Catholic Health Australia

National approaches to ageing well in rural and remote locations: An assessment of the Productivity Commission's draft Report *Caring for Older Australians*

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About Catholic Health Australia

21 public hospitals, 54 private hospitals, and 550 aged care facilities are operated by different bodies of the Catholic Church within Australia. These health and aged care services are operated in fulfilment of the mission of the Church to provide care and healing to all those who seek it. Catholic Health Australia is the peak member organisation of these health and aged care services. Further detail on Catholic Health Australia can be obtained at www.cha.org.au.

Introduction

Over the years, a range of policies and programs targeting the provision of aged care services in rural and remote communities have been steadily developed, including adaptations of national programs to suit rural and remote services. These services are currently provided within a legislative framework which regulates most aspects of service provision, including the quantity and types of services that are available, where they are located, their quality and their cost to the consumer.

Looking to the future, the Australian Government asked the Productivity Commission, through a public inquiry, to develop detailed options for redesigning Australia's aged care system to ensure that it can meet the challenges facing it in the decades ahead. The challenges identified by the Government include increased consumer preference for greater choice of aged care services; the increasing incidence of chronic diseases; the need to secure a significant expansion of the aged care workforce; the diverse geographical spread of Australia's population; and the wide variations in individuals' income and asset levels.

At the same time, Australian governments are embarking on reforms of the health system, including primary health care.

Against this background, this paper focuses on the Productivity Commission's draft Report, *Caring for Older Australians,* which was released for public comment in January 2011. If implemented, the Commission's draft recommendations would result in a fundamental reshaping of the current system of aged care provision in Australia.

The question is whether, from a bush perspective, the Commission's draft recommendations are for better or for worse? Are they too metro-centric?

Where relevant, the paper also considers the recommendations in the context of other recent developments in the health sector affecting rural and remote health services.

2. Current approaches to aged care service provision in the bush

The supply of aged care services in Australia is currently rationed. HACC service providers operate within capped budgets to deliver specified services, and care for the frailer aged is rationed under a provision target which aims to deliver 113 aged care places for every 1,000 people aged 70 and over in each region. Within this overall target, there are sub-targets for different types of care – 40 places each for residential low and high care respectively and 25 places for community aged care. Each place attracts a funding stream linked to the care needs of each individual utilizing a place.

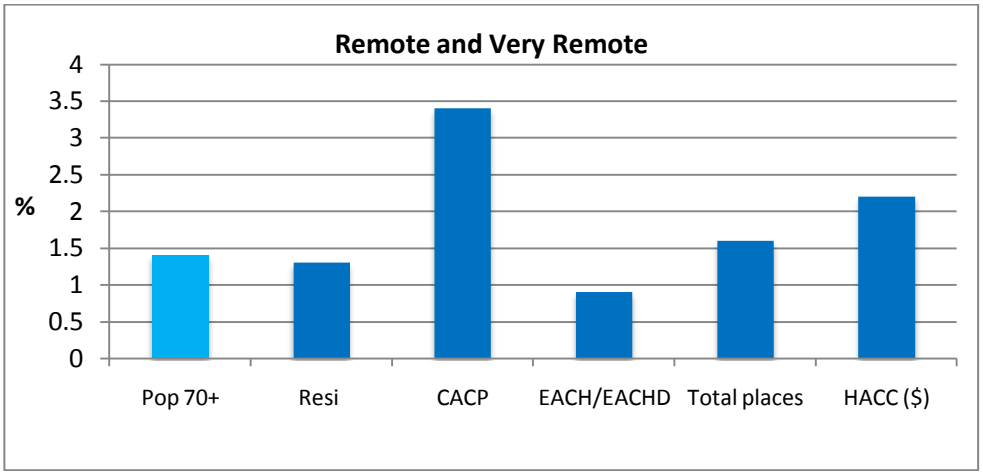
In a capped supply environment, regional provision targets are a key mechanism for equitably distributing available places. But simply allocating places to regions does not guarantee the services will be established.

