry over the decade to 2008.

ACAA contends that the role of certification as originally espoused in 1997 is substantially complete and that certification should cease to have any ongoing role when setting future standards for residential aged care buildings

ACAA believes that the Australian aged care industry should be treated no differently to any other industry sector within Australia and be required to meet the Building Code of Australia standard in the same manner as any other industry and or building type.

ACAA believes that at the completion of certification upgrading to meet the safety and privacy targets against the 1999 certification instrument, there should be no further attempts by the Department of Health and Ageing to introduce further revisions to the certification instrument.

ACAA believes that post 2008 a certificate of occupancy against the relevant State/Territory building regulations should be more than sufficient to satisfy Government that the operator of a particular aged care building complex meets the necessary standards for fire safety and building amenity.

ACAA believes that as the space and privacy requirement required of aged care facilities by 2008 will be met, that any ongoing supervision of compliance can form part of a fire and safety declaration provided by aged care providers to the Department of Health and Ageing annually.

ACAA believes that the Aged Care Act 1997 should be amended to remove the sections dealing with certification and the obligations placed upon the industry in respect of certification.

11. EXTRA SERVICES

11.1 More Places

The Government currently has a ceiling/target to increase the number of extra service places to 15 per cent of the available places. After eight years the number of extra service places is approximately five per cent, which begs the question – why has there been such a poor uptake in this part of residential care?

The simple answer is that major barriers have been placed in the way of providers who have tried to develop extra service facilities.

ACAA warmly welcomed the Government's announcement in the 2005-06 budget to remove the five year approval limit.

Though an effort has been made to reduce some of these barriers recently, for which ACAA commends the Government, there remain a number of unnecessary impediments.

ACAA calls for the further liberalisation of extra service places with the overall target raised to 25% of all places.

11.2 Extra Service Fee

In addition to the imposition of the income tested fee, residents entering Extra Service are also required to pay an extra service fee with Government clawing back 25% of the extra service fee.

ACAA believes residents should not suffer from a double taxation and should be able to exercise maximum choice regarding services by being able to spend all their contributions on services and being able to decide how this additional expenditure might best meet their needs.

ACAA calls for providers to be allowed to retain the entire extra service fee and for Government to stop clawing back 25% of the extra service fee.

11.3 Concessional Resident Supplement

Currently Government refuses to pay the concessional resident supplement to a person admitted to residential care who is concessional and is accommodated in an Extra Service facility. This has the effect of excluding concessional assessed residents from Extra Service.

ACAA calls for Extra Service providers to be allowed to admit concessional residents and be paid the concessional resident supplement

12. COMMUNITY CARE

It is generally accepted that older Australians wish to remain independent and in their own home for as long as possible.

12.1 Program Confusion

ACAA would support a simplification of the existing multitude of state and commonwealth programs some of which cross over; some of which have aged specific access barriers.

12.2 Service Parity

It is very tempting for Government to strongly endorse community care when it is seen as a much cheaper option as compared with residential care.

However, a service delivery of seven (7) hours per week compared with one hundred and sixty eight (168) obviously delivers a very different set of outcomes and costs between the two service types.

Community Care services must be funded at a level sufficient to provide adequate hours of service per week to clients.

12.3 Assistive Technologies

ACAA believes (see 5.2) that Government should review the Medicare Schedule to support the development of innovative assistive technologies.

12.4 New Service Providers

The current Commonwealth CACP, EACH and EACHD place allocations are often in such small numbers that it makes it very unattractive for potential new providers to enter the field.

ACAA recommends Government review the current place allocation formula and regional distribution to ensure allocations in the future are of a commercially viable size and attractive to new entrants into the community care domain.

13. AGED CARE FIVE YEAR AGREEMENT

There is inadequate medium to long term strategic planning in aged care. Especially combined Industry/Government work on current trends, future directions and strategic vision with a ten to twenty year horizon.

As a step along the path in achieving a strategic vision for the future, ACAA believes it is timely for Government and Industry to develop a five year strategic agreement which clearly sets out some agreed milestones to be achieved during the five year period.

ACAA believes that Government should consider introducing an Aged Care Industry/Government five year agreement similar to the Pharmacy Guild/Government Five Year Agreement which set an agreed series of activities that the industry and Government have agreed to work on over the next five year cycle.

14. RESEARCH

14.1 Up-to-date industry research and assessment

It is unfortunate that the Hogan Review of Pricing Arrangements in Residential Care, failed to undertake a number of fundamental research projects for the sector, namely:

14.2 Cost of Care

There is no evidence that Hogan undertook an analysis of the real cost of care in the sector. This is fundamental to establishing a viable long-term funding model for the industry. What is the Government purchasing and what is it that Government and community expect aged care providers to deliver?

14.3 Planning ratios

The current ratios are based on one hundred and thirteen places per thousand people aged 70+, whereas statistics show that over 96 per cent of residents in aged care facilities are aged 80 and above. Additionally, ratios set for the percentage of high versus low care beds do not reflect current demand.

Thorough research into the demand for services and a review of ratios is necessary to ensure appropriate planning ratios are set. This research could then accurately drive the future allocation of places to ensure that supply matches demand and excess supply does not happen by accident.

14.4 Dementia/Palliation

To date, there has been no adequate assessment of the real cost of dementia and palliation to the aged care sector. There are currently no additional funds within the residential aged care budget to supplement dementia and/or palliation services. The burden of increased demand will therefore be borne by the aged care sector and will take funds away from already cash-strapped services. The aged care sector cannot provide service of equivalent quality to the acute sector if funding is vastly different. The real cost of dementia and palliation care in the aged sector must be identified to ensure funding is realistic and adequate.

14.5 Hotel & Accommodation Services

There was considerable discussion during the Hogan Review into the possibility of separating care services from 'hotel and accommodation services' such as meals, linen, bedding and accommodation. In the end Hogan has remained silent on this possible reform.

The Association believes that research needs to be undertaken on this topic to determine whether such a change would be workable within the Australian context and whether it would bring any benefits to the existing system.

ACAA strongly advocates thorough research into all these areas to ensure that up-to-date analysis is available to assist decision-makers to set policies that are realistic and workable.

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