

Progressing to the Roadmap  
destinations

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21 September 2016

## Progressing to the Roadmap destinations

As we face a new term of government, the question that arises is how best to pursue the Aged Care Sector Committee's Roadmap destinations and the aged care elements of the National Aged Care Alliance's election position statement.

To recap, the Roadmap's destinations envisage an integrated residential and home care aged care system based on:

- 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, and
- 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.

At its core, in order to operate effectively, such a system requires the removal of the current government regulations that control the volume, type and distribution of aged care services.

### What processes are currently in play?

There are already a number of policy development and review vehicles in play which will impact on progress towards the Roadmap's destinations, including announced government policies still to be

implemented.

These are discussed below.

### *Independent 2017 Review*

In conjunction with the 2013 *Living Longer Living Better* (LLLB) package, the Government legislated for a follow-up independent review of the reform package. The review's report is required to be tabled in Parliament by August 2017.

A major focus of the 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 effectiveness of means-testing arrangements for aged care services, including the alignment of consumer fees across residential and home care services.

In setting these terms of reference, the Government was mindful of the affordability for taxpayers and consumers of committing to a consumer-driven market-based approach without evidence of the extent of unmet need for aged care services.

Instead, as a means of helping gauge the extent of unmet need, the Government's LLLB package committed to a significant phased increase in the supply of aged care places (from 113 operational places per 1,000 people aged 70 and over to 125 by 2021-22), and to a significant shift in the balance of care in favour of home care (from 25 home care places per 1,000 people aged 70 and over to 45). The phased increase in the number of home care packages would also provide a better understanding of the balance of consumer preference between home care packages and residential care, and inform service expansion and

investment in residential care.

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

Along with the Government's 2015-16 Budget decision to introduce 'funding following the consumer' for home care packages from February 2017 (which incidentally in part pre-empts one of the terms of reference for the 2017 review), the Government also announced its intention to create a single home care and support program from July 2018 by combining the Commonwealth Home Support Program (CHSP) and home care packages.

The announcement, however, was silent regarding the relationship between a single home care and support program and residential aged care.

At higher levels of care need, residential care and home care can be viewed as substitute or alternative service options over which consumers should be free to exercise choice within an integrated aged care system. It is also noteworthy that the announcement pre-dates the Roadmap, whose destinations envisage an integrated aged care system embracing home care and residential care.

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

Arising from the funding volatility that has characterised the operation of the ACFI in residential aged care, the Government announced in the 2016-17 Budget that it will consult with the sector to strengthen how residential care funding is determined, including options such as separating resident needs assessment from service provision, and having assessment done by an independent party.

To inform these consultations, the Department of Health recently called tenders for an examination of alternative aged care assessment, classification and funding models.

As noted earlier, a key platform for an integrated aged care system is a single independent assessment and classification process which operates across all aged care to assess each consumer's care needs and eligibility for government financial assistance. Currently, the processes differ 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, the consultations around the Aged Care Funding Instrument have the potential to make an important contribution to the creation of single assessment and classification process 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 to achieve the Roadmap destinations?

#### *The independent review*

The independent review's contribution will partly depend on whether its August 2017 report can be expected to provide sufficient evidence to support an early decision (ie. much before 2021-22) to uncap supply. In particular, its capacity to provide evidence about the extent of unmet need for aged care services and the affordability of a more consumer-driven approach.

It is unlikely that the review's report will be able to do so for these key reasons:

- The current provision ratio (111.5 operational places per 1,000 people aged 70 and over) is still well below the 2021-22 target, so the reviewer will not be that much better informed about the implications for unmet need and occupancy of

attaining the higher provision target.

- Waiting list information from MyAgedCare's national prioritisation process will be preliminary.
- We will not know what impact choice might have on the balance of consumer preference between residential care and home care packages (noting that greater use of home care reduces taxpayer costs).

Given these uncertainties, the extent to which increased consumer contributions may be required will not be able to be modelled with a high degree of confidence; and the sensitivities of increasing consumer contributions informed by reliable costing evidence and greater choice and control will remain largely untested. It is essential, however, that the Review initiates financial modelling of future costs to consumers, providers and taxpayers under a range of demand and consumer contribution scenarios, which can be progressively refined.

Therefore it would seem that a confident assessment of the affordability of an uncapped consumer-driven aged care system must await further evidence as the system moves closer to the 2021-22 provision target.

Such an assessment would include monitoring the impact of introducing greater competition between home care and residential care by:

- ramping up the supply of home care packages to achieve the Government's provision target,
- extending 'funds following the consumer' to residential care,
- achieving greater alignment of consumer contributions for care across home care and residential care, and
- exploring consumer contribution scenarios, especially with the community.

