



Recalibrating LTC in Australia

The Economics and Politics of Reform

**International Conference
on Evidence-based Policy in Long-term Care**

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Associate Professor Elizabeth Ozanne

The University of Melbourne

Australia



Outline



This paper explores the Australian LTC Reforms from several perspectives

- **The current context**
- **The reform agenda and its implementation**
- **Perspectives of key stakeholders**
- **Evaluation of reforms against international benchmarks**
- **Political and economic implications**

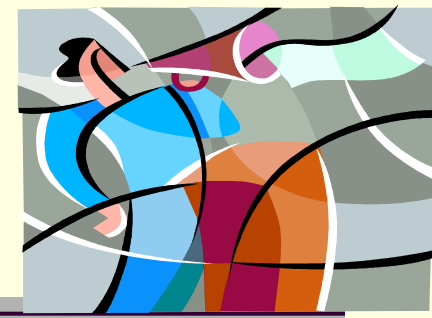
Overview



- There has been a **proactive history of aged care reform** in Australia (about every 15 years)
- The current reforms are being driven by the Labor Government's commissioning of the Productivity Commission's, **Caring for Older Australians Report 2011**, and the Government's response **Living Longer. Living Better 2012**
- This latter response has however been framed within the context of a **minority government**, preoccupied by other major policy areas (like health reform, education, managing border control and introducing a carbon tax) and committed to **bringing the budget back into surplus**, in an **uncertain world economic environment**.
- It has also occurred at a time of increasing pressures on the current aged care system by the **growth in the numbers of older people** who are surviving to late late life, **rising health care expenditures** and major **agitation within the aged care sector for reform**.

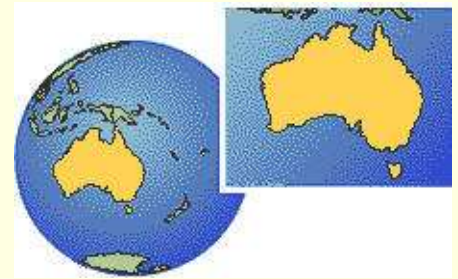


- In this context there are a number of **risks** that the reform confronts going forward
 - That very **few new resources** are available to be put into the reforms. Rather there has been a **resource shift** from the residential to the community care sector
 - The hoped for **new investment** by the private sector in aged care is also **at risk** because of the fiscal uncertainty introduced by both some of the government's initiatives and the wider financial environment.
 - Many have argued also that the reforms themselves have **not been particularly innovative** in terms of alternate delivery possibilities - more tinkering around the edges by the introduction of **means testing and user charges** than actually engaging in radical change.

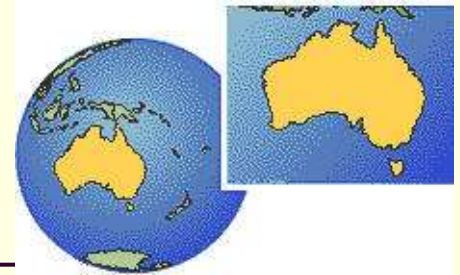


- Some in the sector fear that the goodwill built up over the initial Productivity Commission Inquiry process will be dissipated because of **increasing conflict over resource shifting**
- There is concern that implementation is on **such a long time line** (10 years) that **very little real change** will occur and will require further review.
- Several **winners and losers** from the proposed reforms are beginning to emerge.
- The reform process is currently going into a **major implementation stage** with the setting up **key agencies** responsible for **oversight and monitoring**. This is being presented as a major collaborative exercise in **joint working and co-production** between the Government and key stakeholders.

Population Ageing in Australia

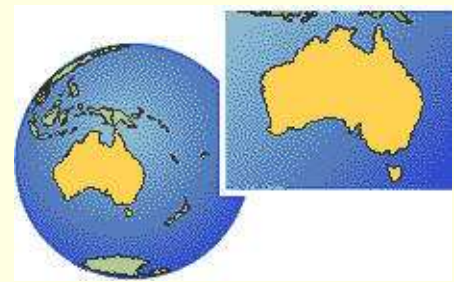


- **Australia's population is steadily ageing** which has allowed time for government to develop appropriate anticipatory strategies.
- The **pace and actual size of the ageing population** has been **relatively modest** with approximately 3.0m 65+ in 2011 out of a total population of 22m (14%)
- **Since the mid 1980's** Australia has had a **coherent long term care** policy in place in relation to both residential and community care and has steadily increased the incentives and range of services that maintain older people at home for as long as possible with an appropriate quality of life.
- Over that same period there **has been a major shift in the balance of care from largely institutional to a range of community care** options, though residential care still holds predominant budget share.

