

## PRODUCTIVITY COMMISSION REPORT ON CARING FOR OLDER AUSTRALIANS INITIAL ANALYSIS AND ASSESSMENT OF RECOMMENDATIONS

### THE REPORT IN BRIEF

The package of reforms recommended in the final Report in response to the weaknesses identified in the current system, and the pressures it will face, is substantially the same as proposed in the draft Report, but with some modifications.

The Commission is recommending a fundamental redesign of the aged care system, the central feature of which is an entitlement to care and support based on assessed need, supplemented by greater individual choice of care setting and service provider. The major elements for the proposed system, which would be implemented gradually and transparently, are as follows:

- Removal of the current restrictions on the number of residential places and community packages, and removal of the residential high/low and extra service distinctions.
- Creation of a single integrated system of care entitlements for residential and community aged care (with greater emphasis on restorative care), complemented by a range of block funded community support services such as meals delivery and transport services for the less frail aged.
- Individual choice whether the care entitlement is used at home or in an aged care home, and choice of service provider.
- Regional Gateway Centres to simplify access by providing information and initial care coordination, undertaking assessments of need, approving entitlements to approved services, and arranging assessments by Centrelink of financial capacity to make co contributions.
- Modest co contributions for personal care and nursing costs based on overall wealth (with a maximum limit on co contributions), and individual responsibility for accommodation costs and everyday living expenses, with safety nets for those with limited means and special needs groups.
- Market based accommodation prices for non supported residents, with flexibility to pay by periodic payment (rent) or accommodation bond.
- Flexibility to purchase additional services and higher quality accommodation.
- A Government-backed equity release scheme (Home Credit Scheme) for payment of care co contributions and accommodation and living expenses for those who do not wish to sell their principal residence.
- A Pensioners Savings Account for those who have sold their principal residence to pay care co contributions and accommodation and living expenses, while keeping the proceeds of sale exempt from the age pension income and assets test.
- An independent regulatory body (the Australian Aged Care Commission) to transparently recommend to Government the regional price of care entitlements and a basic standard of accommodation for supported residents, and the price of care for certain special needs groups. The same body would also be responsible for the regulation of the quality of age care services, including accreditation and complaints review, leaving DoHA responsible for aged care policy.

The main modifications to the draft recommendations are as follows:

- Clarification that not all aged care services would be entitlement based. Community support services such as meals delivery, transport services and specialized information services would continue to be block funded and accessed directly, rather than through Gateway Centres.
- More detail provided about the operation of the equity release scheme (Home Credit Scheme).
- Modest financial support for smaller providers to assist adjustment to the reforms.
- Introduction of a reablement scheme to be managed through the Gateway.
- Introduction of an intermediate level of community care packages as an interim measure.
- Changes to protected resident status criteria to allow a resident's share of assets to be included in the means test.
- Provision for certain sub acute services to be delivered by aged care service providers.
- In recommending prices, the proposed Australian Aged Care Commission would be required to take into account the need to pay fair, as well as competitive wages, and take into account the appropriate mix of skills and staffing levels for delivery of care services.
- An independent review of aged care related vocational education and training courses.
- Provision for initial review arrangements for complaints, prior to appeals to the AAT.

### **Some general comments**

- The chances of Government support for the reforms will depend significantly on affordability for the Budget, and in particular the adoption of the comprehensive wealth test. The Minister has not accepted the financial modeling of the package undertaken by the Commission, which leaves the sector unclear as to the cost of the overall package or its elements. Better information on costings will be relevant to, inter alia, the phasing of implementation so that a balance may be achieved between when costs are incurred by the Budget and consumers, and the need to balance action on the key reform drivers and highest priority changes with the constraints of the economic cycle.
- There are several key recommendations that will need to be developed much further before they can be implemented, including the operation of the Gateway, the single integrated care entitlement system and assessment processes. Much of this developmental work will need to occur during the implementation phase, and after the Government has settled on the reform framework. The work cannot be completed before the 2012 Budget.
- Although the reforms move to a more open system, the Commission's proposals still envisage substantial protections and support for consumers, including special arrangements in circumstances where the proposed reforms to ensure choice will have limited applicability.

## THE MAJOR RECOMMENDATIONS

Paying for aged care	
<i>Recommendation</i>	<i>Comment</i>
<p>The following <b>principles should guide the funding</b> of aged care:</p> <ul style="list-style-type: none"> <li>• Accommodation and everyday living expenses should be the responsibility of individuals, with a safety net for those of limited means.</li> <li>• Health services should attract a universal subsidy, consistent with Medicare principles.</li> <li>• Individuals should contribute towards the cost of their personal care, but should not be exposed to catastrophic costs. (p 24, vol 2)</li> </ul>	<p>System sustainability and equity of access by the financially and socially disadvantaged and special needs groups revolve around these principles as they provide the framework for balancing costs between individuals and the community, and setting safety net policies.</p> <p>Note that a universal subsidy for health costs does not preclude modest co payments, as currently occurs in the health system.</p>
<p>Australian Government should adopt <b>separate policy settings (including for subsidies and co-contributions) for the major cost components</b> of aged care, namely care (including personal and nursing care), everyday living expenses and accommodation. (R 6.1)</p>	<p>The ‘unpacking’ of costs is a necessary reform to build a system which allows people greater choice of care settings and service providers, and allows providers to be more responsive to individual preferences. Also supports the tailoring of co-contribution arrangements and price signals to make the system fairer and affordable to individuals and the community, and allows better targeting of safety net subsidies.</p>
<p><b>Remove regulatory restrictions on the number of community care packages and residential bed licences, and remove the distinction between residential low and high care places.</b> (R7.1)</p>	<p>A necessary reform to enable greater individual choice of care services and accommodation, and give service providers greater flexibility to be more responsive to individual preferences. Would also be seen as desirable to encourage innovation and efficiency through competition, easing the way for moving to more market informed and transparent arrangements for setting prices.</p> <p>This recommendation is complemented by R9.4 which provides for an entitlement for care (nursing and personal care) based on assessed need conducted through the Seniors Gateway Agency.</p>

	<p>Note that this recommendation does not apply to all current HACC and aged care services, some of which would continue to be block funded. See comments at R9.4.</p> <p>Would see the abolition of the ACAR after a transition period during which quotas are gradually increased.</p> <p><b>Successful implementation of this policy would need to be complemented by policies which recognize that a more open system will not operate optimally in all circumstances.</b></p> <p>There will be concerns that removal of rationing and allowing greater consumer choice may lead to increased financial risks for residential providers (especially low care) due to increased competition from community care and between residential care providers, and may result in a potential fall in business valuations and a dilution of balance sheet strength for those providers who have booked a value for their licences.</p> <p>Many providers do not book a value for their licences, and ASIC has been advising against this practice. Cash flows will not be affected, and it is doubtful whether bank support for a project has hinged on the value of bed licences (who instead focus on the robustness of the business plan and projected cash flows).</p> <p>The increased competition can also be seen in the context of rapidly growing need for age care services, the prospect of more realistic prices for services (independently assessed prices for care and supported accommodation based on cost of provision and market-based accommodation prices for non supported residents), a substantial injection of additional funding into the system, increased flexibility to plan services and respond to consumer preferences, and better outcomes for consumers (more flexible and responsive services).</p> <p><b>The increased risk for providers will need to be reflected in higher required rates of return on investments.</b></p>
<p><b>Remove regulatory restrictions on accommodation payments, including the cap on accommodation charges in high care and regulated retention amounts. (R7.2)</b></p>	<p>This recommendation would replace the current inequitable accommodation payment arrangements for low, high and Extra Service accommodation with new arrangements that would apply across all residential care, and give individuals choice of payment options (rent or bond, or combination of both) that suit their personal circumstances.</p> <p>It would also allow payments for non supported residents to reflect regional building costs and building amenity ie the underlying or market value.</p>

