

Australian Government's Response to the Review of Pricing Arrangements in Residential Aged Care

Recommendations for immediate change

What did the Review recommend?	Australian Government response
<p>1. The planning arrangements</p> <p>The Australian Government's 2001 commitment to provide 108 places for every 1,000 people aged 70 or older should be confirmed as ongoing.</p> <p>The Review also considers that the planning arrangements should be more flexible so that they can:</p> <ul style="list-style-type: none"> ▪ adjust responsively to the development of new care approaches; ▪ encourage innovation in service delivery; ▪ take account of current utilisation in high care and low care; and ▪ take account of the needs of older people with special needs, including those of Indigenous people, older people in rural and remote areas, older people from culturally and linguistically diverse backgrounds, older people with disabilities, older people with dementia, homeless older people and veterans. <p>There should be a review of the Australian Government's needs based planning arrangements after 2008.</p>	<p>More aged care places</p> <ul style="list-style-type: none"> ▪ The Australian Government will provide \$468.3 million over the next four years to increase the aged care provision ratio to 108 operational places for every 1,000 people aged 70 or over from the current 100 operational places for every 1,000 people aged 70 or over. <ul style="list-style-type: none"> – This includes \$58.4 million provided by this package and \$409.9 million already budgeted for the next four years for places above the planning ratio. ▪ The balance within the provision ratio will be reweighted to double the number of places offered in the community to 20 places for every 1,000 people aged 70 or over, in line with the preference of older Australians to receive care in their own homes for as long as possible. <ul style="list-style-type: none"> – The proportion of places offered in aged care homes will be adjusted to 88 places for every 1,000 people aged 70 or over. Two low-level residential care places will be replaced by ten community care places. – There will be no change in the proportion of places offered as high-level residential care. Currently 62 per cent of all residential places are used for high-level residential care. ▪ About 27,900 new places will be allocated over the next three years, including 13,030 in 2004. <ul style="list-style-type: none"> – This includes up to 2,000 new transition care places to help older people move from hospital to aged care, under a new cost shared model with the states and territories. ▪ The planning arrangements will be improved to take better account of the needs of older people with special needs. <ul style="list-style-type: none"> – The effectiveness of the new planning arrangements will be reviewed in 2007-08.
<p>2. Greater flexibility in allocations</p> <p>The Australian Government should create a strategic pool of up to 3,000 additional places each year for the next four to meet structural and regional distortions, especially in the transition period up to the end of 2008.</p> <p>The places should be able to be used flexibly for any form of care – residential or community care or for such allocations as multi-purpose services and allocations to support innovative care models.</p> <p>The Australian Government should establish a 'Ready List' of providers with plans and approvals to start within three months of allocation of places to secure the rapid implementation of projects so as to diminish the gap between allocation and implementation. Those on the list should be accorded priority for any general offer about bed allocation. Failure to perform as required by status on</p>	<p>More aged care places</p> <ul style="list-style-type: none"> ▪ Places will be set aside in each annual allocation round to meet structural and regional distortions, especially in the transition period up to the end of 2008. These places will be delivered in aged care homes, in the community, and through multi-purpose and innovative care services, and will allow more older Australians to receive the care they need. <ul style="list-style-type: none"> – The Australian Government does not consider it necessary to release additional places on top of the already large allocations planned for the next few years (27,900 new places over the next three years) and the large allocations in recent years (35,371 places in the last four approval rounds). ▪ The allocation process will be improved by announcing places three years in advance. This will improve the rate at which

