



**BUDGET 2018-19:
RECOMMENDATIONS ON A
WAY FOWARD FOR AGED
CARE**

January 2018

Leading Aged Services Australia

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Leading Age Services Australia (LASA) is the national peak body representing and supporting providers of age services across residential care, home care and retirement living. Our purpose is to enable a high performing, respected and sustainable age services industry delivering affordable, accessible, quality care and services for older Australians. We represent our Members by advocating their views on issues of importance and we support our Members by providing information, services, training and events that enhance performance and sustainability.

LASA's membership base is made up of organisations providing care, support and services to older Australians. Our Members include private, not-for-profit, faith-based and government operated organisations providing age services across residential aged care, home care and retirement living. 57% are not-for-profit, 33% are for-profit providers and 10% of our Members are government providers. Our diverse membership base provides LASA with the ability to speak with credibility and authority on issues of importance to older Australians and the age services industry.

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1. Introduction

LASA seeks support from the Australian Parliament to ensure that older Australians have available to them accessible, affordable, quality care and services, provided by a high performing, respected and sustainable age services industry - now and into the future.

In undertaking this work, LASA has liaised with the other aged care provider peak bodies (Aged and Community Services Australia and the Aged Care Guild), and has reviewed pre-Budget submissions made by aged care consumer peak bodies.

This document provides a brief to Members of the Australian Parliament on:

- urgent issues and significant risks regarding Australia's aged care system, and
- recommended responses to be considered in the context of the 2018-19 Federal Budget.

2. The need for change

The Policy Context

- In 2011 the Productivity Commission's "Caring for Older Australians" report (2011) found that in Australia *'The aged care system suffers key weaknesses. It is difficult to navigate. Services are limited, as is consumer choice. Quality is variable. Coverage of needs, pricing, subsidies and user co-contributions are inconsistent or inequitable. Workforce shortages are exacerbated by low wages and some workers have insufficient skills'*.
- The policy response to the shortcomings identified by the Productivity Commission was the Living Longer Living Better (LLLB) Reform Package (2012). This reform agenda heralded transformation for Australia's aged care system, outlining a ten year plan to realise *'a responsive, integrated, consumer-centred and sustainable aged care system, designed to meet the challenges of population ageing and ensure ongoing innovation and improvement'*.
- Underpinning the LLLB reform agenda are four principles – ageing in place; consumer choice; market-based competition; and, consumer contributions.
- Since implementation, the LLLB reform package has enjoyed bipartisan support in the Australian Parliament.

Australia's Aged Care System Today

- Since 2012, successive Australian Governments have worked to progress the LLLB reforms against a backdrop of: increasing demand for age services; changing consumer needs and expectations; the introduction of disruptive technologies and business models; and, increased competition and new market entrants.
- Progressing the reform agenda has seen a number of significant changes for consumers and providers regarding access, choice and funding for age services in Australia. This has included significant policy, funding, legislation, regulation, systems and process changes across residential care, home care and retirement living sectors.
- Over this period, Australian Government funding for aged care has increased by 19% to \$18.5B in 2017-18. Current Forward Estimates sees the Australian Government's spend on aged care

reaching parity with its spend on hospitals in 2020-21 (at around \$22.5B pa). Notwithstanding this, around \$3 billion¹ has been withdrawn from aged care system funding by successive Governments over the past 5 years.

- The independent review of the aged care reform agenda conducted by David Tune in 2017 found aged care in Australia to be *'a system in transition'*. Tune reports that the system has achieved some outcomes, but has more work to do. This presents ongoing challenges for consumers, providers and Governments alike. Specifically, David Tune found that:
 - *Planning for growth is one the main challenges of aged care policy as the current planning mechanisms are not going to deliver sufficient services in the long term*
 - *Meeting the projected future demand will need additional investment by government beyond what is currently planned, and*
 - *a key issue is how the increasing demand will be financed and the costs shared - between Governments and consumers*

A System Under Pressure and at Serious Risk

- Five years into the reform journey, it is widely acknowledged that older Australians, providers of age services, and State and Federal governments are all wrestling with transformational change in Australia's aged care system. Notable examples include:
 - **Home Care:** In a policy environment predicated on older Australians ageing in place, close to family and friends and being part of local communities, there is an unacceptable and growing waiting list of over 100,000 older Australians assessed as requiring care in their homes, but unable to get the level of care required. This situation also results in higher costs to governments in the form of premature entries into residential aged care, and/or avoidable presentations to hospital emergency departments, and/or unwarranted hospital admissions.
 - **Residential Care:** At a time when residential aged care services need to grow significantly to meet future demand, the combination of reduced Government funding and increased operational costs, places increasing pressure on business viability. The Government's Aged Care Financing Authority (ACFA) reported in 2015-16 and 2016-17 that around one third of residential aged care providers reported financial losses in these financial years. The 2016-17 Report further states that it anticipates that Government changes to funding for residential aged care will *'likely contribute to a (further) decline in financial performance over time'*. This situation puts at serious risk the viability of current services, particularly single site operators who make up around 60% of providers, with many of these operating in regional locations. This situation also deters the future capital investment that is required to meet the forecasted demand of

¹ <https://www.australianageingagenda.com.au/2016/07/01/devastating-impact-budget-cuts-will-reduce-aged-care-funding-by-2-5-billion/> Plus further indexation cuts were made in December 2016.

