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Catholic Health Australia

Aged Care Update

2015 Budget ushers in welcome next steps in aged care reform

Reflecting a largely bipartisan approach, the Government's first Budget consolidated the 2012 aged care reforms by progressing the reform strategy initiated following the Productivity Commission's Report Caring for Older Australians.

In its second Budget, the Government has gone further.

The centrepiece of this year's Budget initiates the logical next steps towards creating a consumer-driven aged care system by announcing that 'funding will follow the consumer' for home care packages, and that the Commonwealth Home Support Program and Home Care (Packages) Program will be integrated to create a single home care program.

Funds following the consumer

The Budget measure to introduce 'funding following the consumer' for home care packages from February 2017 does not come as a complete surprise. Minister Fifield has floated the idea on several occasions and, most importantly, the measure can be implemented with minimal additional recurrent cost to the Budget of about $50 million over four years – a win/win outcome in the current Budget environment.

CHA has regularly advocated this measure as the first step in a phased approach to the creation of a consumer-driven aged care system, culminating in the removal of service rationing for all aged care services.

Giving package recipients choice of provider in addition to individual budgets under Consumer Directed Care (CDC) will significantly increase choice and control for consumers and their families. While individual budgets under CDC were a positive initial step, consumer choice in reality is restricted to finding a provider with a 'vacant' package, rather than consumers being able to direct their package to their preferred provider.

Sensibly, the Government has given a considerable notice period for implementation, allowing time for the CDC changes to be bedded down. It also allows time for the Department of Social Services (DSS) to develop the processes, systems and transition arrangements that will be required to manage the granting and prioritisation of packages within regional provision targets in the absence of Aged Care Approvals Rounds for home care packages.

While this measure is a welcome development in the staging of reform, it is critical that the reform process does not stall at this point. That is, Australia simply moves from the Government controlling the supply of aged care services through the Aged Care Approvals Round process to controlling the demand for services by limiting package approvals according to the provision ratio. Stopping reform at this point would leave the Commonwealth with the same level of Budget certainty and provide greater choice for those allocated a package, but with continuing inequitable access where demand exceeds availability, to the detriment of consumers assessed as needing aged care services.

The ideal situation would be for the Government to commit transparently to the objective of removing service rationing once reasonable pre-conditions have been met to manage risks to itself, consumers and service providers.

An important consequence of the 'funds following the consumer' approach is that for the first time the sector will have a good measure of unmet demand through more accurate waiting list information.

Integration of the Home Care Program and the Commonwealth Home Support Program (CHSP)

The Budget also announces the Government's intention to combine home care packages and the CHSP into a single home care program which will provide consumers with the option of a continuum of home care services as their care needs change.
Service providers in the throes of implementing the new CHSP and CDC may be alarmed at the prospect for yet further change, but it should be noted that integration will not take place until July 2018.

Giving the sector advance notice is not only prudent policy to help service providers prepare for the changes, but it is especially important in this case because integration will present policy and implementation challenges. This arises because the two programs could hardly be more different in their operation.

Integration will need to address issues such as how CHSP might be transformed from block funding to funding following the consumer; the means testing arrangements that will apply; the granularity of the subsidy levels and fee structures; and whether subsidy reduction arrangements will apply across the new program. Achieving consistency with residential care, for which home care is in many respects a substitute, also cannot be ignored.

These challenges are not insurmountable, but they will need very careful consideration and close consultation with the sector.

Restorative Care

The Transition Care Program will be expanded from 4,000 to 6,000 by 2021 and renamed the Restorative Care Program. The places for the Restorative Program will also be included in the overall provision ratio from 1 July 2016, so that the balance of care ratios within the overall provision target ratio (125 places) becomes 78 residential (reduced by two places), 45 home care packages and two restorative care places.

Importantly, by including Restorative Care Places in the provision ratio, their number will expand as the number of older people increases to become a significant component of the aged care system. However, the inclusion under the ratio will also result in savings of $56.2 million over four years.
As well, unlike the current Transition Care Places, the new places will not require a State Government contribution and access will not require prior hospitalisation ie they will be accessible by older people living in the community. The new places will be allocated through a competitive tender process.

