



Aged Care Update

3 March 2015

An invitation to co-design tomorrow's aged care system

The Assistant Minister for Social Services, Mitch Fifield, has released the Aged Care Sector Statement of Principles (the Statement) to guide future changes to the aged care system and to provide the basis for a partnership between consumers, carers, providers, the aged care workforce and the Australian Government.

The Statement has been endorsed by the Prime Minister.

The Aged Care Sector Committee, which comprises service provider, consumer, carer and workforce representatives and the Department of Social Services, drafted the Statement.

The Statement in brief

The Statement comprises three parts:

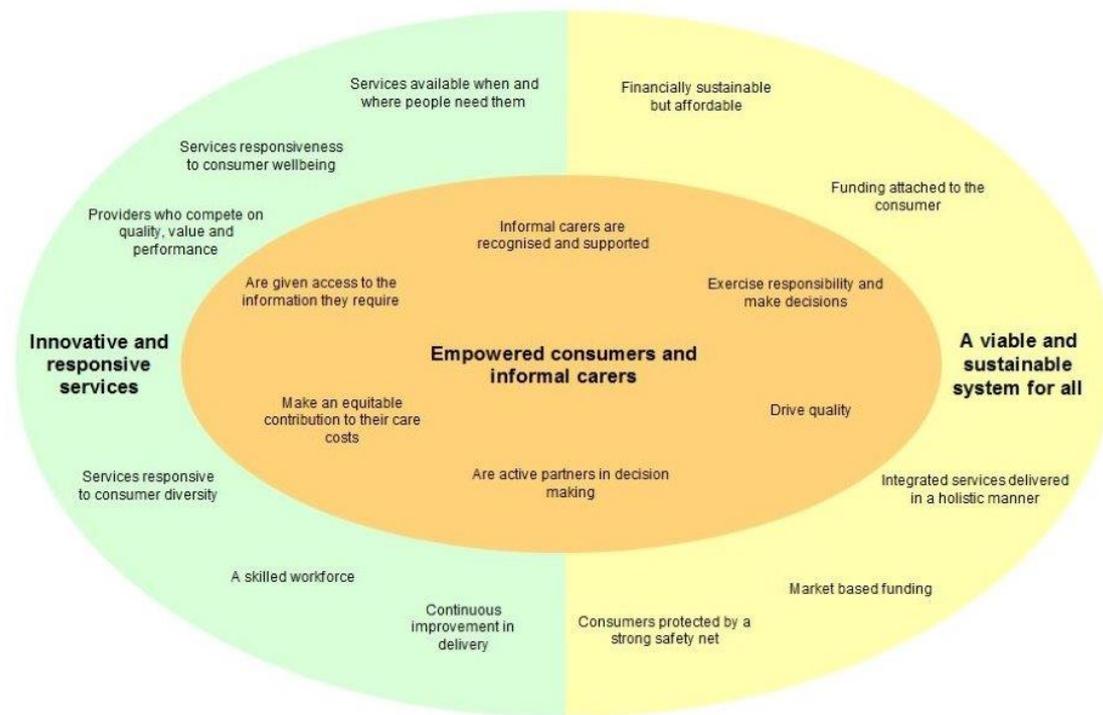
- a Statement of Purpose;
- an Approach to Partnership which sets out the roles and responsibilities of consumers and carers, providers, the workforce, and the Government; and
- the Principles that are to guide the framing of the aged care system of the future.

The Statement of Purpose identifies the following overarching principles:

- Consumer choice and control is at the centre of quality aged care.
- Support for informal carers will remain a major part of aged care delivery.
- The provision of formal aged care is contestable, innovative and responsive.
- The system is both affordable for all and sustainable.

The diagram below, re-produced from the Statement, illustrates an expanded set of Principles derived from the overarching principles.

PRINCIPLES OF AUSTRALIA'S FUTURE AGED CARE SYSTEM



Principles that are noteworthy in terms of their potential to shape the architecture of the future system include funding being attached to the consumer; funding levels (prices) being market based; aged care providers competing on quality, value and performance; services being financially sustainable but affordable; consumers making equitable contributions to their care costs; ensuring that consumers have access to information; and there being safety nets to protect consumers.

The full Statement [may be viewed here](#).

The invitation

The release of the Statement has been accompanied by an invitation to the sector to identify opportunities for reform consistent with the Principles, and to identify any implementation challenges. In the first instance, stakeholders have been invited to submit their ideas to the Aged Care Sector Committee by 10 April 2015.

Catholic Health Australia welcomes this opportunity to influence the direction of reform and the implementation of changes. We will be approaching our members for their ideas and their reactions to the Principles. In the meantime, any suggestions and comments from readers about the Statement and its Principles would be most welcome. Please email your comments to secretariat@cha.org.au.

Some background

The drafting of the Statement stems from the Government's 2013 election commitment to negotiate with the sector an Agreement that addresses the major elements of reform, informed by the

Productivity Commission report Caring for Older Australians. The Statement is therefore an opportunity to pursue the balance of the Productivity Commission's recommendations which championed consumer choice and control within a contestable market for aged care services, and affordability for the individual according to their means.

The Principles can also be considered in the context of **Minister Fifield's speech** to the Committee for Economic Development of Australia on 11 November 2014 in which he invited ideas from the sector on how Australia could "move towards a consumer-driven aged care system in which aged care providers are freed up to do what they do best".

The rest of this Update sets out some thoughts about reform in order to stimulate discussion.

But first, it is useful to remind ourselves of the reforms that are currently being implemented (or have been recently implemented) that are consistent with the Principles.