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<p>the Ready List will mean loss of any standing for allocation of places until the specific Ready List project is completed.</p>	<p>new places become operational by allowing existing and new providers more time to plan for expansion and become 'bed ready'.</p> <ul style="list-style-type: none"> - The Australian Government considers that the Review's recommendation for a 'Ready List' is administratively complex and unnecessary, and that announcing places three years in advance will have a similar effect.
<p>3. Increased support for aged care assessment</p> <p>The additional funding provided in the 2003–04 Budget for the Aged Care Assessment Program should be confirmed as ongoing and indexed each year in line with the base funding for the Program.</p> <p>The Review would also endorse the Australian Government funding an expanded role for Aged Care Assessment Teams to provide a single assessment service for community and residential care services with a stronger focus on supporting consumers in making informed care choices.</p>	<p>Providing the right care in the right place</p> <ul style="list-style-type: none"> ▪ The Australian Government will provide \$47.9 million over the next four years to: <ul style="list-style-type: none"> - Improve the timeliness of Aged Care Assessment Team assessments; - Expand the role of Aged Care Assessment Teams in case management; - Strengthen the role of Aged Care Assessment Teams in community care, and improve links between community and residential care; and - Develop and apply common assessment and entry processes for community and residential care.
<p>4. ACAT role in reassessment of existing residents</p> <p>Aged Care Assessment Teams should no longer be required to assess residents whose care needs have increased to a higher Resident Classification Scale category. However, Aged Care Assessment Teams must still be required to undertake an assessment where a resident moves to another facility as a result of increased care needs.</p>	<p>Streamlining administration for better care</p> <ul style="list-style-type: none"> ▪ The requirement for an Aged Care Assessment Team to reassess a resident before they can move from low to high level care in the same aged care home will be removed from 1 July 2004. ▪ The Australian Government will provide \$29.2 million over the next four years to strengthen the classification review arrangements. This will limit the risk of inaccurate assessments of care needs.
<p>5. Resident Classification Scale</p> <p>Basic subsidies should be paid at three levels: high care, medium care and low care, replacing the existing Resident Classification Scale categories in the following way:</p> <ul style="list-style-type: none"> ▪ Low care to consolidate current RCS levels 5 to 7; ▪ Medium care to replace RCS levels 3 and 4; and ▪ High care to replace RCS levels 1 and 2. 	<p>Streamlining administration for better care</p> <ul style="list-style-type: none"> ▪ A new funding model with simplified resident categories will be introduced in 2006. ▪ The new model will be developed and introduced in consultation with the community and aged care providers.
<p>6. Funding supplements</p> <p>The arrangements through which supplements are paid for the provision of oxygen and enteral feeding should be extended to other specific care needs or medical conditions.</p> <p>These specific care needs could include:</p> <ul style="list-style-type: none"> ▪ short-term medical needs, such as IV therapy, wound management, intensive pain management and tracheostomy; ▪ specific care needs, such as for dementia sufferers exhibiting challenging behaviours or for residents requiring palliative care; and ▪ care needs of people from diverse or disadvantaged backgrounds such as the homeless elderly and indigenous Australians. <p>The rate of payment for any new supplements should reflect the incremental increase in the cost of providing the appropriate</p>	<p>Providing the right care in the right place</p> <ul style="list-style-type: none"> ▪ New supplements will be introduced in 2006 to better target assistance to residents with higher care needs by supporting the provision of care to residents with dementia exhibiting challenging behaviours and residents requiring complex palliative nursing care. ▪ The new supplements will be developed and introduced in consultation with the community and aged care providers. <ul style="list-style-type: none"> - The Australian Government considers that extending supplements to other conditions or circumstances would add unnecessary complexity to the payment system and administration. ▪ The care needs of people from diverse or disadvantaged backgrounds are supported by a number of Australian Government programs.

What did the Review recommend?

treatment and/or level of care.

Australian Government response

- The Australian Government will provide an additional \$11.6 million over the next four years to strengthen culturally appropriate aged care.
 - The Australian Government will provide an additional \$10.3 million over four years to extend the conditional adjustment payment and the increase in the concessional resident supplement to Aboriginal and Torres Strait Islander Flexible Services from 1 July 2004. A viability supplement will also be paid for the first time to these services from 1 January 2005.
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7. Aged Care Standards and Accreditation Agency

The role of the Aged Care Standards and Accreditation Agency should be directed mainly to the accreditation of services and the dissemination of accreditation results.