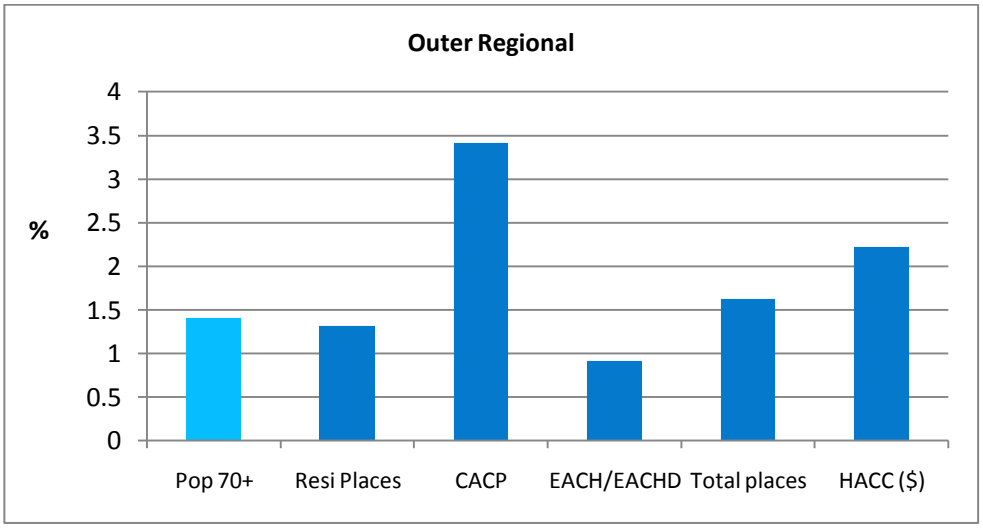
In rural and remote Australia, the development of such services has had to be supported by additional financial incentives, including viability supplements and capital grants. Service models specific to rural Australia such as Multi Purpose Services and flexible Indigenous aged care services have also had to be developed. Multi Purpose Services tap into economies of scale through greater integration with wider health service provision, while flexible Indigenous aged care services operate outside the constraints of the *Aged Care Act 1997.* The latter are also supported by the Remote and Indigenous Service Support Program which provides a range of services including access to professional assistance and guidance for capacity building and support to maintain and build infrastructure.

There are also a few bush specific aged care workforce programs such as the Support for Aged Care Training Program which targets personal carers in rural and remote locations, though most workforce programs have an Australia-wide focus.

As one measure of the success of the current policies, the following charts show that the current regional provision target arrangements, overall, have resulted in a fairly equitable distribution of services to regional, rural and remote areas compared with the proportion of their population aged 70 years and over.

Chart 1 & Chart 2: Aged Care Services by Remoteness (AIHW)[1]



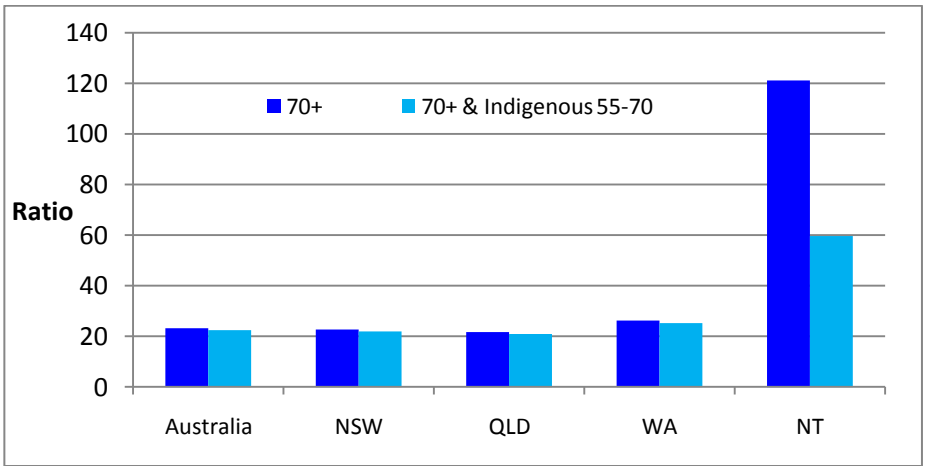


A noteworthy characteristic of service provision in remote and very remote areas is the above average provision of community aged care, especially Community Aged Care Packages. At the same time, utilization levels of these packages is comparatively low, with a 85% and 88% utilization rate for very remote and remote areas respectively, compared with the Australian average of 95%.

The provision level also compares reasonably well when the Indigenous population aged 55 -70 is taken into account, as demonstrated in the following chart.

