COMMENTS ON COALITION AGED CARE POLICY

SUMMARY

The Coalition was first out of the blocks with its election aged care policy.

Their promise to restore the **CAP increment** (1.75%) for 2011 pending consideration next year of the recommendations of the Productivity Commission's aged care inquiry is a welcome recognition of the funding pressures on the delivery of quality care ($130m). A new **Convalescent Care Program** would provide funding direct to providers ($200 per bed/day for about 1,150 beds) to offer short term assistance for people waiting in hospital to return home ($330m/4 years).

The Coalition wants to take a different approach to providing capital assistance to the sector in the short term. The Zero Real Interest Loan Scheme would be replaced by a **Bed Incentive Scheme** which would offer direct grants to some current holders of provisional bed allocations (3,000 beds at $30,000 per bed). Several new programs totaling $170m over 4 years are promised to improve care services, including a **pet therapy** program, a **companionship** program, support for **benchmarking**, extending **respite** demonstration projects, expanded **dementia** care services and a **service development** program targeting matters such as assistive technology.

The new programs would be funded by a redirection of $936m from existing programs which the Coalition claims would be a more effective use of funds. Existing programs affected include no further expansion of the Zero Real Interest Loan Scheme and the Transition Care Program, and abandonment of the Long Stay Older Persons program and an incentive program for encouraging better access by residents to GPs. A theme evident in the proposed arrangements is providing funding direct to service providers rather than to or through the States.

The Coalition also proposes a formal process for conducting negotiations between the Government and providers on aged care, including an **Aged Care Provider Agreement**. A formal process for negotiations has merit, but there is a concern that the proposed Agreement will be based on the continuation of service rationing and balance of care ratios. If so, it would fall short of the Grand Plan and NACA Vision of entitlement based on assessed need, consumer choice of where aged care is received (community care or residential care) and who delivers the services. The Agreement is not presented as a transition plan towards reform of the aged care system as proposed in the Grand Plan and the NACA vision.

Questions arise therefore about the Coalition's commitment to fundamental reform through the Productivity Commission Inquiry, though the Leader of the Opposition has indicated in a 'door stop' that his Government would take the PC recommendations very seriously when they are available.

The policy document is silent on giving consumers in the community the option of greater control over the mix of services they receive (consumer directed care) and whether the Commonwealth should assume full policy and funding responsibility for aged care, including HACC and eligibility assessment ('one stop shops').

OVERARCHING COMMENTS

- The Coalition's aged care policies involve **no new funding for aged care**. The new measures that are included in the policy document are funded through a redirection of $936m from existing aged care programs. The new measures are seen by the Coalition as more effective use of the funding.

- Regarding the **Productivity Commission (PC) public inquiry into aged care**, in a door stop interview, the Leader of the Opposition stated "that we take the Productivity Commission very seriously, very seriously indeed, and of

course we would look very seriously at the Productivity Commission's report, and where it is desirable we will act on its recommendations…we'll be happy to supplement this policy with appropriate adoption of the Productivity Commission recommendations when we get them."

COMMENTS ON POLICY PROPOSALS

- ***Restoration of CAP ($130m in 2011)***

    - Indexation of the CAP (ie restoring the CAP increment of 1.75%) for one year pending the outcome of the PC Inquiry is welcome (and consistent with Grand Plan's short term ask).

    - But needs to be complemented by a commitment to develop a new basis for setting subsidies and prices for aged care in the context of the PC Inquiry. No clues given as to the arrangements to apply after 2011.

- ***Aged Care Bed Incentive Program ($335m/4 years: $90m capital and $245m for care subsidies, once operational)***

    - Replaces Zero Real Interest Loan Scheme (ZRILS) which was extended in the 2010 Budget for two years on more favourable terms (22 year repayment) and with wider coverage (involving loans of up to $120,000per bed for 2,500 beds).

    - Unlike ZRILS, Coalition program is targeted exclusively to current holders of provisionally allocated high care places (targeting 3,000 provisionally allocated places at $30,000 grant per bed). The criteria for selecting recipients of grants is not provided (there are an estimated 25,000 provisionally allocated places). Presumably will need to identify those projects that are not proceeding for capital funding reasons.

    - The comparative attractiveness of the two schemes is very sensitive to interest rate levels. The attractiveness of ZRILS increases with interest rates beyond about 7% (other things being equal).

    - There is no additional capital funding for places to be allocated in future ACARs (ie 2010 and onwards) or for rebuilding ageing infrastructure.

    - The Aged Care Provider Agreement and PC Inquiry processes will need to urgently address capital requirements beyond 2010 otherwise no progress will have been made to ensure the sustainability of capital funding for residential care renewal and expansion.

- **Convalescent Care Program for people waiting in hospital to return home ($300m/4 years – 20,000 'patients' pa - about $200 per bed day)**

    - The main offset to this program seems to be the warehousing of the Transition Care Program (TCP) ie no further expansion.