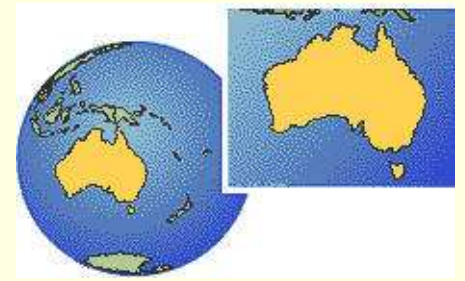


- **Long-term care expenditure represented 1.1% of GDP in 1997 and is projected to rise to 1.38% by 2031.**
- Several **future challenges** have been identified related to
 - 1. increasing demand, 2. diversity of aged population, 3. geographic spread, 4. workforce shortages, 5. reduced number of carers, 6. changing lifestyles, 7. effective utilization of new technologies and 8. ongoing financing.
- In May 2010 the Federal Government established a new **Caring for Older People Inquiry** and commissioned the Productivity Commission to explore Australia's LTC needs to 2050
- In a separate initiative the Federal Government directed the Productivity Commission in 2010 to inquire into **disability service needs and provision and to suggest options for longer-term reform** relating to both **disability at birth** and **catastrophic injury** in the course of life.

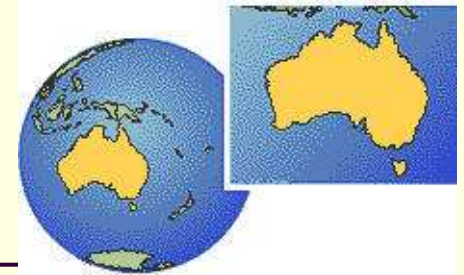
Demography of Ageing in Australia



- Australia's older population comes from **diverse social and cultural backgrounds** and has a wide range of health needs, family arrangements, physical abilities, economic circumstances and service needs
- **Life expectancy in Australia has been increasing** almost continually throughout the last century and into this century, including for those in older age groups (AIHW 2008).
- At age 65, Australia's **men** can expect to live for a further 18.5 years (**83.5**) and **women** for another 21.6 years (**86.6**). This is between 7 and 9 years more than their counterparts at the beginning of the 20th century (ABS 2008) and has resulted in growing numbers of older people who may need aged care services and financial support during retirement.