[1] Residential Aged Care in Australia 2008-09 : A Statistical Overview (AIHW Series Number 31)

Chart 3: Combined Community Care Package Provision Ratio (AIHW)[2]



3. The Productivity Commission's assessment of aged care service provision

The Productivity Commission's overall assessment of current aged care provision in Australia may be summarized as follows:

- the system is fragmented and difficult to navigate;
- services and places are limited, there are gaps in services, there are limited choices for care recipients, and quality is variable;
- prices, subsidies and user contributions are inconsistent and inequitable within and between care settings (residential or community);
- workforce shortages are exacerbated by uncompetitive wages and over regulation; and
- the system is governed by complex, overlapping and costly regulations.

The Productivity Commission also pointed out that the current system will be further challenged in the future by the increased numbers and expectations of older people, a relative decline in informal carers and the need for a larger workforce.

4. The Productivity Commission's key recommendations

Implementation of the Productivity Commission's recommendations would result in a significant liberalization of the current highly regulated system of aged care provision to one founded on the flexibilities and responsiveness of a more market based system, including one with greater capacity for care to be directed by consumer choice.

Under the Commission's proposals, aged care would become an entitlement based on assessed need which would lead, after a period of transition, to the removal of the current rationing of services through the regional targets (quotas) and the lifting of restrictions on the types of care services that service providers may offer.

[2] Aged Care Packages in the Community 2008-09 : A Statistical Overview (AIHW Series Number 30)

The entitlement based system would be complemented by the separation of prices and subsidies for accommodation and care and the creation of an integrated national system of care provision from basic (HACC) services through to high care. Together, these changes would allow care recipients and their families greater choice not only of service provider, but also whether the services are received in a person's own home or a residential aged care home.

Accommodation costs would be expected to be met by individuals with the means to do so, with payment being either by a market based daily rent or a bond equivalent. Safety nets in the form of an accommodation supplement would apply for supported residents who lack sufficient wealth to meet their own accommodation costs. Supported resident quotas would continue to apply to service providers.

Individuals who can afford to do so would also be expected to contribute towards the cost of their care except that, unlike now, the capacity to pay would be assessed on overall wealth (including the family home) and not just income, and would apply consistently to care whether received in a person's own home or in an aged care home. However an upper limit would be set for care contributions in order to avoid catastrophic aged care costs.

An independent body (the Australian Aged Care Regulatory Commission) would be created to make transparent recommendations to the Government on prices for aged care based on independent and transparent assessment of costs.

A Pensioner Bond Scheme and a Government-backed equity release scheme would be created to give care recipients greater flexibility in making their co contributions for accommodation and care. For those willing to sell their primary residence, the Pensioner Bond Scheme would allow pensioners to purchase bonds from the Government with surplus capital from the sale of the residence to move to more age appropriate housing, including an aged care home. The bond could be drawn upon flexibly and with no transaction fees to cover aged care costs and living expenses. The bonds purchased would be indexed to CPI to maintain their capital value and would be exempt from the pension asset and income test.

The Government-backed equity release scheme would provide an option for the payment of care contributions and fees by those who would prefer not to sell the primary residence.

A key platform of the Commission's more market based system is the creation of a Seniors Gateway Agency to help care recipients and their families navigate the aged care system. The Seniors Gateway Agency, operating through regional Hubs, would provide information on healthy ageing, social inclusion, age appropriate housing, and the availability, quality and price of care; assess care needs and grant entitlements for approved services; assess financial capacity to make co contributions; provide care coordination and referrals; assess carer support needs; and promote an independence approach to service delivery.

The current quality assurance arrangements built around accreditation, approved provider controls, unannounced visits, complaints review mechanisms and reporting regimes would remain essentially the same, though administered by the Australian Aged Care Regulatory Commission, a new body separate from the Department of Health and Ageing which would be responsible for all aged care regulatory functions.

5. The Productivity Commission's view of aged care services in rural and remote Australia

Building on the views and submissions it received during the consultation processes, the Productivity Commission has identified the key challenges of providing aged care services in the bush as being:

- the high cost of establishing and delivering services;
- difficulties of attracting and retaining appropriately qualified staff; and
- difficulties in accessing services from medical practitioners and allied health professionals to support aged care services.

