Past, Present and Future Directions of Aged Care

Grant Corderoy – Senior Partner StewartBrown
## The Dark Ages

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
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<tbody>
<tr>
<td>Prior to 1954</td>
<td>Funding for residential aged care was largely through the Commonwealth to State based benevolent asylums</td>
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<td>December 1954</td>
<td>Aged Persons Homes Act 1954 provided capital funding for retirement villages. Taken up largely by the charitable sector. Was to encourage retirees to down-size and to alleviate the housing shortage for returned service men and women.</td>
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<tr>
<td>1962</td>
<td>Commonwealth nursing home benefit saw the growth of the nursing home sector. Known as C class hospitals these were initially largely developed by the for-profit sector. When first introduced it provided a subsidy of 20 shillings ($2) per day per patient</td>
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<td>1966</td>
<td>Changes made to the Aged Persons Home Act to extend capital funding to nursing homes</td>
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<td>1969</td>
<td>Capital funding extended to hostels. Allowed charitable organisations to extend their services to elderly people who could not care for themselves but who did not require the care provided in a “C class” hospital. Recurrent subsidies also extended to Hostels</td>
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<td>1972</td>
<td>National Health Act was amended to provide for control of Admissions to nursing Homes, the growth of nursing home accommodation and nursing home fees. At end of 1972 Private nursing homes accounted for 54% of the beds, NFPs 27% and State governments 19%</td>
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# The “Middle Ages” – the 70s and 80s

## Capital Funding

- Redirected from retirement villages to construction of hostels and nursing homes
- Saw a growth in number of nursing homes built and operated by NFPs
- Variety of capital funding schemes introduced during this period
- In 1974 the capital funding scheme increased from 2/1 ratio to 4/1 ratio – that is $4 of government funding for every $1 of operator funding. Saw an explosion in the proposals for building new nursing homes and hostels – In 1975 approvals for new homes was suspended

## Recurrent Funding

- 1974/75 budget established a deficit financing system where government would enter into agreements with NFPs whereby the government would meet the deficits incurred in running the homes. 68% of the eligible homes took up the scheme. Encouraged the NFP sector to operate more nursing homes. The number of places operated by NFP increased by 54% in the period 1976 and 1983
- A new funding model was introduced in 1987 with a transition period extending to 1991. This was the Standard Aggregated Module (SAM) and concurrently the Resident Classification Instrument (RCI) was also introduced. The SAM funding was supplemented by the CARE Aggregated Module (CAM) which was a supplement based on the resident’s RCI. Additionally the operators were reimbursed for expenditure on LSL and superannuation and this was by way of the Other Cost Reimbursed Expenditure Module (OCRE). CAM/SAM and OCRE was born

## Policy Direction

- The Nursing Homes and Hostels Review’s report issued in 1986 recommended that aged care programs should shift away from residential care with a greater emphasis on home based care. The HACC program was already under development and this was quickly expanded
- 1986 saw the introduction of the geriatric assessment teams which were the forerunners for the ACATs that are currently in place
- Outcome standards were introduced in 1987
- Respite care subsidies introduced in 1988
### The early Nineties

<table>
<thead>
<tr>
<th><strong>Recurrent funding</strong></th>
<th><strong>Policy Direction</strong></th>
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<tbody>
<tr>
<td>Validation audits were introduced in 1991</td>
<td>A Charter of residents rights came into force in 1990</td>
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<td>In 1992 the Personal Care Assessment Instrument (PCAI) which was modelled on the RCI was introduced into hostels.</td>
<td>A national plan for dementia care was funded in the 1992/93 budget</td>
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<tr>
<td>Funding moved to the Resident Classification Scale which operated across both hostels and nursing homes in 1997 with the introduction of the Aged Care Act</td>
<td>Entry contributions were introduced to hostels in response to the government reducing personal care subsidies for those persons that were not considered to be financially disadvantaged</td>
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To summarise

Prior to 1954
Little government control or funding. Residential care provided through benevolent asylums operated by State or Charitable sectors