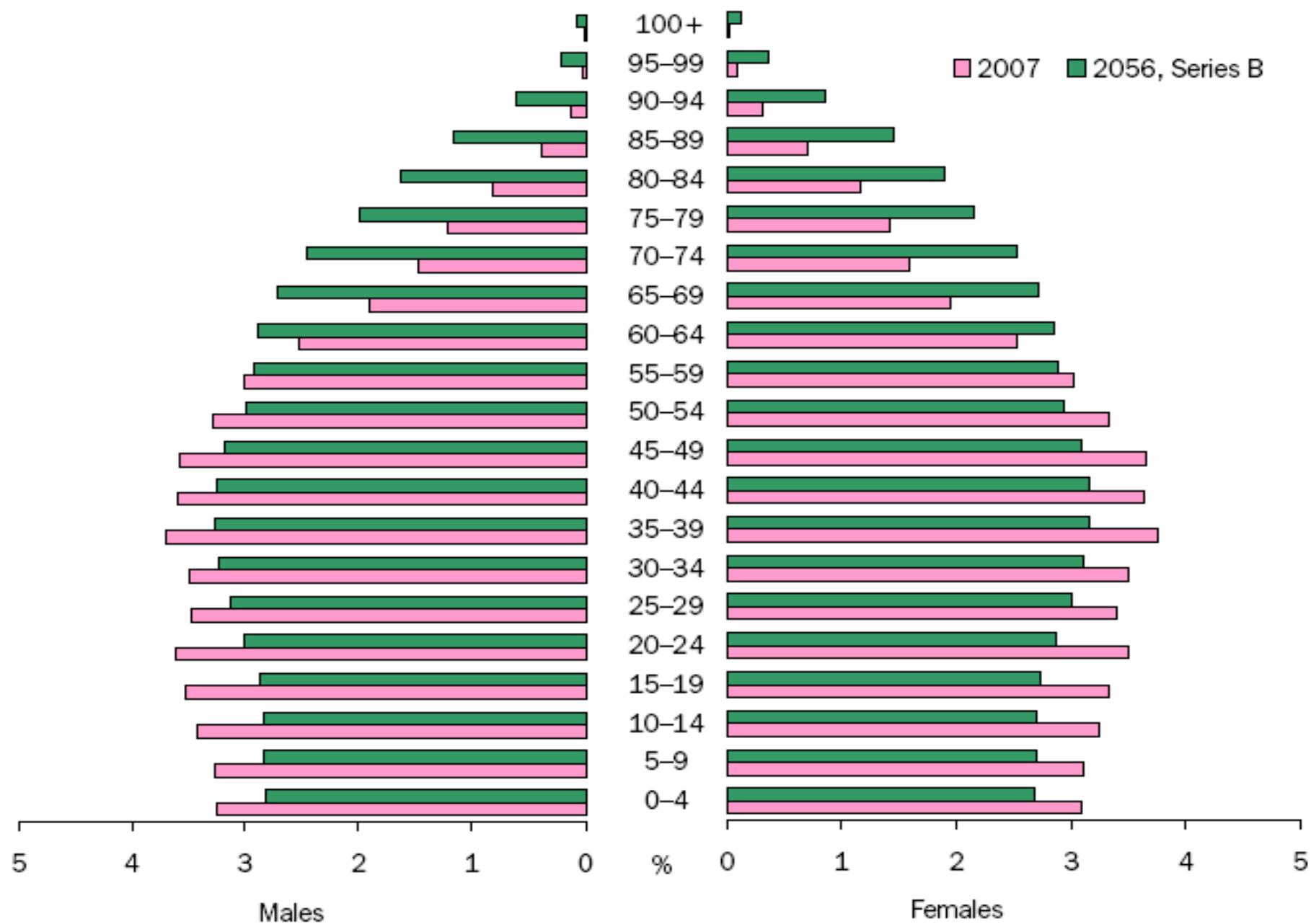
- In the last decade, the **growth rate of the population aged 65 and over** has been fairly constant at about **2% per year**.
- Among the **population who are most likely to need and use aged care services (those aged 85 years and over)**, the rate of growth **has been considerably higher (between 3% and 7% per year)**. Between 1998-2008, the number of people in this age group increased by 61%.
- Growth in the very old population will be a major influence on government spending on aged care in the future, with the number of people aged 85 years and over projected to increase in the next 50 years to **1.8m people, or 5% of the total population (ABS 2008)**