The question is whether the Commission's recommendations for the reform of aged care would address these challenges.

The following extracts from the Commission's draft Report are instructive.

> *"If left to the market, services may not be provided in some areas, such as rural, remote and low income areas."*
>
> "*There is a risk that a more market responsive system will not deliver services to particular groups who require more costly services unless they are adequately funded."*

Residents of rural and remote Australia can take some comfort from the above conclusions by the Commission, but this sentiment is not open ended. In a subsequent section of the draft Report which discusses care costs, the Commission concludes as follows:

> *"Where care delivery would be significantly more costly because of the attributes of the accommodation or its location, it would be reasonable to limit its provision."*

Against this background, what are the key recommendations that might address the challenges of service provision in the bush and how adaptable is the market based approach to the bush?

6. Key bush-relevant recommendations

6.1 Entitlement based on assessed need

The creation of an entitlement based system linked to assessed care needs which is supported by appropriate funding arrangements, and the removal of the current rationing arrangement, should improve overall access to aged care services.

This may be particularly relevant to rural and remote areas where the generally poorer health status of the population and a tendency to premature ageing may not be captured by the current provision target.

6.2 Capital funding for aged care services

The Productivity Commission's draft recommendations to increase capital funding for aged care services by linking accommodation payments to the regional costs of supply should benefit the development of services in rural and remote Australia.

With regard to aged care users with the means to contribute towards their accommodation costs, the Commission is recommending that service providers would be allowed to set accommodation charges (rent) that reflect local market conditions, including construction costs. Currently the daily rent for high care (the accommodation charge) is capped at an unsustainably low uniform national rate which is discouraging service development in many regions, including in rural and remote locations. The Government has been trying to address this situation by releasing more community aged care places in these regions and through capital grants.

The Commission is also proposing that the Government's accommodation supplement for supported residents who cannot meet the cost of accommodation themselves should reflect regional costs of supply, rather than the current rate which applies nationally irrespective of local costs. This is particularly relevant in rural and remote areas where a high percentage of residents are supported residents.

A shortcoming of the Commission's recommendation for supported residents is the associated proposal that the regional accommodation supplement should be based on the cost of providing a basic standard of accommodation which comprises a two-bed room with shared bathroom configuration.

There is a risk that a significant and socially unacceptable gap will emerge between the standard of accommodation for supported residents and for those who can afford to pay for their accommodation. In rural and remote areas, which have a high proportion of supported residents, this lower standard is likely to become the norm and thereby institutionalize a lower standard of accommodation in rural and remote areas. As well as representing a socially unacceptable gap, it would also limit choice for those in rural areas who can afford to pay for their accommodation.

A two-bed room/shared bathroom configuration is also less than the current building certification standard for new homes which has been in place since 1999 (1.5 residents per room), and a lower standard than the accommodation which is being provided in new developments in recent years in response to care recipient and family expectations for privacy and dignity in the delivery of long term care.

The rising prevalence of dementia, the increasing proportion of residents with higher levels of acuity and complex care needs and the requirements of sensitively providing palliative and end of life care, are also driving an accommodation standard which allows care to be delivered with greater privacy and dignity. With regard to dementia care and other forms of care, there are also behaviour management and clinical reasons for single room accommodation.

In the circumstances, there is a strong case for the basic standard of accommodation for supported residents to reflect a combination of single room ensuite and two single rooms with shared ensuite configurations. The same standard should apply for aged care accommodation in Multi Purpose Services.

There is also a concern that a move to market based accommodation payments might lead to the complete removal of the current capital grant programs to support the establishment of services in certain remote areas. In some cases, the only option for the provision of residential services may be to work with a local community organisation, including an Indigenous community organisation. It is doubtful whether such organisations would be able to access commercial funding to develop a new service even with market based accommodation payments. Accordingly, it is essential that a capital program, albeit probably of more modest size than currently, should continue to be available to support such services.

A Commonwealth funded capital program is also needed for the construction of Multi Purpose Services, consistent with the Commonwealth's policy and funding responsibilities for aged care.

6.3 Independent and transparent pricing of care and accommodation

The Productivity Commission correctly concludes that to ensure that the aged care system operates efficiently, aged care services delivered in rural and remote areas should be funded at a level which has regard to the additional costs incurred in supplying the services.

