

# THE Aged Care Roadmap for Reform – Where are we headed?

*CHA Aged Care Forum – 1 September 2016*

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## **What is envisaged by the Roadmap?**

In big picture terms, the Roadmap envisages an integrated residential and home care aged care system which involves:

- A single independent care needs and means assessment process across all aged care to determine each consumer's eligibility for aged care services and government financial assistance.
- Greater consumer choice and control over how the financial assistance is used, including where each consumer chooses to reside while receiving care, the services used and who delivers the services.
- The removal of Commonwealth regulation of the number, type, distribution and price of services. Instead service providers would compete on price, value and quality for customers.
- The availability of additional Commonwealth assistance where there is insufficient market response eg to deal with remoteness or the characteristics of special needs groups.
- Maintaining a regulated quality framework, but with the regulatory framework supplemented by consumer choice and control in a more competitive market.

Viewed in the context of how Australia's wider services sector operates, where the Roadmap leads is familiar territory, that is:

- individuals exercising choice in the purchase of services, and
- service providers who compete for business
  - .....nothing unusual here.

**However there are a number of factors that distinguish aged care services from most other services that the Roadmap acknowledges have to be reckoned with.**

These are:

- the inevitable ongoing heavy reliance on taxpayer funding, especially for care services,
- the vulnerability of older people, and
- the implementation risks of transitioning away from the current heavily regulated system.

Reflecting these points, the Roadmap has identified a number of key issues that have to be researched and resolved before the sector can arrive at the Roadmap 'destinations'.

1) Whether a demand-driven system is affordable for taxpayers and individuals.

Modelling is required to determine the level of **unmet need** for aged care services and the **cost** to **government and individual consumers** under a variety of scenarios.

The variables that need to be taken into account include:

- The impact on total costs if greater consumer choice results in a further shift from residential care to home care.
- The impact on total costs under various consumer contribution scenarios, including
  - taking into account all wealth and treating all wealth equally irrespective of the form it takes.
- Productivity gains that might accrue with a more competitive aged care service environment.
- The impact on total costs of a greater emphasis on early intervention and reablement.

At the same time also taking into account that the current Budget forward estimates already have the sector going from the current 111 operational places per 1,000 people aged 70 and over to almost 125.

2) Consumer contributions:

There are still considerable inequities in care contributions, for example

- for people with similar care needs across residential and home care,
- with regard to what forms of wealth are assessable for means testing purposes, and
- the concessional treatment of 'protected persons', irrespective of family wealth.

This situation provides an opportunity to increase contributions by those who can afford to pay.

To the extent that addressing these means higher contributions, there will need to be a convincing case made to the community, as happened when accommodation payments in high care were moved to a market basis.

The 'grand bargain' has to be that consumers are given something in return – choice, control and better services.

Increased consumer contributions will also put a spotlight on the adequacy of home equity release arrangements.

3) Perhaps the most challenging area identified in the Roadmap is ensuring that older people and their families have the capacity to exercise informed choice.

A pre-condition for competitive and responsive services is that a significant proportion of consumers are genuinely capable of exercising free and informed choice.

Preparing the community to exercise informed choice

- Will require the promotion and creation of a community mindset that under the aged care system of the future, individuals **will** be able to exercise choice and that they can use their own resources, as well as government contributions, in the exercise of that choice.
  - The intention is to encourage more in the community to have conversations about, and to plan for, their future aged care needs.
- Will require consumer access to the best possible comparative information about the merits of services. This includes easily understood fees, price disclosure and information on consumers' experiences of individual services.
  - Social media and 'trip advisor' type functions can be expected to play an ever increasing role in highlighting comparative service quality issues.
- There will also be older people who find themselves in circumstances where they are less capable or unable to exercise choice, such as people with cognitive impairments with no family supports and certain special needs groups.
  - There will need to be a ramping up of services that guide and support older people in circumstances such as these.

4) Moving to a demand-driven system will require the phased removal of the current caps on the supply of places.

A question that arises is how best to manage the removal of the current caps on the supply of residential and home care,

- should they be lifted at the same time, or should one precede the other, and in both cases, when?

There is a case for proceeding with home care first.

The current split between home care and residential care is an artifice of regulation rather than of a free choice by consumers. By uncapping home care first, and noting the view that home care is favoured by consumers, a more realistic view of consumer preferences would emerge, including the impact on preferences of any changes in user contributions.

- The capital intensive investments required for residential care could then proceed post-uncapping based on better information about consumer preferences and demand in circumstances which more closely reflect consumer preferences freely expressed.

5) Further investment is required to make MyAgedCare into a nationally consistent and effective eligibility assessment and referral system ie to be a better ‘gate keeper’, while at the same time supporting providers and consumers.