The Agency should significantly improve its focus on supporting informed consumer choice and consumer input to monitoring standards by:

- improving direct communication with consumers, including those with special needs, and by better informing other organisations of the level of quality provided by specific services; and
- exploring, with consumers and the industry, a star rating system to assist consumers to more readily compare services and to provide incentives for providers to become more competitive in providing quality services.

The costs of accreditation should continue to be shared by Government and providers:

- Providers should bear the total cost of accreditation audits after 2008; and
 - Government funding for the Agency should be increased, based on the robust assessment of the costs of current and projected workload. This funding should be governed by an agreement with the Department of Health and Ageing, which specifies the services required of the Agency and their unit costs.
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Providing the right care in the right place

- The Australian Government will provide \$36.3 million over the next four years to increase the funding for the Aged Care Standards and Accreditation Agency, which has responsibility for accrediting and monitoring aged care homes to ensure that providers are complying with their responsibilities.
 - This is in addition to the \$27.7 million over the next four years already budgeted as base funding for the Agency.
 - Accreditation fees will be indexed from 1 July 2004, so providers continue to make an appropriate contribution to the cost of accreditation.
 - The Australian Government will continue to provide \$1.8 million over the next four years to subsidise the accreditation fees of small homes.
 - The Australian Government will provide \$2.1 million over the next four years to develop, in consultation with the community and aged care providers, a web-based information system to provide information on aged care homes.
 - This includes exploring, in consultation with the community and aged care providers, the development of a standards rating system for aged care homes.
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8. Aged care workforce

The Australian Government should refocus and expand its support for the education and training of aged care nurses and aged care workers.

The Australian Government should increase the number of registered nurse places at Australian universities by 2,700 over the next three years, with 1,000 first-year places commencing in the 2005 academic year. These additional places should only be available to universities that offer specialist training for aged care nurses, including preceptor programs for newly graduated nurses and aged care placements for students.

The Australian Government should support aged care providers to assist at least 12,000 enrolled nurses to complete medication management training, 6,000 aged care workers to complete a Certificate Level IV qualification and 24,000 aged care workers to complete a Certificate Level III qualification by 2007–08. This training support should only be available to providers who are compliant with the education and staff development accreditation requirements, maintain their training expenditure at a minimum of their 2003–04 level and also provide in addition at least half of the