<p>Providers would be required to offer and <b>publish periodic accommodation charges</b> and, where offered, publish accommodation bonds or any combination of periodic charges and bond.(R7.2)</p> <p>Where a provider offers a bond, the <b>bond should not exceed the equivalent of the periodic accommodation charge.</b> (R7.2)</p>	<p>Together with recommendations for independent recommendations on pricing (by the Australian Aged Care Commission) and new financial tools to facilitate co-contributions (Aged Pensioners Savings Account and the Aged Care Home Credit Scheme), these recommendations would provide a more transparent market informed basis for determining accommodation prices for supported and non supported residents, and address the current underfunding of high care capital ie ‘prices would reflect the underlying value of the accommodation supplied’, and underpin the long term sustainability of residential aged care.</p> <p>Abolishing regulated retentions would simplify the arrangements, though this recommendation would not prohibit parties independently negotiating retentions as a component of the accommodation payment.</p> <p>However, the Commission is also proposing that there should be monitoring of accommodation prices by the AACC during the transition period until the market deepens. <b>The arrangements and processes for undertaking price monitoring will need to be developed and agreed.</b></p> <p>The requirement to publish accommodation prices is fair and reasonable.</p> <p>Following the Draft Report, there was a suggestion that this recommendation may require a statutory formula to translate market rent to a bond equivalent (in the same way as there is currently a formula for translating bonds into a periodic payment).</p> <p>In the final Report, however, the Commission states that it ‘is deliberately not being overly prescriptive about how periodic payments and bonds should be calculated, rather, allowing providers to flexibly adapt their inputs to reflect their circumstances.’ This suggests that, in practice, it may be acceptable that the bond level simply reflects an assessment of underlying value based on market circumstances. <b>It would be prudent to list this issue as one for clarification, and to argue that the latter approach is the only practical approach. The proposal for price monitoring would also be relevant to considering this issue.</b></p>
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**There is also concern that introducing market based arrangements for aged care accommodation payments for non supported residents, and flexibility for residents to pay by periodic payment (rent) or an accommodation bond or a combination of both, will result in pressures on liquidity and a potential refinancing requirement for some providers.**

**This will arise because the replacement bond under a market based system will be lower in some cases than at present. The liquidity pressures will be greater if consumer preference falls decidedly in favour of periodic payments.**

The Report's recommendations are designed to ensure that bonds in future will reflect the underlying value of the accommodation provided (ie the creation of the Pensioners Savings Account and the requirement that bonds should not exceed the equivalent of the periodic charge).

Some bonds currently exceed the underlying value of the accommodation because of the combination of rationed supply (constrained competition), the need to cross subsidize loss making beds due to low accommodation charges and supported resident supplements, and the desire of residents to take advantage of the exemption from the pension assets test.

A reduction in the average bond size will create a liquidity issue for a number of providers when bond repayments for exiting residents are replaced by market based bonds or periodic payments, particularly those providers who have relied heavily on large bonds rather than equity and bank debt to finance capital developments.

On the other hand, those providers with bonds closer to market value may see an increase in bond sizes to compensate for the loss of retentions.

It is not clear, however, how the balance of consumer preference will fall between periodic payments and bonds. While periodic payment (rent) is a familiar concept, bonds in future will be market based (and therefore more closely reflect underlying value), will be fixed for the duration of residence, will be fully refundable and Government guaranteed, and the pool of residents for whom a bond is an option will be increased by the extension to all high care residents and reducing the scope of protected resident status. Rent will probably be attractive for short stay residents, but for longer stays, a consideration will be that rent paid through the draw down from the Home Credit

Scheme will also attract an interest charge at CPI. On the other hand, the annual interest charge (CPI) on a lump sum draw down under the Home Credit Scheme is likely to be less in many cases than the cost of a market based periodic payment.

It is also the case that under the Report's recommendations, there would be a significant increase in periodic accommodation payments for both supported and non supported residents which should underpin the viability of the sector by enabling providers a better rate of return.

The Commission considers that 'in the short term, some providers may have to borrow to fund the payout of existing bonds, but this is a transitional issue as the Commission's proposed approach reduces the overall risk to providers by enabling an adequate rate of return in all segments of the market'.

**Overall, however, there is no doubt that in transitioning to market-based and flexible accommodation payment arrangements, some providers will experience liquidity problems.** The recent Deloitte Access Economics report concludes that 'it is problematic to generalize a broad impact on providers from a reduction in the average bond value. This is because there is a great variability in mission statements, business models, the capacity to meet lending criteria, and the local competitive environment faced by providers. Consequently impacts will be at an individual provider level'.

The Commission's Report includes measures that could help smooth the transition to new payment arrangements:

- a loan facility for smaller approved providers for the repayment of accommodation bonds and grants for engaging business advice. (R17.3)
- option to discount new bonds
- early introduction of market based accommodation payments for supported and non supported residents

**It is absolutely critical, however, that the accommodation payments for both supported and non supported residents are market based, and that the move to market rates commences in the first year of the implementation of the reforms.**

**A proposal to model and better understand the potential impact on liquidity of the reforms is being developed.**

<p>The paying of <b>interest by providers on accommodation bonds</b> should be prohibited. (R7.1)</p>	<p>The prohibition on providers paying interest on bonds is another mechanism (on top of the Pensioners Savings Account) designed to close off incentives to 'exploit' the continuing exemption of bonds from the pension assets test to secure bonds in excess of the underlying value of the accommodation supplied. In this case, paying interest to the resident marginally above the CPI which applies in the Savings Account might be more attractive than bank debt.</p>
<p>Establish an <b>Australian Age Pensioners Savings Account</b> with Government (or an agency) to hold all or some of the proceeds of the sale of the principal residence, including any surplus from a move into more age appropriate housing or an aged care home, (with savings exempt from the pension asset and income tests; indexed to CPI and no transaction costs). Can be drawn upon flexibly to cover age care costs, accommodation costs and living expenses. (R7.3)</p>	<p>Designed to support proposals to make aged care more affordable for the community and sustainable by basing co-contributions on a comprehensive wealth test, noting that wealth for many is tied up in the principal residence. An option for those not wishing to sell the principal residence is the Government-backed Home Credit scheme. (R8.1)</p> <p>The proposal would also remove the disincentive for pensioners to move to more age appropriate housing (by preserving access to the pension and maintaining the real value of any surplus capital), and help stimulate innovation in housing for older people.</p> <p>The Government has access to low interest deposits to offset the cost of maintaining pension entitlements.</p>
<p>Residential providers should be charged a <b>fee to reflect the costs of providing the Government guarantee on accommodation bonds</b>. (R7.4)</p>	<p>May be justified on cost recovery principles, but questionable whether benefits outweigh the administrative costs, including potentially complex fee structures. <b>Needs further consideration.</b></p> <p>It is assumed that the current levy arrangements for recovering any bond repayments due to provider insolvencies would be maintained.</p>
<p><b>Regional quotas</b> would be set obliging providers to make available a proportion of their accommodation <b>for supported residents</b>, with a sliding scale of penalties linked to the severity of the non compliance. (R 7.5)</p>	<p>Designed to allay concerns that access to services by supported residents may be adversely affected by the proposed reforms.</p> <p>The recommendation is an improvement on the current situation where the concessional resident ratios vary by region, but the financial penalty applies to a quota of 40% for all regions irrespective of their socio economic circumstances.</p> <p>Regional quotas would provide additional assurance of access for supported residents, on top of the proposal for the price for the provision of basic standard of accommodation being set following independent and transparent advice from the AACC.</p>