- The development of myagedcare to date has posed challenges for providers, consumers and the Department, but an efficiently operating gate keeper is critical for the system, including for its affordability.

## **What is the Roadmap’s Current Status?**

The Roadmap is not Government policy.

- It was prepared by the Minister’s Aged Care Sector Committee at the Minister’s request to guide future reform

In a message to the sector after the 2016-17 Budget, Minister Ley advised that:

“The Turnbull Government is committed to delivering a plan to create a consumer-driven approach to aged care. We are entering a new era in aged care in this country. The Aged Care Sector Committee Roadmap for Reform will guide the way.”

Nor is it accepted policy for the Labor Party or the Greens.

During the election, the Labor Party stated that “the Roadmap is a good starting point for discussion and provides directions for the 2017 review

- noting that the review and its terms of reference were legislated by the Labor Government.

The Greens have indicated that “they will continue to work with groups across the sector, including a particular focus on the Roadmap”.

In short, the parties will not commit to the Roadmap until they have greater certainty about affordability and the operation of a more market approach for vulnerable consumers.

- Considerations that are acknowledged by the Roadmap.

## Looking Ahead

There are already a number of policy development and review vehicles in play which will impact the next instalment of Roadmap reform. In particular:

1. The implementation of “funding following the consumer” in home care
  - a. and the doubling of home care packages in the medium term to 140,000 places (currently 30)
  - b. we’ve spent most of today focussed on this change
2. The independent review of the reforms to date which is required to report to Parliament by August 2017
3. The intention to create a single home care and support program by July 2018 which spans the CHSP and home care packages
4. The review of ACFI as a means of determining aged care funding.

### *Independent 2017 Review*

A major focus of the 2017 review’s legislated terms of reference is to assess:

- whether unmet demand for residential and home care places has been reduced as a result of the LLLB reforms,
- whether further steps could be taken to change key aged care services from a supply driven model to a consumer demand driven model, and
- the alignment of consumer fees across residential and home care services.

The extent to which the report will provide evidence about these matters, and especially the affordability of a more consumer-driven approach, will be critical to guiding the next steps and informing government policy development.

My hunch is that this review will not be able to provide conclusive evidence on these matters

- And that a confident assessment of the affordability of an uncapped consumer-driven aged care system will probably have to await further evidence as the system moves closer to the 2021-22 provision target, and
  - further evidence about community attitudes to increased consumer contributions.

### *Intention to create a single home care and support program*

The Government's announcement to create a single home care and support program from July 2018 was silent regarding the relationship between a single home care and support program and residential aged care.

However, especially at higher levels of care need, residential care and home care can be viewed by many as substitute or alternative service options over which consumers should be free to exercise choice within an integrated aged care system.

It is unclear at this stage how the creation of a single home care program relates to residential care and greater choice and control within an integrated system, and how the reforms should be phased to best effect.

### *Review of the Aged Care Funding Instrument (ACFI)*

As noted earlier, a key platform for an integrated aged care system is a single independent assessment process and funding model which operates across all age care.

- Currently, this differs across residential care, home care packages and the Commonwealth Home Support Program – though it is acknowledged that through MyAgedCare the Government is taking initial steps towards a more integrated assessment processes.

Because of their focus on assessment and funding models, the consultations announced by the Government to strengthen how residential care funding is determined, including options such as separating resident needs assessment from service provision, have the potential to play a role in developing a single assessment process and funding model across all aged care, a key element of the Roadmap's destinations.

### *The interaction of these processes*

An important consideration that arises is how best to tap these different initiatives and reviews that have arisen quite independently of each other, to achieve the Roadmap destinations.

- It is important that these reviews are carefully focussed and transparently coordinated so that their potential to contribute to the Roadmap destinations are maximised.
- This is an area that CHA is currently highlighting as needing careful and deliberate attention.

### *Funding following the consumer in residential care*

While not flagged in any policy decision to date, there is the prospect that the implementation of “funding following the consumer” in home care will be extended to residential care some time before 2021-22.

- This holds some attraction to the Government as it would increase consumer choice and competition in service provision while enabling continued budget certainty by continuing the provision targets.
- Also holds some attraction to consumers, but would fall short of doing away with waiting lists.
- Providers would have greater flexibility but face the financial and business risk of increased competition in a demand controlled environment.

This reform could be a step towards removal of rationing,

- or it could become a long term feature of aged care
- After all, this is the option that the National Health and Hospitals Reform Commission recommended.

### *Conclusion*

The Roadmap is not a done deal. At best it is an aspiration for many, including the Aged Care Sector Committee, the Government, and there are still many issues to be resolved.

But the big issues have been identified.

The focus of Roadmap reform over the medium term is resolving those issues.

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