1954 to 1962
Mainly capital funding to retirement villages

1962 to 1974
Encouragement to build and operate nursing homes and hostels through both capital and recurrent funding

1975 to 1997
Greater encouragement given to NFPs to operate nursing homes. Still largely a cottage industry but larger organisations both NFP and FPs developed
The past 10 years – a period of reform
The Aged Care Act 1997

**Capital Funding**
- Modified and retargeted funding through accommodation supplements
- Eventually capital grants were replaced with a targeted loan scheme
- Expanded and more tightly regulated bonds in low care (hostels)
- New building and fire standards

**Recurrent funding**
- Introduction of the RCS instrument that went across both hostels and nursing homes
- Variety of targeted supplements introduced
- Restructured resident contributions
- Frameworks introduced for Home Care packages alongside residential and respite care

**Policy**
- Introduction of the notion of accreditation of homes and compliance standards and Agency to enforce compliance
- New set of residents rights and operator responsibilities
- Schedules of standard levels of service
- Aged Care Assessment Teams and Agency
- Far greater emphasis given to care delivered to the home
To Summarise

**Capital Funding**
- Transitioned from grant based government assistance to a mix of user-pay and government supplements

**Recurrent Funding**
- Moved to a single funding instrument (RCS then ACFI) across all of residential care.
- Similarly with Home care

**Policy**
- Greater emphasis on care and services delivered into the community.
- New regime of accreditation and continuous improvement.
- Increased levels of compliance and regulation.
- Moved from largely cottage industry to a big business enterprise
Change in the number of providers

Providers of Aged services

- Residential care providers: 949 to 702
- CHSP providers: 1,686 to 1,523
- Home Care Providers: 496 to 702

2016 - 2017
Who is providing Residential Care?

Ownership of residential aged care - % of Operational places

- Private
- Not for Profit
- Government
Here and Now

**Residential Care**
- Average length of stay less than **17 months**
- Occupancy remains high - over 94+
- **76,000** new beds required in next 10 years

**Home Care Packages**
- Significant new providers entering market
- Margins are declining
- Now transitioned to a retail environment

**Seniors Housing**
- Average age of entry is greater **77+ years old**
- Average age of residents is **84+ years**
- **184,000** current residents

**CHSP**
- Current funding model remains in place until 2020
- Activity based acquittals
Commonwealth Home Support Programme (CHSP)

- Home support (1,523 providers)
  - CW Funding: $2.6b
  - Home support 784,927

- Home Care (702 providers)
  - CW Funding: $1.6b
  - Home Care 71,423

- Residential Care (902 providers)
  - CW Funding: $11.9b
  - Residential Care 209,626

4 Home Care package levels

Current Reviews

<table>
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<tr>
<th>Number of reviews waiting for Government response</th>
<th>Legislated Review of Aged Care <em>(David Tune AO)</em></th>
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<tr>
<td></td>
<td>Bond Guarantee Scheme <em>(ACFA)</em></td>
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<td>Prudential legislation <em>(Ernst &amp; Young)</em></td>
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<td></td>
<td>Report on access to care for supported residents <em>(ACFA)</em></td>
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<td></td>
<td>Review of ACFI <em>(University of Wollongong)</em></td>
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<td>Future of Australia’s aged care Workforce Inquiry <em>(Australian Senate)</em></td>
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<td></td>
<td>Review of the National Aged Care Quality Regulatory Processes <em>(Carnell/Patterson)</em></td>
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Future Directions

End of Life will become the ‘fourth age’ after retirement

Home care places will grow far faster than residential

Integration of services into main stream communities will increase, stand alone aged care ‘precincts’ will diminish

Workforce will increasingly be a defining issue for quality, performance, scope and delivery

Aged care specific technology adoption will accelerate for consumers - providers will need to match adoption rate