<p>The Commission is also proposing a five year <b>trialing of a scheme for transferring up to 50% of the supported resident obligation between providers within the same region</b>. The Commission has also left on the table the option of competitive tendering for supported residents. (R17.6)</p>	<p>Extra service homes would continue to be exempt from the quota until the end of the transition period. (R17.2)</p> <p><b>Concerns have been raised that the emergence of services specializing in supported residents would reduce choice in some regions, especially choice of services which are in close proximity to familiar neighbourhoods.</b> The desirability of ‘trading’ is questionable, and it is not clear that it would offer any real advantages over setting accommodation prices at levels which reflect the cost of supply.</p> <p>It is assumed that ‘transfer’ could involve a financial exchange.</p> <p>Tendering carries with it the implication that the supply of residential places would continue to be determined and capped by Government for a large section of the client group, which would run counter to the objective of greater consumer choice. There are also ‘end of contract’ complexities associated with the long term capital infrastructure involved, though tendering is a recognized mechanism for establishing market price.</p>
<p>The <b>accommodation subsidy for supported residents</b> should be set at the average <b>regional</b> cost of providing a basic standard of accommodation based on the 1999 Building Certification standard for new homes ie an average <b>of no more than 1.5 beds per room</b>. (R 7.6)</p>	<p>The Commission’s objective with this recommendation is to strike a balance between community views about ‘acceptable’ standards of accommodation for supported residents and affordability for the Budget and the taxpayer. Its acceptance would be a clear acknowledgement that shared accommodation is an acceptable standard for the less well off.</p> <p>Although the proposed standard is based on the July 1999 building certification standard for new and rebuilt homes, a single bed /ensuite configuration has been more commonly used in recent developments in response to consumer demand and the need for flexibility. Grant Thornton data indicates that only 8% of rooms in new developments involved shared arrangements. A result of this situation is that many non supported residents will, in effect, be subsidizing supported residents, and through them, the Government.</p> <p><b>Further consideration is required as to the practicality and appropriateness of the proposed basic standard in view of consumer preferences and providing care with dignity</b>, noting the increased prevalence of dementia and the requirements of palliative care. A further complication is what happens when a non supported resident reaches their minimum equity level under the Home Credit Scheme and becomes a supported resident. This is more likely in regions with lower home values.</p>

The **AACC would transparently recommend a scheduled set of prices, subsidies and a rate of indexation for 'approved aged care services.** (R15.1)

A **lower subsidy** should apply for homes that do not meet the basic standard, though the Age Care Commission should be empowered to consider exceptional circumstances for homes that do not meet this standard, and to recommend an increase in the level of subsidy. (R7.6)

An alternative standard for basic accommodation may be a single room with shared ensuite, or to set the subsidy as a high percentage of the average cost of building single ensuite accommodation (and thereby allowing for a lower standard of amenity and finish), or at that the cost of providing a basic standard of single ensuite accommodation. The Commonwealth would be concerned that competition between providers would push up standards which would automatically lock it into higher accommodation supplements.

A major focus in future for the sector will be the costing methodologies and data sources of the AACC eg what constitutes accommodation costs – land, construction, maintenance, replacement - and what is an appropriate return on capital. **This will need to be agreed.**

Although it is not clear from this recommendation whether 'approved care services' includes accommodation prices for supported residents, the Report elsewhere makes it clear that the AACC would recommend the cost of providing a basic standard of care for supported residents. (p 92 vol 2)

**The costing methodology to be used by the AACC will be an issue.**

**The future role of the existing capital grants programs and zero real interest loan scheme needs to be established.** The Commonwealth position is likely to be that they be terminated except in regions where occupancy levels are problematic or where viability is an issue.

Although an improvement on the draft recommendation which proposed that the age of the building should be the criterion, **a consequence of this proposal is that some providers with services which are below the standard will have difficulty accumulating the equity required to replace old buildings. Perhaps the 'exceptional circumstances' provision is designed to address this issue. Further information and clarification is required.**

On the other hand, in a market based system, such homes would attract a lower rental.

<p><b>The relevant share of a person’s former principal house should be included in the total assets test</b> and the exemption of the principal residence when there is a ‘<b>protected person</b>’ remaining in the principal house should be abolished. (R7.7)</p>	<p>This recommendation is consistent with the principle that those with financial means should contribute towards their accommodation; it would also be more equitable between people of equal means.</p> <p>The Aged Care Home Credit Scheme could be used to help make the contributions.</p> <p>The extent of the contribution that this proposal would make to reducing costs to the Budget and improving affordability for the community of the reforms should be a consideration.</p> <p><b>Modelling to assess the impact of this recommendation on overall affordability and individual affordability will need to be undertaken and considered.</b></p>
<p><b>Remove regulatory restrictions</b> on providers supplying <b>additional services</b> in all residential aged care facilities and remove the distinction between ordinary and extra service bed licences. (R7.8)</p>	<p>Although the Commission recommends that the additional services and the fee should be negotiable, the Commission also considers that a minimum regulated daily charge could remain for <b>living expenses</b> for all residents. The AACC would make recommendations to the Government on the appropriate minimum, currently 84% of the single pension.</p> <p>It would seem reasonable that individuals should be able to negotiate to receive additional services, but it would be a matter for the parties to settle on what services are additional to those that would be expected to be received under the basic minimum charge and accreditation standards. <b>Consumers may seek guidance on this matter.</b></p> <p><b>Clarification will be required whether this capacity for providers to supply additional services extends to personal and nursing care, noting that the discussion in the Report which leads to the recommendation occurs in the <i>Everyday Living Expenses</i> section. If this recommendation extends to care services, consumers and providers would expect that there would be a mechanism for distinguishing the additional care services from those expected to be delivered under the entitlement to ‘approved aged care services’.</b></p>
<p>Based on transparent recommendations from the <b>Australian Aged Care Commission (AACC)</b>, the Australian Government should prescribe the <b>scale of care recipient’s co contributions for approved care services</b> which would be applied through the Gateway Agency. (R7.9)</p>	<p>An independent and transparent process for informing care prices of services delivered in a more open market is a significant advance on COPO indexation linked to minimum wage adjustments and other ad hoc and opaque arrangements used to date. While offering no guarantees, the proposed arrangements offer a more objective and transparent basis for negotiating fees with the AACC and Government. The costing methodologies used by the AACC, and the analysis they undertake, will become a major focus of the sector. <b>The sector will need to develop the</b></p>