Evidence based clarity around the impact of open competition between residential care and home care packages as we move away from a highly regulated

system is critical because of the capital intensive nature of residential aged care and the investment risk that is entailed.

At present, the capital investment requirements of residential aged care projected by the Department of Health are based on the Government's current targets regarding the balance between home care and residential care. The fact is that there is little empirical evidence that these targets will reflect the balance that might emerge under a free choice and cost neutral environment. Therefore, gradually bringing the system closer to reflecting the lived experience and preferences of consumers (as opposed to aspiration) is a critical pre-condition to uncapping supply if transition risks are to be managed. Of course, consumer preferences and choices will continue to evolve as providers of home care compete with providers of care and accommodation options, and technology fosters service innovation.

#### *A single home care and support program*

But how might the creation of an integrated home care and support program from July 2018 impact on processes for getting a better gauge on unmet need and managing transition risks?

There is a concern that creating a single home and support program early in the reform process would be problematic for the transition to the integrated aged care system envisaged under the Roadmap.

First, it is unlikely that an integrated home care and support program based on a continuum of care would lend itself to budget control (which would be required at least in the medium term) through the national target provision ratios that currently apply for home care packages and residential care. It is more likely instead that each consumer's care needs and financial assistance will be determined individually through MyAgedCare, potentially with reference to tiers or levels of need for funding purposes. Under this

arrangement, budget control would more likely be achieved through a funding cap for the program, as is currently the case with the CHSP, rather than the allocation of places at each tier or level within a combined program.

As a result, a focus on creating a single home care and support program early in the reform process would likely cut across the arrangements described earlier for gathering evidence about the affordability of a consumer-driven aged care system, ie. monitoring the impact of the gradual loosening of controls on the volume and types of care (residential places and home care packages) through the place allocation process that is envisaged under the LLLB reforms.

Second, there are many differences between the CHSP and home care package programs that will need policy resolution and which will raise significant implementation challenges and risks for consumers, providers and the Government. Prominent amongst these differences are:

- the need to resolve to what extent the CHSP would move away from block funding of providers to embrace individual budgets and 'funding following the consumer' which will apply for home care packages,
- how best to achieve budget control for a combined program, at least in the medium term,
- the extent to which a consistent consumer contribution regime would apply across the continuum of home care and support, including the extent to which income tested fees would apply for low intensity CHSP-type services and whether and how these fees would count towards the annual and lifetime care contribution caps, and
- the development of care and means assessment processes and a funding model that can apply across both programs.

It is also the case that the CHSP is not yet functioning as a national program.

These are not issues that will be resolved by July 2018.

However, there is scope to progress reforms within the CHSP with a view to the creation of not only a single home care and support program, but also one that will align with residential care to result in integrated aged care services.

In many respects, the CHSP is already an effective aged care program, including by leveraging the social capital generated by a large volunteer pool. The loudest criticism is that consumers find accessing services difficult because contractual arrangements put in place over many years as the former HACC program expanded has locked many providers into being able to deliver only certain services which may not meet each consumer's needs or preferences.

If the reforms in home care packages are taken as a guide, this limitation on consumer choice and control could be addressed by extending individual budgets and 'funding following the consumer' to the CHSP as part of combined home care and support program.

However, this would involve massive adjustment for the CHSP sector as well as raising policy issues such as whether all services (eg. home modifications or short-term restorative care) are more appropriately funded through individual budgets or block funding arrangements. These and other major reform issues such as user fees are arguably best addressed separately in the CHSP in the first instance, but taking into account the policy intention to create a single program. Once adjustment has been sufficiently progressed at the CHSP level, steps can be taken to achieve integration with the rest of the system.

#### *The review of ACFI*

Because of the centrality of common eligibility, care needs and means assessment processes across all aged care services to the Roadmap's vision, it would be short-sighted in the extreme if the design of new arrangements to replace the current ACFI funding and

assessment arrangements in residential care did not factor in the Roadmap's objective to create a single independent eligibility, assessment and classification system.

Therefore the opportunity should be taken to ensure that what is developed for residential care in the short term is readily translatable across all aged care.

## Conclusion

As we look forward, there are policies to be implemented and reviews to be undertaken, each with the potential to contribute to progress towards the Roadmap destinations. It is important that these are carefully focussed and transparently coordinated so that their potential to contribute to the Roadmap destinations are maximised.

*Disclosure Statement: The author of this 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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