With regard to the accommodation supplement for supported residents discussed above, the Commission is recommending that the Australian Aged Care Regulatory Commission's role would include making independent and transparent recommendations to the Government on the cost of supply in each region. This is an important recommendation for rural and remote areas where the capital cost of establishing services is higher than in most other regions of Australia. Currently, there is no objective basis to the level of the accommodation supplement which applies uniformly across Australia, and the consistency and equity of the current decision making around the amount of capital assistance provided to certain providers is questionable.

While the Commission's view is that the Australian Aged Care Regulatory Commission's role should also include determining the sustainable costs of delivering care in rural and remote locations, this view, unlike in the case of accommodation costs, is not contained in a draft recommendation. Given the importance of access by Australians living in rural and remote locations to quality aged care services and the high cost of delivering services in rural and remote locations, it is essential that this view is also expressed at a specific recommendation in the final Report.

While independent assessment and recommendations to Government on the cost of service delivery does not guarantee prices which would cover the real cost of service delivery, it does provide for a more objective and

transparent basis for decision making than the current opaque process for setting accommodation prices and the use of minimum wage adjustments to index care prices and subsidies.

6.4 Block funding

The Productivity Commission's draft Report highlights that in areas such rural and remote locations, where markets are thin, a consumer-directed model may not necessarily be the most effective means of ensuring consumer access. Instead, the Commission canvasses whether block or direct allocation of funding, such as currently occurs with Multi Purpose Services and flexible Indigenous specific services, may be more appropriate.

This view is supported. The continuation and expansion of block funding arrangements in certain rural and remote areas should be a component of future aged care provision arrangements, and should be reflected in a specific recommendation by the Commission.

The Multi Purpose Service model should also be given greater prominence and specific endorsement in the final Report because it also helps address workforce issues in rural and remote areas and brings economies of scale to wider health service provision in rural communities.

6.5 Support for remote and Indigenous aged care services

As well as recommending that the additional costs incurred in supplying aged care services in rural and remote locations should be reflected in prices, the Productivity Commission also recommends that remote and Indigenous aged care services should be actively supported before remedial action is required.

Such support would include but not be limited to:

- the construction, replacement and maintenance of appropriate building stock;
- meeting quality standards for service delivery;
- clinical and managerial staff development, including locally delivered programs and enhanced use of technology assisted training; and
- funding models that are aimed at ensuring service sustainability and that recognize the need for the building of local capacity to staff and manage such services over time.

This recommendation is effectively an endorsement of the current Remote and Indigenous Service Support Program, and for it to be appropriately resourced.

6.6 Operation of the Seniors Gateway Agency in rural and remote areas

As noted earlier, a major platform on which the Productivity Commission's proposed new aged system would be based in the proposed Seniors Gateway Agency and associated regional assessment Hubs and Leading Agencies, the latter being the larger service providers who would also have responsibility for case management.

The Commission has correctly highlighted that the aged care system of the future should have a focus on promoting independence, wellness and active ageing in order to enhance wellbeing and to reduce the demand for expensive ongoing services.

The effectiveness with which the system will deliver this outcome will be significantly influenced by the roles, 'business rules' and relations between the Seniors Gateway Agency, its regional assessment Hubs, the proposed Leading Agencies and providers, including how the Leading Agencies are identified in a consumer-directed system. The relevant 'business rules' include identifying at which organizational level responsibility for activities such as care assessment, care coordination, care planning, case management, reviewing progress

against care plans and adjusting entitlements within the funding classification system for progress against the care plan, will reside or be shared.

How the regional assessment Hubs and Leading Agencies might operate, including their business rules, is still to be developed. Their operation in rural and remote areas needs particularly careful consideration, noting that the responsibilities of the Agency and its regional Hubs are much wider in scope than the current ACATs and the Commonwealth Respite and Carelink Centres.

In this regard, a feature of rural and remote areas is that skilled resources are less readily available and more widely dispersed, and are significantly primary care focused. Their effectiveness is also significantly enhanced by close cooperation and team based approaches. In the circumstances, careful consideration would need to be given to the role that existing bodies in rural and remote areas, such as MPSs, Medicare Locals and Local Health Networks can play to support the operations of the Seniors Gateway Agency, including in providing the roles of regional Hubs and Leading Agencies.