<p>The Australian Government should set a <b>comprehensive means test for co contributions for approved aged care services</b>. The test should apply the age pension income test and an assets test (to the relevant share of a person's assets) which includes assets which are excluded from the pension asset test (such as the principal residence, accommodation bonds and deposits in the Pensioners Savings Account). (R7.9)</p>	<p><b>intellectual capital to be able to engage with the AACC.</b></p> <p>The Commission also proposes that a new comprehensive funding instrument be developed that would assess individual's needs and consistently apply entitlements (based on need, and not whether care is provided in the community or in residential care) ie it seems that entitlements would be the same across community and residential care and the same scale of co contributions would also apply. <b>It would be prudent to confirm this interpretation.</b></p> <p>A comprehensive wealth test as proposed is consistent with the principle that those who are able should contribute towards their care, and recognizes that the life time savings of many older people are reflected in home ownership. Currently, care co contributions are not applied consistently across care services, including across residential and community care.</p> <p>Assuming a three level rate of subsidy (full, mid and low) based on assets less than \$350000, \$350000 to \$550000 and more than \$550000, indicative Commission modeling suggests that 50%, 30% and 20% would be eligible to receive the full, mid and low subsidy respectively. Significantly, by 2050, the spread changes to 15%, 10% and 75%, making this option the most sustainable for taxpayers.</p> <p>As this test will 'capture' a larger population, the proposal may see a reduction in the maximum income tested fee currently paid in residential care.</p> <p>The care contribution would fall as total assets are reduced via the draw down through the Home Credit Scheme.</p> <p>The application of this means test to people receiving care in their own home will be controversial, but its justification on equity grounds is hard to challenge.</p> <p><b>Modelling to assess the impact of this recommendation on Budget affordability and individual affordability will need to be undertaken and considered, including testing the impact of different thresholds and tapers.</b></p> <p>This recommendation does not apply to certain community and carers support services such as day therapy programs, community transport and delivered meals where providers will set prices subject to funding guidelines. (Figure 5, Vol 1)</p>
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<p>To facilitate greater consistency between care co contributions across community and residential care, <b>the comprehensive means test should be undertaken by Centrelink</b> on behalf of the Gateway. (R 7.9)</p>	<p>This is a sensible recommendation.</p>
<p>Set an indexed <b>lifetime stop-loss limit</b> for co contributions towards the cost of approved aged care services incurred by each individual, <u>excluding</u> accommodation and everyday living expenses. (R7.10)</p> <p>Exclude aged care costs from the net <b>medical expenses tax offset</b> (R7.10)</p>	<p>The stop-loss limit (a form of risk pooling) is a practical proposal which would address individuals' exposure to catastrophic costs of approved care services, such as the costs that may be incurred by people living with dementia. A limit of \$60,000 has been advanced as an indicative limit, <b>but further modelling will be required on individual and Budget affordability before the limit is set.</b></p> <p>This recommendation is probably intended to exclude 'double dipping' by those with taxable income, and to make the system more equitable.</p>

<b>Broadening the funding base</b>	
<b>Recommendation</b>	<b>Comment</b>
<p>Establish a Government-backed <b>Aged Care Home Credit scheme</b> to provide a line of credit, secured against the principal residence (or an individual's share of the residence), which could be drawn down to fund aged care costs. Interest at CPI would apply to the draw down 'until the minimum equity level' is reached. The interest accrued would count towards the minimum equity level. (R8.1)</p>	<p>This financial instrument responds to the illiquid nature of many older people's wealth (the principal residence), and is designed to provide an option for funding care co contributions and accommodation and everyday living expenses by those not wishing to sell the principal residence.</p> <p>The Home Credit scheme would not be introduced until the second stage of reform implementation (ie until the third year), even though the regulatory restrictions on accommodation payments would be lifted in the first year.</p> <p>No further equity can be drawn down once the maximum allowable has been reached, and no further interest charges would apply. At this point, a resident would become a supported resident and be liable only for paying everyday living expenses (currently 84% of the age pension).</p>

<p>The <b>Gateway Agency</b> would value and specify the <b>minimum level of equity</b> for the person's share of the home. (R 8.1)</p>	<p>The outstanding balance of the line of credit would be repayable upon 'disposition' of the former principal, including upon death of the individual, except where there is a protected person permanently residing in the home.</p> <p><b>It is unclear how the minimum level of equity will be set and what happens to the individual's circumstances if the minimum equity level is reached. Will the person have security of room tenure even though the subsidy received by the provider will fall to that applicable for the basic standard of accommodation, or can the resident be asked to move to a lower quality room? Policy settings in this regard are more likely to affect regions with lower property values.</b></p> <p><b>In effect, the minimum equity level would operate as a stop loss arrangement for accommodation and living expenses, in tandem with the care 'stop loss', with both potentially drawing on the Home Credit Scheme. The inter relationship needs to be considered.</b></p>
<p>The Commission rejects <b>compulsory or voluntary savings</b> and <b>private insurance</b> mechanisms for funding aged care costs.</p> <p>It is also not satisfied that a <b>compulsory social insurance scheme</b> for aged care represents a significant improvement over a pay-as-you-go tax financed system supplemented by higher co-payments by those with financial capacity to make them, and a stop-loss mechanism (to achieve risk pooling) for the high costs of care.</p>	<p>Some argue that a dedicated compulsory social insurance scheme would provide greater certainty of funding to respond to need, but this has not been borne out in those countries that have such schemes. The debate simply moves to the adequacy of the levy and to the predictable variables such as prices, quality and standards, efficiency of service delivery, which services are in scope and eligibility and assessment criteria.</p> <p>The proposed transparent and independent process for recommending prices in a more open market, and which has regard to fair and competitive wages and regional building costs, is a marked improvement on the current opaque pricing arrangements operating in our pay-as-you-go system.</p>

<b>Access to aged care</b>	
<b>Recommendation</b>	<b>Comment</b>
<p>Establish an <b>Australian Seniors Gateway Agency</b> to provide information (on healthy ageing, social inclusion, age-friendly accommodation, and information on the availability, quality and price of aged care); assessment of care needs; assessment of financial capacity to make co-contributions (via Centrelink); entitlements to a set of aged care services or a referral to or an entitlement to community support services or carer support services; initial care coordination - all via a regional network of centres, with regional boundaries defined with reference to those of Medicare Locals and LHN's . (R9.1)</p> <p><b>Veterans</b> should be assessed by the Gateway when they require 'formal' aged care services such as the current community care packages and residential low and high care. (p 258 vol 2)</p>	<p>An efficient and effective Gateway is an essential component of the reform package – inter alia, it is critical for the operation of a more integrated end-to-end care system, for helping the Government manage fiscal risk in a system largely based on entitlement, and simplifying access by consumers to services, including reablement services.</p> <p>The Gateway is not intended to be the single means by which people access information, but one set of information should be available through many outlets, and Gateway Centres could be operated under contract by other Government and non Government agencies.</p> <p>The Commission's final Report contains more detail on the operation of the Gateway, including the extent of the care coordination role; relationship with information and coordination services provided by other agencies such as Carers Australia and Alzheimer's Australia; the management of subsequent assessments, and the Gateway's role in furthering an independence and restorative care approach through reablement services. The risk of bottle necks has been addressed by making provision for a range of community support services to be accessed directly by older people and their carers, as well as on referral by the Gateway.</p> <p><b>For those entering residential care, the Gateway's assessment would replace the initial ACFI assessment currently undertaken by providers. (p 140 vol 2) This issue has been controversial when canvassed in the past.</b></p> <p><b>A major focus during the implementation phase will be the detailed design of the Gateway Agency and its operating procedures, including the design of the new aged care assessment instrument covering care in an aged care home and in the community.</b></p> <p>A sensible approach to ensure consistency of approach and administrative efficiencies.</p>

