



Aged Care Australia: Strategic Policy Solutions

**EXECUTIVE SUMMARY
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**Aged Care Association
Australia**

PO Box 335 Curtin ACT 2605
Tel 02 6285 2615 | Fax 02 6281 5277
E: office@agedcareassociation.com.au
W: www.agedcareassociation.com.au

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