Care will be clearly ‘de-coupled’ from accommodation

Consumers will ‘self assemble’ aged care communities
Future Directions

- All Government funding will be linked to consumers, not ‘beds’
- Consumers will be expected to pay more with government providing a base ‘national floor price’ for services (safety net remains), consumers negotiate with providers on ‘gap’ prices
- Single framework for eligibility, assessment & funding level
- Single funding system across home and residential
- Base safety & security will be regulated, competition will be based on quality and outcomes achieved, linked to funding
- ‘Thin markets’ will be block funded but only at subsistence levels
- Rationalisation of providers will accelerate
The Boomers
Habits

- Boomers are more accustomed to paying for services
- Greater expectation as to flexibility in choice, type of service and time of delivery
- They will pay for good service but demand value
- High level of competence with smart phones and tablets
- Desire to remain active and connected to their communities of choice
- Majority of older people prefer to age in place in their home
The Headlines

**Boomers chasing new urban high rise rental apartments**

MELBOURNE: There is no disputing the magic draw of major cities, iconic buildings, world-class entertainment, shopping and eateries. For those who work in the city and delight in the excitement of urban living, new opportunities exist in luxurious rental buildings that offer exceptional levels of amenities.

**Study finds ‘new frugality’ amongst Baby Boomers**

MELBOURNE: Baby Boomers are exhibiting a stronger sense of financial preparedness and confidence, according to a recent study that explores generational perceptions of retirement readiness.

**Aged care cost time bomb hits boomers**

SYDNEY: Adult children are paying up to hundreds of thousands of dollars to help fund their parents into aged care, a trend that is expected to accelerate because of rising property costs, increasing demand for high-quality accommodation and the requirement for greater levels of assistance.

**Baby boomers looking for style and more space**

MELBOURNE: Investor-driven apartments have boosted the apartment market for many years, but increasingly, owner-occupiers, wanting to scale down in their own suburbs are taking over.
The Headlines

Nursing homes need to prepare for wave of boomers says LASA

GEELONG: A wave of baby boomers will hit nursing homes and the nation’s leaders need to be better prepared.

That was the message delivered by aged-care sector chiefs as they met in Geelong to discuss how the country was set to become greyer over the next decade.

Boomers underpin Melbourne CBD apartment market

MELBOURNE: Strong population growth in the Melbourne CBD is having an unexpected spin-off for the Baby Boomer generation.

CBRE data has contradicted reports that apartment sales are slowing.

Luxurious retirement living aimed at cashed-up baby boomers

SYDNEY: A luxury retirement development due for completion in 2017 that offers independent living residences with 24-hour emergency response monitoring in Sydney’s Hills district is already being marketed with three-bedroom units starting at $1.315 million.

Baby boomers will snub ‘retirement villages’

BRISBANE: Baby boomers will not retire to conventional retirement villages” as their parents have, Queensland’s Council for the Aged said.

The model of the “retirement village” is under threat by baby boomers, Mark Tucker-Evans, chief executive of Queensland Council for the Aged said.

Care home providers can compete with ageing in place

MELBOURNE: The strong desire of many older adults to age in their own homes continues to threaten the senior housing industry. To begin to attract more of these seniors, the industry will have to become more innovative, according to Dan Hutson, chief strategy officer at HumanGood.

StewartBrown
Fee for Service - Lessons learned from providers

- Significant change management issues for existing consumers and staff
- Far easier to implement in a new or significantly refurbished facility
- Challenges in transitioning service value to consumer as their needs change and acuity levels increase
- Use of 3rd party aggregators to provide services
Fee for Service - Lessons learned from providers

- Developing a retail culture can be challenging for staff
- Decisions to be made on differentiation of services between those that can’t/won’t pay and those that do
- Getting the pricing right and understanding the cost of service delivery
- Understanding who will pay for the service – resident or family
## Service integration

### Revenue streams
- Home care services into seniors’ housing
- Residential care services into Seniors’ housing
- Cross selling between business units maximising use of ‘Brand’ across organisation

### Workforce
- Sharing workforce across business units
- Integrating standards and policies – single culture
- Integration of systems and information flows

### Admissions policy
- Integration of admissions policy across organisation
- Manage movement of customers between business units based on client need
- Maximise income levels across business units based on client need