<p>The Gateway would have a <b>separate budget appropriation for the entitlement-based services</b> it approves. (R9.1)</p>	<p>This recommendation is consistent with the proposal that DoHA's role should be focused on policy advice.</p>
<p>Establish an <b>intensive reablement service</b>, with eligibility and entitlement for this service assessed by the Gateway Agency. (R9.2)</p>	<p>This recommendation is a welcome concrete proposal for delivering the independence focus referred to in the draft Report, including greater clarification of the Gateway's role. The Commission has developed its thoughts on restorative care and independence following representations from various parties.</p> <p>The service would be highly subsidized, if not free.</p> <p><b>Details of the operation of the service will need to be scoped further before implementation eg processes for reviewing progress against care plans, duration of intervention, identification of people who might benefit most, and accountability requirements. The Commission acknowledges that further research will be necessary to ensure effectiveness.</b></p>
<p>A trial of more <b>flexible arrangements for respite care</b>, such as cashing out and using a wider range registered providers, should be conducted as part of the broader introduction of an entitlement approach.(R 9.3)</p>	<p>This recommendation responds to strong pressure from consumer organisations, <b>though union concerns about employment conditions being compromised will need to be addressed.</b></p>
<p>Establish a <b>single integrated and flexible system of care entitlements (the Aged Care System)</b></p> <ul style="list-style-type: none"> <li>comprising a <b>schedule of entitlement-based aged care services</b> approved by the Australian Government, including residential care, community care (domestic, personal, nursing), reablement, planned respite, home modifications, palliative care,</li> </ul>	<p>An essential reform to end service rationing and enable timely access to services based on assessed needs and greater choice of care services as needs change, including confidence that support will increase without having to change care provider or setting.</p> <p>The reform is also an essential complement to the lifting of the current restrictions on what aged care services providers may offer (R7.1), thereby allowing the advantages of greater flexibility and competition such as increased responsiveness to consumer preferences and innovation.</p>

<p>high level aids and equipment and care coordination.</p> <ul style="list-style-type: none"> <li>• With access on <b>an entitlement basis</b> according to the Gateway's assessment of need, with individuals having a choice of approved provider or providers. (R 9.4)</li> </ul> <p>The Government would set <b>a schedule of prices for services based on a transparent recommendation from the Aged Care Commission.</b> (R9.4)</p> <p>The Australian Government should support a range of <b>community support services which would be directly accessible by older people and their carers</b> and, on referral, through the Gateway. (R9.4)</p> <p>Expand funding for the National Aged Care Advocacy Program. (R9.4)</p>	<p><b>The design, development and implementation of the system is a large task. It will be a major focus for the sector during the implementation phase.</b> The 'layered funding model' developed by Applied Aged Care Solutions is presented as one of several possible funding model options.</p> <p>This recommendation is a modification to that presented in the draft Report. There is no longer an attempt to incorporate all HACC services under the entitlement approach. This mirrors the approach taken to circumscribe the scope of the Gateway Agency's role. (See comments below).</p> <p>A significant advance on COPO indexation and other ad hoc and opaque arrangements for setting prices used to date.</p> <p>Rather than including all aged care services as entitlement-based services accessed through and assessed by the Gateway, there would be a range of community support services which would be directly accessible by older Australians and their carers. Providers would continue to be block funded for these services and determine eligibility and fees subject to guidelines. The services would include meals delivery, day therapy services, community transport, wellness programs and specialist information services. These services would only be entitlement based if they were a part of the approved services for a person with higher care needs assessed by the Gateway Agency.</p> <p>This is a far more administratively practical and manageable approach to creating an integrated aged care system to that which was being considered in the draft Report. For example, it avoids the need to design a new integrated needs assessment tool and funding model which spans the full spectrum of care services in residential and community aged care. It also reduces the threat posed for many smaller HACC providers by an entitlement approach, reduces the potential for bottlenecks in the Gateway and reduces fiscal risk for the Government.</p> <p>A sensible proposal which will support consumers.</p>
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<p>Australian Governments should promote the expansion of <b>in-reach services</b> to residential aged care and the development of regionally or locally based visiting multidisciplinary health teams. (R9.5)</p>	<p><b>Further work will be required to work out how this worthy recommendation would be implemented</b>, including identifying funding sources and funding mechanisms (fee for service /block funding/case mix), as well as clarifying the roles of Medicare Locals, Local Hospital Networks, and private clinicians. The pilots undertaken in Victoria might be instructive in this regard.</p>
<p>The Australian Government should set scheduled fees for the delivery of certain <b>sub acute services</b> that are delivered in an aged care home. (R 9.6)</p>	<p>This is a welcome recommendation which would expand business models for residential aged care providers, enhance the skill base available for aged care homes, and make sub acute services more accessible in the community. The Commission did not take up the suggestion that transition care could be integrated into this arrangement.</p> <p><b>It is unclear whether the budget holder for the scheme would be the Australian Government or the Local Health Network.</b></p> <p>The Commission has noted the lower cost structures in aged care homes compared with public hospitals should result in lower fees than those for equivalent services in public hospitals. Nonetheless, <b>the schedule of fees should be determined independently by the National Hospital Pricing Authority preferably in consultation with the Australian Aged Care Commission.</b></p> <p><b>Arrangements for accreditation and quality standards will need to be developed.</b></p>
<p>A <b>person with a disability</b> who was being cared for in the disability system prior to reaching 65 should be able to continue to be supported by services that best meet the person's needs, including through the disability system. (R9.7)</p> <p>Such a person at any time after 65 may elect to be supported through the aged care system and be subject to that system's arrangements. (R9.7)</p>	<p>This is a practical person-centred recommendation which recognizes the COAG agreement to use an age threshold (65) to allocate funding responsibility between the Commonwealth and the States and Territories.</p>

<b>Quality of Care</b>	
<b>Recommendation</b>	<b>Comment</b>
<p>The quality assurance framework should be expanded to include <b>published quality indicators</b> at the service provider level. (R10.1)</p> <p>The Age Care Commission should develop a <b>Quality Outcomes Data Set</b> for use by care recipients which brings together evidence on best practice care. (R 10.1)</p>	<p>This recommendation is reasonable in principle. <b>The difficulty will be identifying meaningful and appropriate indicators, using data collected as part of good management practice.</b></p> <p>A Quality Outcomes Data Set would be welcomed by consumers. The data included would need careful attention to ensure its utility.</p>
<p>The <b>Medicare rebate for visiting GP services</b> to aged care services should be independently reviewed. ( R 10.2)</p>	<p><b>The review should include arrangements for visiting nurse practitioners.</b> The Report concludes that it is imperative that the pricing of aged care services allows age care providers to consider implementing innovative models of care which involve nurse practitioners in care delivery. (p 379 vol 2)</p>
<p><b>Palliative care and end-of- life care</b> provided in a residential or community setting should be an entitlement determined by the Gateway assessment process, with the value of the entitlement set by the Australian Government on transparent advice of the Australian Age Care Commission in consultation with the National Hospital Pricing Authority. (R10.3)</p>	<p>This recommendation addresses the additional cost of providing palliative care which is not currently recognized by the ACFI, and would increase the scope for providing these services outside public hospitals.</p> <p><b>The assessment guidelines for eligibility for this entitlement and the scope of palliative and end of life care will require careful development.</b></p> <p><b>The recommendation does not address specifically whether the entitlement would include funding which would allow residential and community aged care providers to access specialist palliative care advice and support.</b></p>
<p>Funding should be provided for a community awareness campaign concerning <b>advance care directives</b>; the directives should be included in the proposed <b>electronic records</b>. (R10.4)</p>	<p><b>The Report also recommends that age care services should have trained staff who can discuss and put in place advance care directives, but provides no mechanism or process for ensuring this happens. The implication is that this is a responsibility of care providers.</b></p>