Better skills for better care

- The Australian Government will provide \$101.4 million over the next four years to assist the development of a well trained aged care workforce.
 - 4,500 additional vocational training places will be created each year for aged care workers, to improve the quality of care and to provide better career pathways for aged care workers. These places will assist 15,750 aged care workers undertake vocational education and training over the next four years.
 - 1,500 additional ‘certificates of attainment’ in medication management will be supported each year to allow enrolled nurses to expand their skills and improve the quality of care and efficiency of aged care homes. These places will assist 5,250 enrolled nurses obtain medication management qualifications over the next four years.
 - 400 additional higher education places will be created in 2004-05, rising to 1,094 over four years, to increase the supply of registered nurses. These places will allow 1,600
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What did the Review recommend?	Australian Government response
<p>cost of the additional training supported by this measure.</p> <p>The Australian Government should work with state and territory governments to expand the number of aged care training places available in the Vocational Education and Training Sector.</p>	<p>students to commence nursing education over the next four years.</p> <ul style="list-style-type: none"> – 2,000 additional places will be created in the Workplace English Language and Literacy (WELL) program each year, to assist aged care workers from culturally and linguistically diverse backgrounds to improve their qualifications and provide higher quality care. These places will support 8,000 aged care workers undertake the WELL program over the next four years. ▪ The Australian Government will also work with state and territory governments to expand the number of aged care training places available in the Vocational Education and Training Sector.
<p>9. Guarantee fund</p> <p>The Australian Government should establish a guarantee fund:</p> <ul style="list-style-type: none"> ▪ managed by an Authority established for the purpose; ▪ funded by an industry levy, the amount of which is determined on actuarial advice; and ▪ in the event of a defined ‘default event’, people with entitlements are able to recover accommodation bond amounts from the Fund. <p>A default event in relation to an approved provider, happens when:</p> <ul style="list-style-type: none"> ▪ the approved provider becomes bankrupt or insolvent; ▪ the approved provider if it is a corporation, is being wound up or ceases to exist and there are insufficient funds to repay the accommodation bond entitlements; and ▪ the approved provider is otherwise unable to meet the approved provider’s liabilities under the enabling legislation. <p>As well as management of the Fund, the Fund Authority is to have prudential oversighting authority of approved providers. The powers of the Authority should include but not be limited to:</p> <ul style="list-style-type: none"> ▪ the ability to examine the financial affairs of an approved provider, by means of inspection and analysis of the records, books and accounts; ▪ the ability to review the value of the assets of each approved provider’s corporate entity; ▪ the ability to appoint an administrator of the corporate entity; ▪ the ability to apply to court for the winding up of insolvent approved providers; and ▪ the ability to require an approved provider to enter into negotiations for the disposal of assets and if that fails, to secure an outcome to avoid where possible a claim on the Fund. 	<p>Building better aged care homes –strengthened prudential arrangements</p> <ul style="list-style-type: none"> ▪ The Australian Government will provide \$0.8 million to support the establishment, in consultation with the community and aged care providers, of a provider funded guarantee fund to strengthen the security of residents’ bonds. ▪ The current financial protections provided to residents will be strengthened by: <ul style="list-style-type: none"> – Making the conditional adjustment payment (see Recommendation 13) subject to approved providers making their audited financial statements publicly available; and – Collecting better information about companies and other entities that own services, and their key personnel. ▪ The Australian Government considers that the high degree of regulation recommended by the Review cannot be justified. The provider funded guarantee fund offers a similar degree of security to residents without the high cost of additional regulation and administrative burden to providers.
<p>10. Financial assessment on entry</p> <p>Assessment of residents’ or prospective residents’ income and assets should be the responsibility of the Australian Government and carried out by Centrelink and not the aged care provider, preferably prior to entry into care.</p>	<p>Streamlining administration for better care</p> <ul style="list-style-type: none"> ▪ The Australian Government will provide \$19.7 million over the next four years to transfer responsibility for asset testing new residents from aged care providers to Centrelink (and the Department of Veterans’ Affairs) from 1 July 2005.
<p>11. Viability supplement</p> <p>The Australian Government should increase the total amount available for the viability supplement for rural and remote services.</p>	<p>Investing in better care</p> <ul style="list-style-type: none"> ▪ The Australian Government will provide \$14.8 million over the next four years to increase the viability supplement paid to rural and remote providers.