The Living Longer Living Better (LLLB) Package

The LLLB package has many measures that are consistent with the Principles. These include measures to:

- Increase consumer choice by lifting the service provision target to 125 places per 1,000 people aged 70 and over, allowing more services to be delivered in the home, introducing consumer directed care and individual budgets in home care, and improving consumer information to support choice through myagedcare and quality indicators.
- Improve sustainability by a modest increase in care contributions in residential care, introducing income tested fees in packaged home care, and introducing market-based accommodation payments for all residents who can afford to pay.
- Improve access by increasing the accommodation supplement paid on behalf of people with fewer means living in new and significantly refurbished aged care homes, and placing lifetime caps on care fees to 'insure' individuals against excessive care costs.
- Strengthen eligibility assessment by the creation of Regional Assessment Services which will use nationally consistent eligibility tools and an electronic common client record, and integrate the ACATs.
- Create the basis for a national aged care system by consolidating home care and support and the Commonwealth's aged care programs under the policy control of one level of government.

As well as fully implementing all of the above measures, the next step is to identify opportunities consistent with the Principles that build on these reforms.

Opportunities and challenges

The elephant in the room

The Statement makes no explicit mention of the removal of service rationing as a means of realising the overarching principle of placing consumers and carers at the centre of quality aged care.

Yet, as Catholic Health Australia has consistently advocated, realising the full potential of consumer choice and control and service provider flexibility to be responsive to consumer needs and preferences requires the removal of service rationing.

But such a system has to be sustainable by being affordable to the community (the government) and the individual.

This is the elephant in the room. Moving away from the current supply-driven system, which the Commonwealth controls, poses a potential fiscal risk for the Commonwealth Budget. No responsible government will take this risk without a good understanding of the consequences for

future Budgets.

Hence a key next step - if we are to move to a system that embodies the Principles - must be to model the cost of aged care in a demand-driven system. The modelling should take into account costs under various scenarios, including more equitable consumer contributions based on capacity to pay assessed on total wealth; greater emphasis on reablement; consistently applied national eligibility assessment; greater contestability in service delivery to stimulate innovation and increased efficiency; greater opportunity to choose home care over residential care; and reduced red tape.

Currently there is official talk about consumer-driven age care but with no certainty about how far the Commonwealth is prepared to take this policy. For example, it could stop at 'vouchers' (funding following the consumer) for home care packages to enable choice of provider but still implement this policy within a rationed supply of home care packages. Alternatively, supply constraints could be removed for residential care on the basis that most people's natural aversion to enter residential care will help control demand.

These could be sensible transition steps, but either way, there is currently considerable uncertainty about where policy may lead, and how and when.

There are also transition risks posed for providers and consumers by moving away from a supply-driven system. For existing providers there are financial and business risks because many are accustomed to operating in the relative security of a highly regulated system. For consumers, there is the possibility of disruptive service failures and having to adapt to changes, including the inevitable changes to means testing arrangements.

There are many issues to be addressed in managing these transition risks. However, a useful backdrop to the next stages of reform would be to give providers, financiers and equity investors, who are making long term investments, and future consumers the certainty that it is the Commonwealth's intention to transition to a contestable market-based system as soon as affordability is established, and according to a timetable developed in consultation with the sector. This would signal to all stakeholders that they should be preparing for life under consumer-driven arrangements.

Pre-conditions for creating a consumer-driven system

In addition to establishing the financial parameters of a demand-driven system, further change will also be required in the following areas if consumer choice and control is to be at the centre of quality aged care. These changes address affordability, empowerment of consumers to exercise choice and control and safety nets in a more market-based system. While being pre-conditions to a fully consumer-driven system, they are also opportunities in their own right to improve the system consistent with the Principles.

- Further work to establish myagedcare and the Regional Assessment Services as a reliable means of administering needs based eligibility.
- Further improvements to the information available to consumers and their families to support exercise of choice, including access to reliable independent financial advice.
- Embedding systems and a culture that promote reablement, including case management through the electronic common client record for home care and support.
- More equitable consumer care contributions based on total wealth by including the former principal residence in the wealth test; greater equity in care contributions between residential and home care; and equal treatment of assets for means testing purposes irrespective of the form in which they are held.
- The development of simple and secure home equity release mechanisms to support increased consumer contributions according to capacity to pay, and to provide greater flexibility in how

consumers make their contributions.

- Measures to increase the availability of age appropriate housing to support choice of home care.
- Ensure that a more market-based system has effective safety nets in place for marginalised individuals and communities, including for older people in rural and remote areas and for indigenous communities and the homeless.

Other opportunities for reform

While the above areas are pre-conditions for realising the full potential of a consumer-driven system, there are also other opportunities for reform consistent with the Principles, though these opportunities have little or no direct relevance to creating a consumer-driven system. These areas include:

- Workforce training policies and employment conditions and practices that deliver an appropriately skilled workforce that can meet future workforce needs, especially in relation to dementia care.
- Care for older people with severe and very severe behaviours and end of life care provided in the most appropriate settings.
- Carer support arrangements that enable informal carers to remain a major part of service delivery.
- Better interfaces between aged care, disability care and health care - all of which involve different jurisdictional and funding arrangements - so that consumers can receive care and support that best meets their needs as seamlessly as possible.

Ideally, moving towards an aged care system that is consistent with the Principles will not be considered in isolation of other factors, including retirement incomes and housing policies. For example, increasing the supply of housing will impact on housing affordability for older people and retirement incomes and superannuation policies will have implications for older people's capacity to contribute towards their aged care.

Want to know more?

If you wish to see previous editions of **Aged Care Update**, they are available at the **CHA website** [here](#).

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

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