<b>Catering for diversity – care for special needs groups</b>	
<b>Recommendation</b>	<b>Comment</b>
<p><b>Accreditation standards for residential and community aged care</b> should be robust enough to ensure the delivery of services which cater for the needs and rights of people from diverse backgrounds. (R11.1)</p>	<p>This recommendation recognizes that one of the obvious mechanisms for addressing quality of care is through the accreditation processes. The Report does not provide explicit advice on how existing standards, which are currently under review, should be strengthened.</p>
<p>The Gateway Agency to cater for diversity by ensuring access to <b>suitable information, interpreter and assessment services and culturally appropriate diagnostic tools</b>, including developing specific ‘hubs’ with bi-lingual staff to cater for people with limited English. (R 11.2)</p>	<p>This recommendation would be welcomed by CALD communities and consumer organisations.</p>
<p>The Aged Care Commission should take into account the <b>cost of catering for diversity</b> when transparently recommending the scheduled set of prices for care services. (R 11.3)</p>	<p>Additional costs that have been identified in the Report include providing ongoing and comprehensive language services and staff training aimed at delivering culturally appropriate care with respect and dignity.</p>
<p>The Australian Government should ensure that <b>rural and remote and indigenous aged care services</b> are actively supported before remedial intervention is required. (R9.3)</p>	<p>This recommendation has been expanded to include rural and remote services, and recognizes the limitations of a market based approach for servicing Indigenous and rural and remote communities.</p> <p>The Commission considers that the active support required includes the construction, replacement and maintenance of appropriate building stock, meeting quality standards, clinical and management staff development, applying funding models that ensure service sustainability, and support for the development of service capabilities at the local level.</p> <p>The recommendation is effectively an endorsement of the existing Remote and Indigenous Support Services (RIIS) program.</p>

	<p>The Report acknowledges that its <b>proposed reforms to ensure choice may have limited applicability in rural and remote areas</b> where there are relatively small target populations, and it is generally only feasible for one or two service providers to operate. Accordingly, the Report contains the following conclusions:</p> <ul style="list-style-type: none"> <li>• In <b>rural and remote areas</b> where there are unavoidable and significant variations in occupancy, alternative funding models, such as <b>supplementary block funding and capital grants</b> in addition to mainstream funding, may be required to ensure ongoing availability of aged care services. (p 265 vol 2)</li> <li>• Services delivered in <b>rural and remote areas should be funded at a level which has regard to the additional costs involved, as recommended by the AACC.</b> (p 267 vol 2)</li> <li>• There is merit in evaluating the opportunities for collocating aged care services with integrated health and community models in smaller communities, but with the aged care component operated in a manner which is consistent with contemporary aged care standards. (p 272 vol 2)</li> </ul> <p><b>Although these are not recommendations, they should be dealt with as such in negotiations with the Minister on the implementation of the reforms.</b></p>
<p><b>Partial or full block funding</b> should be available where there is a demonstrated need to ensure timely and appropriate access to services. Such services might include services <b>for homeless older people and Indigenous specific flexible aged care services.</b> (R11.5)</p> <p><b>Direct access to these services</b> should be available immediately, but care recipients would be required to undergo a Gateway assessment within three months. (R 11.5)</p>	<p>This is a sensible recommendation that recognizes the limitations of a market based approach in certain circumstances, and draws on existing policy.</p> <p>Given the comments above, it would appear that this recommendation could also apply to rural and remote services, where they meet the criteria.</p> <p>A sensible recommendation which is sensitive to the characteristics of the client group.</p>

<p><b>Socially disadvantaged groups</b></p>	<p>Recognizing that some components of the ACFI may be set too low, the Commission considers that a full and public benchmarking study of the pricing of care and support services for socially disadvantaged clients (which it identifies as the homeless, ageing people with a mental illness, ageing refugees and care leavers) should be undertaken by the AACC in consultation with the industry and other stakeholders. The AACC would then transparently recommend an appropriate price to the Government. (p 245 vol 2)</p> <p><b>Although this is not a recommendation, it should be dealt with as such in negotiations with the Minister on the reforms.</b></p>
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<b>Carers</b>	
<b>Recommendation</b>	<b>Comment</b>
<p>The Gateway Agency, when assessing the care needs of older people, should also <b>assess the capacity of informal carers to provide ongoing support</b> and, where appropriate, approve entitlements for planned respite and other essential services. (R 13.1)</p>	<p>An essential suite of reforms to support consumer choice to age at home, and achieve better outcomes for the carer as well as the care recipient. Most aged care is currently provided by informal carers who need to be supported in order to take some of the pressure off themselves and the formal system.</p>
<p><b>Carer Support Centres</b> should be developed from the existing specialist carer support programs to undertake a comprehensive and consistent <b>assessment of carer needs</b> which would be accessible directly or through the Gateway. (R 13.1)</p>	<p>The recommendation to establish Carer Support Centres complements the Commission's support for the development and implementation of a National Carers Strategy, recommended by the House of Representatives <i>Inquiry into Better Support for Carers</i>, to replace the current ad hoc arrangements for carer support across a number of programs and jurisdictions. Importantly, the scope of the Centres would extend to all informal caring roles, not just care for the aged.</p>
<p><b>Carer Support Centres would deliver carer support services</b> such as education and training, emergency respite, counseling and peer support and advocacy. (R13.2)</p>	<p>It is noteworthy that only the services approved by the Gateway ('respite and other essential services'), would be entitlements. The Carer Support Centres would be block funded.</p>

<p>Funding for services which engage <b>volunteers</b> in service delivery should take into account costs associated with volunteer administration and training and support. (R13.2)</p>	<p>The Report indicates that support should extend to the inclusion of funding for full or partial reimbursement of out-of-pocket expenses borne by volunteers. (p 345 vol 2)</p>
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<b>Workforce</b>	
<b>Recommendation</b>	<b>Comment</b>
<p><b>Improving the attractiveness of aged care and developing a sustainable workforce will require an integrated approach in a number of areas,</b></p> <ul style="list-style-type: none"> <li>• particularly paying staff competitively,</li> <li>• fostering a rewarding work environment (especially through better management) and</li> <li>• providing further opportunities for skills development (including increases in scopes of practice and exploring the opportunities to source workers internationally. (p 358 vol 2)</li> </ul>	<p>The Commission considers that there is a role for Government in setting prices which enable employers to pay fair and competitive wages. In addition, Government can also take action to support delivery of quality education and training, and reduce unnecessary regulatory burdens. Solutions also lie with age care providers as they too have responsibility for ensuring that they provide an attractive workplace. (p 359 vol 2)</p> <p>The Report's recommendations focus on the Government's responsibilities around ensuring funding for fair and competitive wages and ensuring a supply of appropriately skilled care workers.</p>
<p>The Australian Aged Care Commission when assessing and recommending scheduled care prices should take into account the need to pay <b>fair and competitive wages</b> to nursing and other care staff delivering approved aged care services, and the <b>appropriate mix of skills and staffing levels for the delivery of those services.</b> (R14.2)</p>	<p>There have been two significant additions to the draft recommendation on this matter ie the inclusion of a requirement to take into account the fairness of wages and the appropriate mix of skills and staffing levels when assessing and recommending scheduled prices and subsidies for aged care. It is anticipated that the final report of a study to be undertaken by the ANF on aged care skills mix and related issues will be relevant to the AACC's deliberations. The ANF received \$0.5m from the 2010 Budget for this study.</p>