These matters are not expanded upon by the Commission in the draft Report, and there is scope for stakeholders to propose options on how the Gateway would most effectively operate in rural and remote areas.

6.7 Workforce and the health interface

The Productivity Commission's most important recommendation concerning the aged care workforce, including for rural and remote areas, is the requirement that the proposed Australian Aged Care Regulatory Commission should take into account the need to pay competitive wages to nursing and other care staff when assessing and recommending scheduled care prices. This is particularly relevant to rural and remote areas where higher remuneration and other benefits are required in order to have any success in attracting and retaining appropriately qualified staff.

The Commission also supports the training of locals as care givers as an effective means of increasing staff resources in rural and remote areas, including through greater use of technology assisted training. It is left to interested stakeholders to run with this lead.

The Commission recommends the expanded use of regionally based multi-disciplinary aged care health teams (or in-reach teams) that are able to call on aged care homes. It is considered that such teams would better utilize the professional health workforce, create a more responsive health service and develop expertise in the area of care for older people, supporting not only people living in aged care homes, but also those in the community.

The operation of multi-disciplinary health teams in rural and remote areas raises similar issues as those raised in relation to the Seniors Gateway Agency. That is, in an environment of dispersed and scarce resources, there is the question of where such teams should be located – within Multi Purpose Service and Local Health Network structures or in Medicare Locals, and what would be the relationship with the expanded Rural Primary Health Care Program.

These interrelationships have not been addressed by the Commission, but are vital for ageing well in rural areas. This is not intended to be critical of the Commission as the issues involved in rural health service delivery run much deeper than the scope of the Commission's inquiry.

Rather, this matter seems to illustrate again the complexities of rural health service delivery as a result of the current overlap of Commonwealth and State primary health care responsibilities, further complicated by the inter play of different funding arrangements such as fee for service, blended payments and salaried staff in primary care, and the incentives and behaviours they engender. It raises the ongoing issue of the interaction between Local Health Networks and Medicare Locals and private health care delivery.

One is left with the impression that health care delivery arrangements in rural areas, including their interface with the aged care system, will continue to evolve around an expectation and hope that under current arrangements, parties at the local level will take on the responsibility to cooperate and compromise in order to find ways to make the local health system work better.

7. Conclusion

An entitlement and more market based system, and the removal of the rationing of services, would potentially increase service availability in the bush, but poses challenges due to the likelihood of market failure. This risk must be addressed if ready access to services for those with entitlements to approved care is to be assured.

The Productivity Commission has recognised this risk and made allowances, the most important of which include:

- an independent and transparent process for determining the additional costs of establishing and delivering services in rural and remote areas, including the need to pay competitive wages for aged care staff;
- recognizing a continuing role for flexible block funding of services; and
- recognizing the need for support services for remote and Indigenous services.

There is a concern, however, about access to capital for the establishment of services in rural remote areas if the current capital programs are not maintained in some form to support community based providers, including Indigenous organisations, who would have difficulty accessing commercial funding even with the availability of market based accommodation payments.

There is also a concern that the basic standard of accommodation proposed for supported residents will result in a significantly lower standard of aged care accommodation in rural and remote areas where there is a preponderance of supported residents.

There is also a concern about how the Seniors Gateway Agency will work in the bush, and its relationship with existing local health and aged care service providers. Further work is required to adapt the operations of the Gateway, including in relation to supporting an independence and wellness approach to service delivery, to the circumstances of rural Australia where the relative scarcity of health resources and the dispersal of the population places a premium on collaborative arrangements across the health and aged care spectrum.

Bush specific measures to address aged care workforce issues are discussed in the draft Report, and the importance of regional multi-disciplinary health teams is confirmed. But there are no recommendations on how the latter should operate in the bush, and their relationship with Local Health Networks and Medicare Locals is not developed.

On balance, the Productivity Commission's recommendations are positive for the bush if carefully implemented, but potentially of greater benefit to urban populations where a system based on entitlement and consumer choice can be more responsive.

The Productivity Commission's recommendations are not the 'silver bullet' for improving the aged care /health interface in the bush, which is critical to being able to age well in rural communities. The interface issues go beyond the scope of the Commission's inquiry, and go to the heart of health care policies in the bush which are characterized by overlapping Commonwealth and State responsibilities, especially in relation to primary health care.

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