This measure is a welcome development. It will not only result in better outcomes for more people, but the expanded restorative approach should also play a part in making the system more sustainable.

Fairness in user contributions

The current Budget includes a modest measure to improve fairness in consumer contributions by making rental income from the former principal residence assessable income under the residential aged care means test if any part of it is used to pay a Refundable Accommodation Deposit. Currently, rental income is only assessable if it is used to pay a Daily Accommodation Payment.

The measure is estimated to reduce Commonwealth aged care expenditure by $26.2 million over five years.

A key factor in achieving a sustainable aged care system is fair contributions by those who can afford to contribute towards their aged care. There is clearly much more than future Budgets can do in this area.

Independent Aged Care Complaints Scheme

It has been long recognised that good governance in public administration requires the separation of the regulatory arms of Government from the policy and funding arms. Both the Productivity Commission and the Walton review into the operation of the former Complaints Investigation Scheme dealt with this issue, and recommended a separation.

Drawing on these reports, the Government has announced that from 1 January 2016, the Aged Care Complaints Scheme will be moved from DSS to the independent Aged Care Commissioner.

Accreditation

Consistent with moves towards a more open and flexible aged care system, the Aged Care Quality Agency will lose its status as monopoly provider of accreditation services for aged care services, probably starting with residential aged care. From a date to be determined, service providers will have the option of seeking accreditation from approved private providers. The Government will work with the sector on the arrangements to deliver private accreditation services.

Funding has also been provided to develop common accreditation standards across residential care, home care and home care and support.

In order to achieve a level playing field, accreditation services provided by the Aged Care Quality Agency for residential aged care will move to a full cost recovery basis from 1 July 2016 (essentially extending the current cost recovery to include one unannounced visit per year and education and training activities). Concessional rates for smaller services and services in receipt of the viability supplement (including the homeless supplement) will be maintained.

Moving to full cost recovery is estimated to increase costs for residential aged care providers by $30.7 million over four years. Minister Fifield's media release notes that competition in accreditation services may help put downward pressure on accreditation fees.

Aged Care Workforce Development Fund

Funding under the Aged Care Workforce Development Fund (formerly known as the Aged Care Workforce Fund) over the next four years will be reduced from $260 million to $220 million. This reduction is being made in the context of the current stocktake of workforce programs and reflects the Government's preliminary assessment of the level of duplication in the activities currently supported under the Fund.

The future workforce priorities to be supported under the Fund will be determined in consultation with the Aged Care Sector Committee once the current review is completed.
Existing contracts will not be affected by the reduction in funding.

Dementia and Aged Care Services Fund

Funding under the re-named Aged Care Services Improvement and Healthy Ageing Grants Fund will be reduced over the next four years by $20 million to $365 million, after allowing for the inclusion of funding for the Severe Behaviours Response Teams in the Fund. Again, existing contracts will not be affected.

One expects that the reduction in funding under this Fund, and the Workforce Fund above, is a casualty of the Government's quest for offsets for any new spending.

National gateway for carer support services

The Budget includes $33.7 million over four years from 2015-16 to create a national gateway for carers to access information, support and referral to carer specific supports and services. It would appear that the carers gateway is similar in concept to myagedcare for people seeking aged care services.

Changes to Fringe Benefits Tax arrangements

An important negative for the sector is the decision to cap the FBT meal and entertainment concession at $5,000 from 1 July 2016. All use of meal and entertainment benefits will be reportable.

While it is reasonable that the Government should move to cap this previously uncapped concession, it is a concession that is accessed by many lower paid aged care workers and is an important component of recruitment and retention strategies for not-for profit providers. Given the workforce pressures that will continue to be faced in the sector and the low wages paid to aged care staff, there is a strong case for the cap to have been set at a higher level and be indexed.

Disclosure Statement: The author of this article, Nick Mersiades, is a member of the Aged Care Financing Authority. The opinions in this article should not be read as being an expression of the views of the Aged Care Financing Authority.