83,500 new residential care places over the next 10 years, with an estimated investment of around \$35B (as reported by ACFA in 2017). Note – 33,367 new residential care places came online in the preceding ten years.

- **Quality:** Community confidence in the quality of care and service in Australia’s aged care system is being questioned in the wake of catastrophic failures in the South Australian Government operated, Oakden Older Persons Mental Health Facility. This situation, coupled with mainstream media reporting of other isolated incidents regarding quality in residential aged care services and the business practices of some retirement village operators, continues to diminish community confidence in Australia’s aged care system. A recent independent review has recommended a number of changes to the Australian Government’s quality system, with further reviews presently underway. Older Australians and their families need to feel assured they are receiving quality care and services that meet stringent national standards of quality and safety. The shared interests across older Australians and their families, age services providers, and government policy makers and regulators, in ensuring Australia’s age services system is safe, fair and sustainable provides a platform for collaboration that will be needed to translate Review findings and recommendations into appropriate actions and outcomes that will address any identified shortcomings and contribute to continuous improvement and community confidence.
- **Support Systems:** Australia’s aged care system is still difficult to access and navigate for consumers, and presents ongoing issues and increasing transaction costs for service providers. There are ongoing issues with consistency, quality and timeliness of services provided by the My Aged Care program, and Aged Care Assessment Teams and Regional Assessment Services continue to exacerbate challenges for older Australians in accessing information and services. Similarly, ongoing issues with the My Aged Care portal and Government payment system for service providers continues to result in increased administrative costs for business. The compounding effect of these issues results in unsatisfactory experiences, poor outcomes and increased costs in both time and money for consumers and providers alike.
- The outcome of the combination of the above factors sees confidence in, and the sustainability of, Australia’s aged care system at serious risk. These issues are pressing and need urgent attention. Failure to do so will result in significant negative impacts for older Australians, their families, providers of age services and the Australian Government.

3. A Reasonable Government response – 2018/19 Budget

- 21st Century Australia needs a high performing, respected and sustainable age services industry, delivering accessible, affordable, quality care and services for older Australians – now and into the future. An age services system that enables and supports older Australians to live the life they want, with dignity and choice.
- To realise this vision, drawing on recommendations from recent Reviews and Inquiries into elements of the aged care system, as well as feedback from consumers and service providers, LASA recommends to Members of the Australian Parliament the following 2018-19 Budget Initiatives. Note – initiatives consistent with Tune Review recommendations are identified as Tune #XX)

1. ACCESS TO SERVICES

- a. Increase the number of Home Care Packages (HCPs) in the system to meet demand by:
 - i. Exploring recouping unspent funds in existing Home Care Packages (LASA estimates this to be between \$200 and \$350 million) and redirecting this money to create possibly up to 4,000 new Level 3 and 4,000 new level 4 packages (funded from existing budget allocation)
 - ii. Assessing whether there is an opportunity to better direct funds to those most in need through limiting the time for a reassessment when a package is not activated to 56 days, not 66 days and a further extension of 28 days
 - ii. Creating additional new Level Three and Level Four HCPs in response to priority demand on the national queue (every \$100 million per annum injection would purchase 1,150 Level 3 and 1,150 level 4 packages).
- b. Improving access to other age services by:
 - i. Better supporting care transitions for older Australians, including reablement supports (\$20 million per annum)
 - ii. Ensuring appropriate residential respite care (Tune #8) for older Australians and their carers (\$20 million per annum)
 - iii. Providing better palliative care support, at home and in residential care, to older Australians and their families (\$20-\$40 million per annum)
 - iv. Addressing My Aged Care system issues experienced by consumers and providers, with prioritisation of Department of Human Services and Department of Health system upgrade requirements over the forward estimates period (\$10 million per annum for 4 years).

2. FUNDING OF SERVICES

- a. Promote greater equity and increase consumer contributions (at no cost to Government) by:
 - i. adjusting upwards the current threshold value (\$162 K) of the family home in residential aged care means testing calculations (Tune #13)
 - ii. increasing the annual fee cap for home care package income tested care fees (e.g. to \$20,000 per annum), reviewing annual caps for means tested fees in residential care and abolishing lifetime caps for these fees in both home care and residential aged care (Tune #15)
 - iii. allowing residential care providers to charge a higher basic daily fee to non-low means residents (Tune #14 (b)²)
 - iv. introducing mandatory consumer contributions for Commonwealth Home Support Program services – commensurate with an individual’s financial means (Tune #16)
 - v. increasing the maximum accommodation (bond) payment to \$750 K (or equivalent daily payment) and implementing an automatic link between future maximum accommodation payment levels and median house prices, with possible adjustments to this for regional areas where local property values may not reflect the level of investment required (Tune #19).