	<p>A requirement for an independent pricing process to take into account the need to pay fair and competitive wages and an appropriate mix of skills and staffing levels is an advance on current COPO indexation arrangements which are linked to minimum wage adjustments. Given the current industrial relations framework, this offers the best prospect for achieving fair and competitive wages for aged care workers, but falls short of the unions' preference for a mechanism that would guarantee that additional funding would flow to staff wages.</p> <p>The Commission did not accept union requests for staff ratios and for the licensing of care workers (the latter only supported by the ANF).</p>
<p>Promote <b>skills development</b> through an expansion of accredited courses at all levels, including vocational training for care workers entering the sector, tertiary nursing places, advanced clinical places for nurses and management courses. (R 14.2)</p>	<p>This is a clear responsibility of Government, and this recommendation can be used to encourage Governments to continue increasing funding levels to increase skill development courses.</p> <p>The Commission notes that <b>Health Workforce Australia</b> has been tasked to widen scopes of practice for health services.</p>
<p>The Australian Government, in conjunction with universities and providers, should fund the expansion of <b>'teaching aged care services'</b> for medical, nursing and allied health students. (R14.3)</p>	<p>This is an endorsement of existing policy, but with an expansion of activity.</p>
<p>The Australian Government should undertake an independent and comprehensive <b>review of aged care related vocational education and training (VET) courses</b> and their delivery by registered training organisations. (R14.4)</p>	<p>This recommendation responds to concerns raised by the sector about the effectiveness of some of the VET training programs.</p>

Regulation	
Recommendation	Comment
<p>Establish a new independent regulatory agency, the <b>Australian Aged Care Commission (AACC)</b>, to be responsible for:</p> <ul style="list-style-type: none"> <li>• monitoring, reporting and assessing costs and transparently recommending a scheduled set of prices, subsidies and a rate of indexation for approved age care services</li> <li>• regulation of the quality of residential and community aged care, including compliance and enforcement</li> <li>• promoting quality through continuous improvement</li> <li>• approving residential and community aged care providers</li> <li>• administering prudential regulation</li> <li>• handling consumer and provider complaints</li> <li>• collecting and disseminating data and information (R 15.1)</li> </ul>	<p>The separation of regulatory activities from the policy body and funder (DoHA) is in line with governance best practice as it minimizes conflicts of interest. Consolidation should also help reduce confusion and overlapping regulation.</p> <p>The AACC would incorporate the Aged Care Standards and Accreditation Agency (as a statutory authority within AACC) and a statutory office for complaints handling, supported by a stakeholder advisory committee. It would comprise three Commissioners (Chairperson, Commissioner for Quality Care and Commissioner for Complaints and Reviews).</p> <p>The Office of the Aged Care Commissioner would be abolished.</p> <p>The Commission has backed away from its recommendation in earlier reports that competition should be introduced into accreditation arrangements.</p> <p>The Commission has not accepted the ACSAA's view that it does not have a regulatory role.</p> <p>An independent and transparent process for recommending prices is a more objective basis for setting prices than the current opaque processes. It would allow more informed negotiations with the AACC and the Government.</p> <p>It would also mean that the focus will shift to the AACC's data, costing methodologies and analysis. The sector should clearly understand that the pricing will be pitched at efficient service delivery, and a debate around how this is calculated.</p>
<p>A <b>separate review office</b> should be developed within the AACC to hear and determine <b>initial appeals</b> of individual cases as well as to conduct 'own motion' systemic reviews within the AACC. (R15.2)</p>	<p>Provision of a more easily accessible intermediate step of review is appropriate, and an improvement on the recommendation in the draft Report that all appeals should go to the Administrative Appeals Tribunal (AAT).</p>

<p>The AACC should not have a role in reviewing complaints about decisions made by the Gateway Agency. Instead the <b>Gateway Agency should establish its own separate complaints handling and review office.</b></p>	<p>The Gateway's responsibilities and decisions are quite different from those of the AACC. Review decisions by both the AACC and the Gateway Agency would be appealable to the AAT.</p>
<p>All <b>appeals</b> in respect of decisions of the AACC and the Gateway Agency should be heard by the Administrative Appeals Tribunal (AAT), with the allowable appeal time of 13 weeks. (R 15.2)</p>	<p>This recommendation is acceptable as there is now provision for all appeals of decisions by both the AACC and the Gateway Agency to be heard initially by dedicated review mechanisms within those agencies.</p>
<p>The Australian Government should implement an independent <b>statutory Community Visitors Program.</b> (R15.2)</p>	<p><b>The details of this proposal, including the implications for the existing Community Visitors Scheme, need to be clarified.</b></p>
<p>The results of <b>community care assessments</b> using the Community Care Common Standards should be published. (R15.4)</p>	<p>Under this recommendation, community care assessments would be given similar treatment to residential aged care assessments.</p>
<p>There should be a broad range of enforcement tools available to the AACC to ensure that <b>penalties are proportional to the severity of non-compliance.</b> (R 15.5)</p> <p>The range of <b>enforcement tools for HAAC delivered services should be harmonized in the event that Vic and WA do not allow the Commonwealth to be the principal funder and regulator.</b> (R15.6)</p>	<p>This recommendation is consistent with good public policy.</p> <p>A second best outcome to Commonwealth assumption of full policy and funding responsibility for all aged care services.</p>

<p>The Government should introduce a <b>streamlined reporting mechanism</b> for all aged care providers based on the model used to develop Standard Business Reporting. (R 15.7)</p>	<p>This recommendation has the potential to reduce administrative costs for providers.</p>
<p>Amend <b>prudential standards</b> to require providers to disclose whether they have met all prudential regulations in the current and previous years, and the availability on request of audited accounts and compliance audit results, rather than automatically. (R 15.8)</p>	<p>The Government has previously rejected this recommendation as it considers that compulsory disclosure to prospective and existing residents ‘works to reduce the moral hazard created by the Bond Guarantee Scheme by assisting people to make informed decisions about the security of their bonds’.</p> <p>This recommendation represents a reasonable balance between keeping residents informed with useful information and avoiding high administrative costs.</p>
<p>Amend the <b>missing persons reporting</b> requirement to allow providers a longer period to report missing persons to DoHA. (R 15.9)</p>	<p>The Government has previously rejected this recommendation as it considers that timely response enables DoHA to offer support quickly to the family of the missing resident and to ensure that the facility has appropriate systems in place.</p> <p>Offering support to the family should be a standard requirement for providers, and a check of the home’s systems within 24 hours after a one off event, even before the missing person may have been found, is a distraction from the priority at hand.</p>
<p><b>COAG should identify and remove onerous duplicate and inconsistent regulations</b>, including in relation to infectious disease outbreaks, occupational health and safety, food safety, nursing scope of practice, power of attorney, guardianship and advance care plans. (R15.10)</p>	<p>A sensible recommendation which, if achieved, would reduce regulatory and administrative costs for providers.</p>