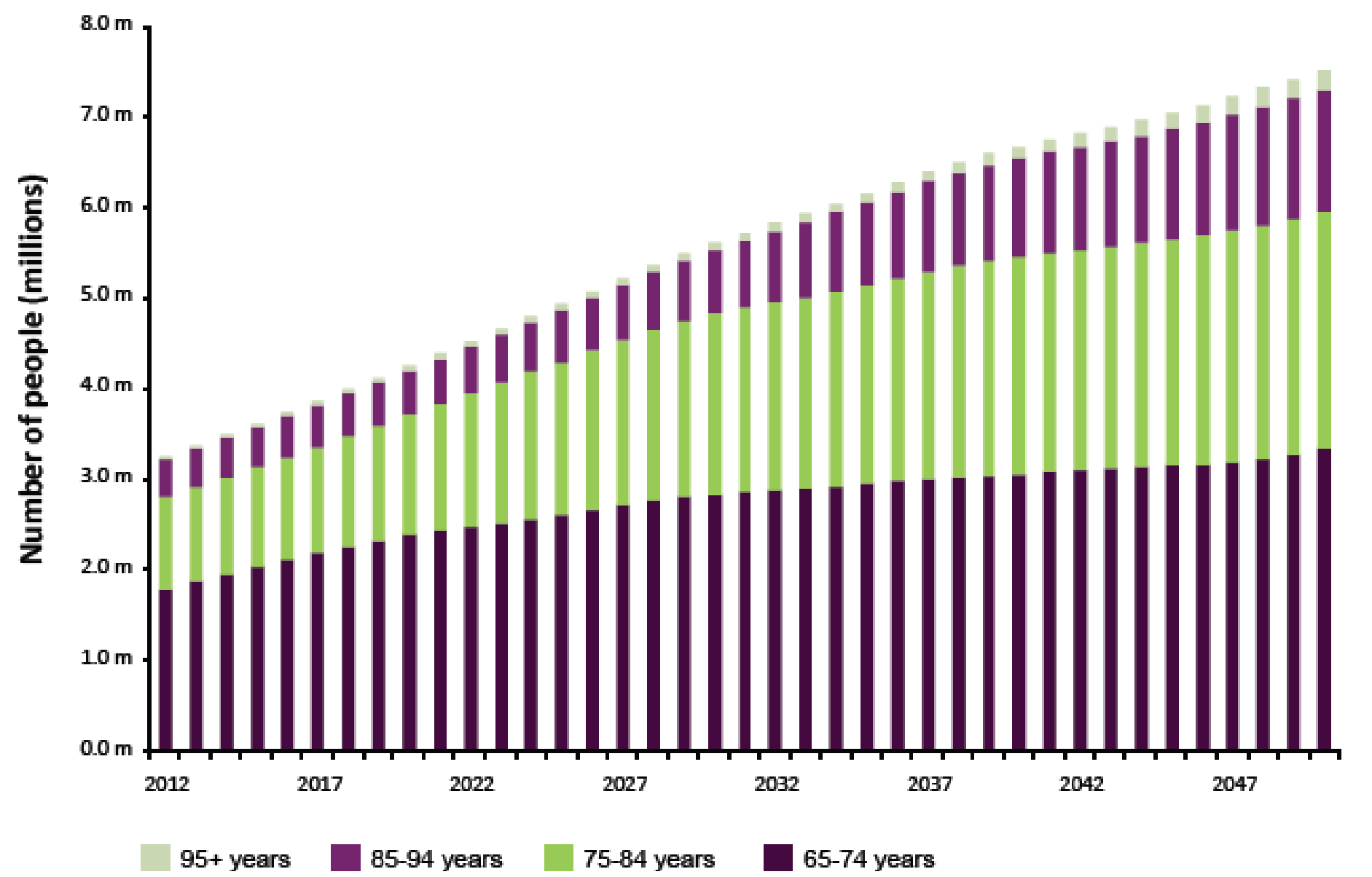
- **Australia has a federal structure** in which the Commonwealth government deals with national concerns such as foreign policy, social security and major forms of taxation, and State/Territory governments cover areas such as education, public housing and hospitals. The provision of long-term (“aged care”) involves three tiers of government, with care being provided by a range of public and private (profit and non-profit) providers.

- Following extensive review and discussion at the **Council of Australian Governments, in April 2010**, the Rudd Federal Government announced, that responsibility for Aged Care would transition to the Commonwealth and that the Commonwealth would reclaim the General Services Tax (GST) from the states to finance this. Though Victoria and Western Australia have initially resisted this takeover, on the grounds in the case of Victoria, that they already have a well functioning system, and in the case of Western Australia, that they do not wish to give up the GST, there is a general view in favour of one national system.
 - (Source: ***Long Term Care for Older People (2005), Paris OECD p.113-115 Australia***)

Age group (years)



Number of people aged 65 years and over, by age group, 2012 to 2050



Commissioning of Inquiry



- In 2010 the **Gillard Labor Government** referred the aged care system to the Productivity Commission for a systematic inquiry and report
- In commissioning the Inquiry, the Government called for ‘**detailed options for redesigning Australia’s aged care system to ensure it can meet the challenges facing it in coming decades**’ (Productivity Commission 2011, a p.3)
- It requested options for **changing funding and regulation arrangements** across residential and community care, as well as strategies to address **workforce issues**.
- It also required that the interests of **special needs groups**, including Indigenous people, be addressed.



- Initial submissions to the Inquiry were received from **490** organisations and individuals.
- Following the release of a **draft report in January 2011**, a further **430 submissions** were received.
- The **final report** was handed to the Government in **June 2011**
- There was a subsequent announcement that the **Minister for Ageing would engage in further public consultations** to help formulate the Government's response – termed '**Ministerial Conversations**'
- The Government released its response **Living Longer Living Better** in April 2012.

Australia has had a history of prior reforms



- Early 1970's **Social Welfare Commission**
- **Aged Care Reform Strategy** of the Hawke Government from the mid 1980's,
- Howard Government's **Aged Care Act** passed in 1997
- 2012 Gillard Government response to the Productivity Commission Inquiry into **Caring for Older Australians.**

Australian Government's Aged Care Reform Package Highlights



The Government's reform objectives outlined in the **LIVING LONGER LIVING BETTER** are

to build a responsive, integrated, consumer-centred and sustainable aged care system that is designed to meet the challenges of Australia's ageing population and to ensure ongoing innovation and improvement.