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<p>The Australian Government should also review the viability supplement's rates and eligibility requirements to ensure that they do not create perverse incentives against consolidation. At the very least the eligibility requirement should be raised to include facilities with 30 beds or fewer.</p>	<ul style="list-style-type: none"> – This is in addition to current viability supplements worth about \$13 million a year. ▪ The eligibility criteria for, and rates of, the viability supplement will be reviewed in 2004-05 with the new funding flowing from 1 January 2005. ▪ For the first time a viability supplement will also be paid to Aboriginal and Torres Strait Islander Flexible Services (see Recommendation 6).
<p>12. Targeted capital assistance</p> <p>The Australian Government should maintain a small targeted capital assistance program to assist those services experiencing exceptional circumstances.</p>	<p>Building better aged care homes</p> <ul style="list-style-type: none"> ▪ The current targeted capital assistance program of capital grants to rural and remote providers will continue.
<p>13. Conditional incentive supplement</p> <p>The Australian Government should introduce an incentive supplement, payable in addition to all existing subsidies and supplements, with the value of the supplement for each resident to be set at 1.75 per cent on an annual basis. The need for, and value of the supplement, should be reviewed in 2007–08. Continued eligibility of providers for the supplement should be linked to gains in efficiency, productivity and workforce training.</p>	<p>Investing in better care</p> <ul style="list-style-type: none"> ▪ The Australian Government will provide \$877.8 million over the next four years for a conditional adjustment payment that will increase residential care subsidies by seven per cent over four years (1.75 per cent cumulative per year) on top of the increases due to the annual indexation of subsidies. <ul style="list-style-type: none"> – The conditional adjustment payment will raise subsidies by an average of about \$500 per resident in 2004-05, rising to about \$2,000 per resident by 2007-08. ▪ The adjustment payment will be conditional on each provider giving its staff information and opportunities regarding workforce training, making audited accounts publicly available each year and taking part in a periodic workforce census. ▪ The need for and value of the conditional adjustment payment will be reviewed in 2007-08.
<p>14. Comprehensive data repository</p> <p>As a complement to Recommendation 13, the existing aged care information infrastructure should be substantially expanded, building on the existing expertise within the Australian Institute of Health and Welfare and should include quality and financial performance data.</p>	<p>Investing in better care</p> <ul style="list-style-type: none"> ▪ The audited financial statements of providers will be used to develop benchmarks on performance to assist providers achieve appropriate efficiencies and improve the quality of care.
<p>15. Corporate information</p> <p>The names of entities and major shareholders of the companies and associate companies having ownership or part ownership of residential aged care services should be required by the Department of Health and Ageing.</p> <p>The monitoring and authorisation of transfers should be extended beyond key personnel to personnel of entities owning providers, subject to review after 2008.</p> <p>In the contribution to efficiency improvements, the Department of Health and Ageing should implement immediately provisions for electronic funding and information transfers for all accounting, financial and supervisory requirements relating to providers.</p>	<p>Streamlining administration for better care</p> <ul style="list-style-type: none"> ▪ The Australian Government will provide \$33.0 million over the next four years to develop and implement electronic funding and information transfers for all accounting, financial and supervisory requirements relating to providers, with the new arrangements rolled out from early 2005. ▪ Aged care providers will be required to supply more comprehensive information on ownership and key personnel to assist with the monitoring of the suitability of providers.

Response to medium- term recommendations for a sustainable industry

16. Concessional, transitional and assisted residents

The Australian Government should consider modifying the concessional resident supplement arrangements by:

- increasing the maximum rate of the concessional resident supplement to \$19.00 a day, indexed annually;
- abolishing the 40 per cent threshold;
- introducing a sliding assisted resident supplement for residents with assets between 2.5 times and ten times the pension to ensure that the assisted resident supplement plus the maximum accommodation charge payable by each resident is equal to the maximum rate of the concessional resident supplement; and
- extending the concessional resident arrangements to all transitional residents remaining in the system.

Building better aged care homes

- The Australian Government will provide \$438.6 million over the next four years to increase its capital contribution to the cost of care.
 - The maximum rate of the concessional resident supplement will be increased from \$13.49 to \$16.25 (indexed) per resident per day from 1 July 2004. The other rates of the concessional resident supplement will be increased proportionately.
 - The rates of the respite supplement will be increased in line with the increase in the concessional resident supplement, that is, by \$2.75 per resident per day from 1 July 2004.
 - The rates of the transitional resident supplement will be increased to match the new maximum rate of the concessional resident supplement, that is, to \$16.25 per resident per day from 1 July 2004.
- In addition, in recognition of the forward plan for improved safety and building standards for aged care homes developed and agreed with the aged care sector, and in particular improved fire safety, the Australian Government will make a one off payment to aged care providers in 2003-04 of \$513.3 million, or \$3,500 per resident.
- The Australian Government will consult with the community and aged care providers on the appropriateness of the other parts of this recommendation.

17. Adjusted subsidy reduction

The Australian Government should abolish the adjusted subsidy reduction so that all providers receive the same level of subsidy.

Longer term considerations

- The Australian Government will consult with the community and aged care providers on the appropriateness of this recommendation.

18. Pensioner supplement

Eligible pensioners should be able to gain the benefit of the rent assistance payment and the pensioner supplement should be abolished.

The maximum basic daily care fee for all residents should be set at 85 per cent of the value of the maximum rate of the basic single pension plus the full value of the maximum rate of rent assistance.