- b. Stabilise Residential Care business viability and industry investment confidence through:
 - i. Providing full indexation in 2018-19 to the Complex Health Care domain of ACFI (not the announced halving of indexation)
 - ii. Ensuring that Commonwealth Own Purpose Expenses (COPE) indexation for 2018-19 takes into account the real cost drivers for aged care providers, in particular, the higher 3.3% wage increase from the national wage case in June 2017
 - iii. Reversing the 2015 cut to Complex Care Needs funding including for people with dementia (\$20 million per annum)
 - iv. Supporting the viability of remote operators (\$20 million + per annum³ should be targeted at remote operators with large revenue gaps between the basic daily fee and the actual everyday living costs).

² Tune 14 (b): Allow providers to charge a higher basic daily fee to non-low means residents, with amounts over \$100 to be approved by the Aged Care Pricing Commissioner

³ Note that Stewart Brown has modelled that there are 1,685 remote places (including places for Aboriginal people and excluding MPS). To cut their higher gap between daily fees and actual costs to that of the average gap for all operators would cost \$13.1 million per annum. This is a very partial response as it does not close the full revenue gap for remote operators or respond to the revenue gap for other operators at all.

3. QUALITY OF SERVICES

- a. Respond to the growing and changing care and support needs of older Australians by:
 - i. Improving pain management programs in residential aged care (\$10 million per annum)
 - ii. Supporting re-ablement focused exercise and other complementary therapies (\$10 million per annum)
 - iii. Reducing avoidable hospital presentations from residential aged care facilities through tele-health and other on-site supports, and trialling innovative, primary/acute/aged care collaboration and funding models (\$25 million per annum).

- b. Supporting industry to respond to changes in the Australian aged quality system, including Carnell-Paterson inquiry recommendations and implementation of the Single Aged Care Quality Framework (\$7.5 million per annum)

4. DELIVERY OF SERVICES (WORKFORCE)

- a. Building on the recommendations of the Senate Inquiry into the Aged Care Sector Workforce, and anticipating possible outcomes from the work currently underway by the Aged Care Workforce Taskforce, the Government should support the attraction, retention, and development of Australia's aged care workforce by:
 - i. Allocating initial funding to address actions/initiatives recommended by the Aged Care Workforce Taskforce (\$20 million in 2018-19 with later review for the forward estimate years)
 - ii. Enhancing skills and expertise of existing aged care workforce through a revitalised Aged Care Workforce Vocational Education and Training Program (\$10 million per annum)
 - iii. Fund a collaborative pilot program to train 40 previous informal carers in a Certificate III Individual Support to support them to re-enter the workforce in aged care. (\$250 K in 2018-19 including for evaluation with possible expansion over the forward estimate years).

4. 2018-19 and beyond

- The measures outlined above provide an urgent, short term, response to the pressing issues in Australia's aged care system. Beyond this, further work is needed to address fundamental system issues, manage community expectations and bring stability and sustainability to the age services industry. To achieve this, two major activities are proposed. These being:
 - **National Conversation on Ageing in Australia:** The issues of ageing and aged care in Australia are of national importance. Notwithstanding this, they present numerous issues and challenges (e.g. ageism, elder abuse, access to services, changing consumer expectations, funding of services, etc.). A 'national conversation' engaging the Australian community is needed to discuss key issues, manage expectations, and reach agreement on how Australia can best enable and support the growing number of older Australians to age well, continue to contribute our society and economy, and be appropriately cared for and supported. The starting point for this national conversation is an 'Ageing in Australia' Summit to be convened in 2018 (\$400 K). This invitation-only Summit would bring together up to 100 leading experts, practitioners and stakeholders to agree key issues and co-design an 'Ageing in Australia' national engagement program. The program would be further developed and costed for delivery in 2019-20.

This Summit could be announced in the Budget Speech following reference to some of the urgent drivers for reform.

- **Age Services Sustainable Funding Strategy:** The current aged care funding model in Australia is not sustainable. A national solution to funding the growing cost of aged care in Australia is needed – an age services sustainable funding strategy. The development and design of this strategy requires detailed research, analysis and modelling. Furthermore, funding options for consideration need to include examples from other countries, such as national insurance schemes, taxpayer levies, user-pays models, taxation concessions/supplements, etc. Progressing an effective sustainable funding strategy can only be achieved in collaboration with industry. To progress, an independently facilitated, collaborative funding strategy design process is required. This process would see invited consumer, industry and Government representatives convene and design a process to develop and implement an age services sustainable funding strategy, including research and modelling inputs (\$1 million). The design process and subsequent strategy development would be conducted throughout 2018-19 for implementation in 2019-20 and beyond. The strategy would be consistent with foundation documents including Living Longer, Living Better reforms, the Aged Care Sector Roadmap, the National Aged Care Alliance Blueprint, and recommendations from recently conducted, independent reviews into elements of the age services industry.

5. Contact details

If further information regarding this briefing document is required please contact Mr Sean Rooney, CEO, LASA on (02) 6230 1676 or via CEO@lasa.asn.au.

LASA provided a full pre-Budget submission to Commonwealth Treasury on 15 December 2017. The summary version is at:

<https://lasa.asn.au/aged-services-in-australia/lasa-submissions/>

The full version of the December 2017 pre-budget submission, with detailed analysis, is available on request.