    - In contrast to the TCP, all funding would go direct to providers; TCP funds are paid to State/Territory Health Departments, who sometimes contract with providers. Unclear whether funding will come from within the aged care provision ratio ie at the expense of residential and community aged care places, as is currently the case for TCP.

- The Convalescent Program does not include any capital. The program will require about 1150 beds (assuming full occupancy and a 21 day stay per person). None of these places will be in hospital wards, but instead will 'utilize equipped beds and expertise in aged care facilities'. Question mark over the availability of such a large number of beds (on top of those already soaked up by the Transition Care Program), and whether suitable available and equipped beds are optimally located to meet need. The median length of stay for TCP delivered in a residential setting was 38 days.

- What will be the future of the approximately 3,300 existing operational Transition Care places?

- Also, not sure what might be the implications for the current Government's commitment under the National Health and Hospitals Network to create 1,316 new sub acute beds or bed equivalents (focusing on rehabilitation, palliative care, mental health and geriatric services) at a cost of $1.6b (which includes capital) and to provide $122m capital for sub acute beds in MPSs. What would be the future of the sub acute beds under the Coalition? In many respects, the two programs if continued may overlap (but no more so than with the TCP).

- **Aged Care Provider Agreement (4 year)**

  - Proposal is to negotiate an Agreement between providers and the Government which "will set the framework for aged care in Australia over the next four years". An *Officials Working Group* would negotiate the Agreement, including providing advice on the PC Inquiry recommendations, and an *Agreement Steering Committee* would implement and administer the agreement.

    - There is merit in a formal process for conducting negotiations between the Government and the sector on aged care matters.

    - But there is concern that some of the proposed elements for inclusion in the Agreement preempt consideration of the PC recommendations and fall short of the Grand Plan and NACA Vision eg the decision to continue with a streamlined ACAR process and balance of care ratios suggests that the Coalition has ruled out entitlement based on assessed need and increased consumer choice, and that rationing will be continued. Care will be needed to ensure that the Agreement does not become a vehicle for capping funding and services irrespective of assessed need in the community.

    - There is no suggestion that the Agreement will incorporate a transition plan for reform of the aged care system around entitlement based on need, consumer choice and responsiveness, access and sustainability.

    - There is no explicit reference to the inclusion of consumer groups in the above consultative arrangements.

  Other elements of the proposed Agreement

  - It is proposed to work with the States to produce **simpler planning, building and certification rules**. This is laudable, but history would suggest that scope for effective action in this area is limited. Certification should be integrated into the Building Code of Australia.

  - There is a reference to 'a **strengthened aged care safety net of 25%** for those less able to contribute.' Does this refer to the concessional supplement? Clarification required as it has implications for special needs groups. Cost?

- There is a reference to '**better access to medical and allied health services in aged care**' but nothing about how this will be achieved. No costed program. On the contrary, the savings include abandonment of a $98m Govt program to increase GP attendances at aged care homes by rewarding GPs with higher caseloads in aged care homes.

- **Better Benchmarking ($17/4 years)**
  - $10m new money and redirection of $7m from DOHA, the latter provided in the 2010 Budget to develop national performance benchmarking
  - Funding to be given to providers 'to purchase benchmarking software and training packages'.
  - Useful initiative, but should not be at the expense of developing reliable national financial performance data against benchmarks of care to form the basis for setting care subsidies and fees by an independent pricing authority. This goes to heart of future arrangements post CAP for setting care fees and subsidies.

- **Aged Care Provider Agreement Professional Program ($ 50m/4 years)**
  - Could be a useful program for promoting innovation, but smacks a bit of 'picking winners' (by bureaucrats?).

- **Streamlining of complaints processes**
  - There is a promise to reduce red tape by reducing duplication, but no detail provided.

- **Other policy elements that are supported**
  - **Dementia ($50m):** expansion to cover a wider range of degenerative neurological conditions is welcomed.
  - **Day Respite Demonstration Projects ($20m/2 years):** a short term extension pending further evaluation.
  - **People Love Pets Therapy Program/ Expansion of Companionship Program (aka Community Visitors Scheme) / Exercising the Heart and the Brain Program ($38m):** all good.

SAVINGS AND COSTING MATTERS

- Unclear why the decision to stop further growth in the **Transition Care Program** does not result in savings in years 3 and 4? Savings may be understated here.
- Unclear why recurrent costs (care subsidies) for places opened under the **Bed Initiative Program** needed to be offset by savings. Funding would already been included in the forward estimates on the expectation that the places would be operationalised.
- No capital has been provided for beds and equipment to support **Convalescent Care** program.
- No costing is provided for the 'strenghtened **aged care safety net of 25%**'.

- No costing is provided for improving **access to medical and allied health** in aged care.

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