Longer term considerations

- The Australian Government will consult with the community and aged care providers on the appropriateness of this recommendation.

19. Accommodation payments

Accommodation payments for non-concessional new aged care residents should be as follows:

- Options for making capital contributions should be consistent in low care and high care, not least to remove disincentives to ageing in place;
- The notion of a 'bond' that is both a form of corporate debt (a no interest loan) and a source of fees through retention payments is confusing and should cease. Corporate debt and fees (no matter how derived) should be clearly separated;
- Subject to retaining at least the statutory level of assets, new residents to have the option of paying:
 - fully refundable lump sum bond (not subject to retention amounts) to be held for the period of the resident's stay; or

Building better aged care homes

- The Australian Government will increase the maximum rate of the accommodation charge that new high care residents who have the ability to make a contribution to the cost of their accommodation can be asked to contribute.
 - The maximum rate of the accommodation charge for new residents entering from 1 July 2004 will increase by up to \$2.34 per day. No resident will pay more than \$16.25 for the charge.
 - This is in line with the new maximum rate for the concessional resident supplement (see Recommendation 16).
- The five-year limit on paying accommodation charges will also be removed for new high care residents, so that they make a capital contribution throughout their stay.

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- a daily rental charge, applicable for the duration of the resident's stay;
 - The accommodation bond should be payable on entry to the service and should be repayable within a reasonable period of the resident's departure from the service, being seven days in the case of transfer to another residential care service and two months in case of death; and
 - Existing residents should continue to be covered by the current accommodation payment arrangements including the five-year limit on charges and retentions from bonds.
- Current residents will not be affected by these changes.
 - The existing bond arrangements remain unchanged.
 - The rate of the accommodation charge that a resident can be asked to pay will continue to be means tested.
 - Respite residents will continue to be exempted from paying accommodation charges.
 - The Australian Government will consult with the community and aged care providers on the appropriateness of the other parts of this recommendation.
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20. Research into neuro-degenerative diseases

Attention should be given to research into neuro-degenerative diseases, with funding provided for:

- comprehensive prevalence studies; and
- further data matching studies to enable a better understanding of neuro-degenerative disease pathways and the services accessed along pathways.

The NHMRC should continue to give priority to research into the prevention of dementia and dementia related illnesses and to encourage multi-disciplinary research into the care of people with such illnesses.

Support for research into neuro-degenerative diseases

- The Australian Government has identified research into neuro-degenerative diseases as a high priority and is committed to reducing the future burden of these diseases in the Australian community.
 - In 2003, the National Health and Medical Research Council (NHMRC) awarded over \$6.4 million to fund research addressing neuro-degenerative diseases.
 - Neuro-degenerative diseases are one of the research themes to be progressed through a multi-disciplinary research collaboration, *Ageing Well, Ageing Productively*, between the NHMRC and the Australian Research Council.
 - A National Neuroscience Consultative Taskforce is being established to develop a *Brain and Mind Research Alliance* to increase Australia's scientific capacity to reduce the burden of brain and mind disorders.
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Response to options for further consideration

Options 1-6 to improve consumer choice and competition

- Vouchers
- Contracting agency
- Means testing
- Asset transfer period
- Revised assets test arrangements
- Place allocation auction

Longer term considerations

- The Australian Government will consult the community and aged care providers on the appropriateness of the longer term options (except option five) presented by the Review including:
 - placing the choice of provider in the hands of the prospective resident or the resident's family by granting them an authority to spend aged care monies on care and accommodation;
 - establishing a contracting agency to negotiate the prices and conditions for residents in facilities;
 - bringing the aged care means testing arrangements in line with those for the age pension;
 - extending the asset transfer period; and
 - introducing an auction/tender system for place allocations.
 - The Australian Government rejects the suggestion in option five that it exempt the proceeds of sale of the family home from a tax imposition or inclusion in an asset valuation assessment. It considers this would in effect create a government deposit-taking interest-paying institution, which would represent a reversal of its current policy on the public ownership of financial institutions.
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