<b>Accommodation – age friendly housing</b>	
<b>Recommendation</b>	<b>Comment</b>
Australian Governments should develop a coordinated and integrated policy approach to <b>home modification and maintenance services</b> , with a lead agency in each jurisdiction, which includes benchmarks for the level of services to be provided and consistent eligibility and co-contribution policies. (R12.1)	This recommendation is supported as it responds to the current ad hoc and variable approaches to home modification and maintenance across Australia. A cost effective home modification and maintenance scheme is a practical measure for helping people make the choice to age at home.
The Australian Government should develop <b>building design standards for residential housing</b> that meet access and mobility needs of older people. (R12.2)	This proposal will require the cooperation of the States and Territories.
COAG, within the context of its agreed housing supply and affordability reform agenda, should develop a strategic policy framework for ensuring that adequate levels of <b>affordable housing</b> are available to cost effectively meet the demands of an ageing population. (R12.3)	The Commission also endorses in principle the removal of stamp duty as it acts as a disincentive for people moving to more age appropriate housing.
The <b>regulation of retirement villages</b> and other retirement specific living options should remain the responsibility of State and Territory Governments, and should not be aligned with the regulation of aged care.(R10.4)	This recommendation recognizes that housing policy is primarily a State and Territory responsibility.
State and Territory Governments should pursue <b>nationally consistent retirement village legislation</b> . (R 10.5)	This recommendation is consistent with other initiatives to try to harmonize regulation in various sectors of the economy.

Policy and research	
Recommendation	Comment
<p>The AACC should perform the role of a <b>national 'clearing house' for aged care data</b>, including coordinating data collections from various agencies and making the data publically available in a timely manner. (R 16.1)</p> <p>Maximize the usefulness of data sets by adopting common definitions, measures, collection protocols and linked data sets and investing in the de-identification of new data sets. (R 16.1)</p>	<p>Consolidating and developing a well resourced data 'clearing house' role with the AACC has merit. It would be a useful support for research and evaluation of the aged care system, and developing evidence-based policies and care regimes.</p> <p><b>The Commission does not address resourcing for research.</b></p>

Transition	
Recommendation	Comment
<p>A non statutory advisory group should be established comprising consumer, carer, provider and workforce representatives should be established to assist with implementation. (R17.1)</p>	<p>The Ageing Expert Reference Group has been established by the Minister.</p>
<p>The Australian Government should negotiate with providers of services to existing care recipients to harmonize care subsidies and other arrangements with a view to removing <b>grandfathering arrangements</b> within five years, while protecting existing residents. (R17.2)</p>	<p>The recommendation is designed to reduce the administrative complexities for Government and providers which arise from the administration of grandfathering arrangements. The proposal would address both existing grandfathering arrangements, as well as those that would arise from the reforms.</p> <p><b>Any proposal advanced by the Government would need to be carefully assessed.</b></p>

<p>Remove <b>supported resident ratio</b> obligation exemption from <b>extra services</b> at the end of the transition period. (R17.2)</p>	<p>This recommendation is a logical extension of reform designed to remove restrictions on the number of residential and community care services and restrictions on the services that providers may offer.</p>
<p>The Australian Government should provide, during the transition period, <b>capped grants to existing smaller approved residential aged care providers</b>, on a dollar for dollar basis, for financial and business planning advice to assist in assessing future options. (R 17.3)</p>	<p>It is expected that a move to a more open system may challenge some smaller providers. This assistance is intended to assist with adjustment to the new system and to manage the risk of service disruption for existing care recipients.</p>
<p>The Australian Government should offer, during the transition period, existing smaller providers a <b>loan facility for the repayment of bonds</b>. (R17.3)</p>	<p>This recommendation is intended to help smaller providers manage any liquidity problems that may arise during the transition period as the system moves to market-based accommodation payments for non supported residents.</p> <p>There is an implication in this recommendation that larger providers will be able to negotiate refinancing arrangements with their bank to smooth over any liquidity problems.</p>
<p>The AACC should during the transition period <b>monitor accommodation prices</b> and recommend regulatory measures if systematic excessive overcharging emerges. (R17.4)</p>	<p>A prudent safe guard for consumers and for maintaining public support for the reforms pending the deepening of the market.</p>
<p>Introduce up front an <b>intermediate care package level</b> during the creation of the proposed single integrated entitlement-based care system. (R17.5)</p>	<p>This is an early 'down payment' to increase consumer choice and certainty of care arrangements which will increase the credibility of the reforms for consumers. It will be complemented by an early increase in community care places.</p>

In implementing reform, the Government should **announce a timetable for changes** and how the changes are expected to affect consumers (including carers), providers, workers and the sector in general, guided by the Report's three-stage implementation plan. (R17.7)

The Commission presents a **three stage Implementation Plan** at Schedule A of the Report.

*Stage 1: expedited measures within 2 years*

- Establish the AACC and the Gateway Agency
- Remove high/low distinction and extra service status
- Allow providers to set and publish market based periodic accommodation payments and bond equivalent for all residential care, and remove regulated retentions
- Introduce price monitoring
- Increase community packages by 20% and introduce intermediate level packages
- Set region specific supported resident quotas
- Increase the supported resident accommodation supplement progressively to reflect cost of supply
- Introduce the Pensioners Savings Account
- Conduct a public benchmarking study of care costs to initially set a schedule of fees
- Put in place grandfathering arrangements
- Introduce a financial assistance package for small providers

Due to the complexity and wide ranging nature of the reforms, the risks for the consumer, providers, workers and the Government associated with the implementation of the reforms cannot be overstated. Hence this recommendation is critical, as is the implementation plan.

Releasing an implementation timetable for reform, rather than a piecemeal approach, is critical to providing certainty to older people, the community and the sector which will reduce implementation risks.

The proposed staging of implementation assumes that the total package is endorsed by the Government. It also assumes that the package can be implemented in five years, while acknowledging that this is a 'stretch target' which will not be easy to achieve. In the interests of certainty and a sense of commitment that the reforms will be tackled, it is prudent to set 'stretch targets', but on the basis that implementation of particular measures poses the risk of failure if not properly developed.

The Implementation Plan is largely consistent with the transition plan suggested by the Campaign for the Care of Older Australians. Some of the positive features include:

- capital funding issues are addressed early
- consumer preference to have the opportunity to age at home is addressed early by the expansion of community care places and the introduction of (temporary)intermediate packages
- an early start is made to establish the Gateway Agency and the AACC as their operational effectiveness will be crucial to the success of an entitlement based system
- the lifting of restrictions on residential services occurs later in the implementation plan
- there is provision for extensive review of the reforms after year five
- steps to improve data for evidence based research are commenced early

**It will be useful to see modelling of the impact on supply of the proposals to gradually lift restrictions on community and residential places, and to compare this with the growth of the aged population over the same period.**

*Stage 2: within 2 to 5 years*

- Introduce the new model of care assessments and service entitlements
- Create the formal entitlement based aged care system, together with the block funded community support services
- Introduce the new co-contribution and stop-loss funding arrangements
- Introduce the Home Credit Scheme
- Set care prices and the accommodation charge for supported residents based on transparent advice from the AACC
- Undertake an assessment of the appropriate total assets test thresholds for the supported resident supplement
- Gradually increase the quantity of residential places by 10% to 20%
- Introduce measures to improve quality, including quality indicators
- Continue the gradual increase in community places commenced in stage 1

*Stage 3: five years and beyond*

- Remove supply restrictions
- Commission a public review of the reforms, including into
  - whether the consumer directed system has developed enough to liberalize care prices and accommodation supplements in some markets;
  - whether regional quota arrangements could be lifted;
  - assess fiscal sustainability; and
  - review access by special needs groups.