Key Features of Package



- Establishment of a **gateway service – focussed** on improved access for consumers and better integration of aged care services.
- **Consolidation and harmonisation of home care services and graduated funding mechanisms** to better match client support needs.
- **Changes to arrangements for user contributions (and means testing)** in community care and residential care.
- **Increasing the supply of home care services** accompanied by a **net reduction in planned residential aged care places.**

Key Features of Package



- **Continued rationing of aged care services**, with a review of possible deregulation options after five years.
- **Removal of the distinction between high and low care in residential aged care, allowing residents** to pay a refundable lump sum or periodic charge for accommodation.
- **Increasing the accommodation supplement for supported residents from \$32.58 (currently) to \$52.84 from 1 July 2014** for facilities built (or significantly refurbished) after 20 April 2012.
- Recalibration of the residential aged care funding model to **reduce the rate of growth in care subsidies and redistribute \$1.6 billion over five** years to other reform measures, largely the **workforce initiatives**.

Governance and Implementation Arrangements



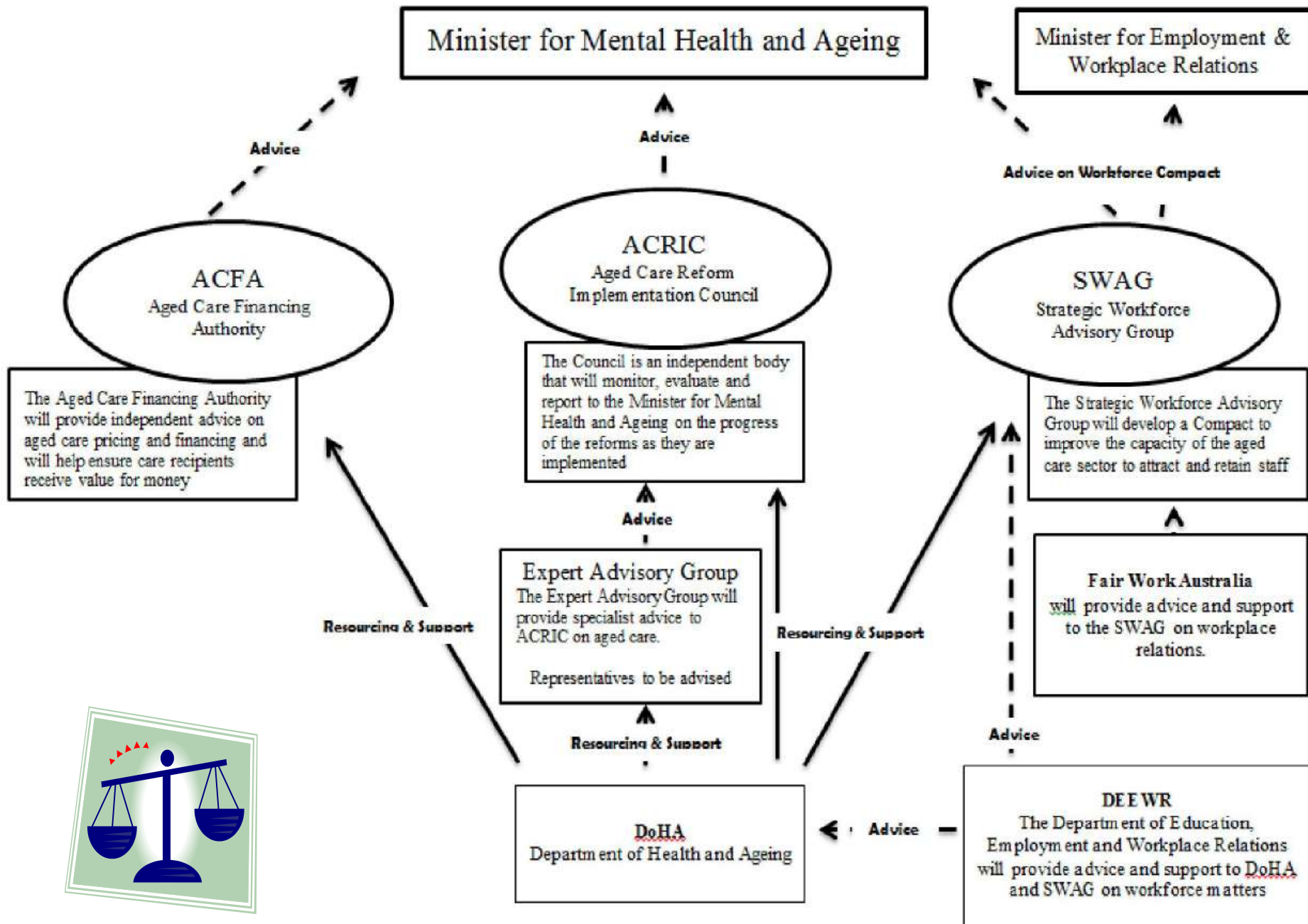
Three agencies are being established to implement the package

1. **The Aged Care Implementation Council**, an independent agency, will oversee the reform package. It has been allocated **\$14.6m** over four years. **Professor Peter Shergold** AC was appointed Chair June 2012.
2. **The Aged Care Financing Authority** has been allocated **\$20.9m** over four years to make pricing recommendations to Government and approve charges for accommodation and optional extra services
3. **Strategic Workforce Advisory Group** will develop a **Compact** to improve the capacity of the aged care sector to attract and retain staff (**\$1.2m** over 5 years)



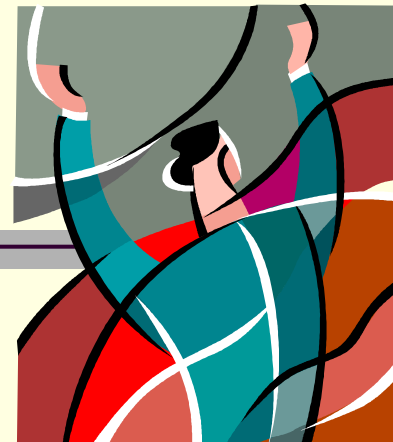
The Aged Care Quality Agency will be created from the existing Aged Care Standards and Accreditation Agency and no additional funding has been allocated.

A dedicated **Transition Office** (within the Department of Health & Ageing (DoHA)) will be responsible for the management of the reform process.

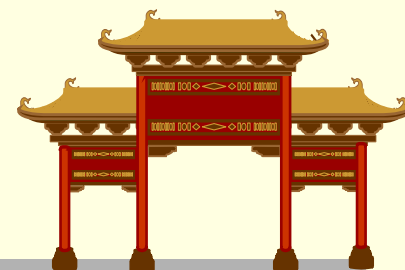


Key Areas of Reform

- **Seniors Gateway**
- **Workforce Reforms**
- **Consumer Directed Care**
- **Integration, Expansion and Consolidation of Home Care**
- **Supporting Carers**
- **Increased funding for Dementia Care**
- **Responding to Diversity**
- **Ensuring better Health Connections**



Aged Care Gateway



- A major feature of the Government's package is the establishment of an **aged care gateway** which will act as a single entry point to the aged care system at a cost of **\$198.2m** over five years from 2012-13. This will replace the 'One-Stop-Shop' and associated 'new front-end' of the aged care system that was previously announced as part of the Government's health reform package
- The initial focus of the gateway will be on the development of a new **My Aged Care** website which will eventually publish ratings of aged care homes as well as provide information about aged care services. This is a new initiative of the Government not in PC Report.
- A **national call centre** will be established in 2013 but it is not clear if this will replace the recently consolidated aged care information line.

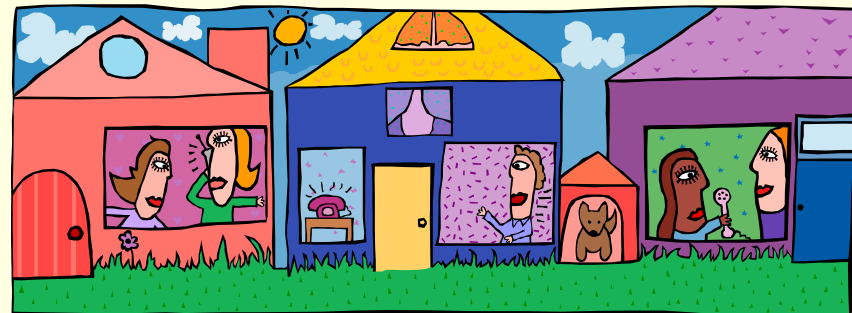
Workforce Issues



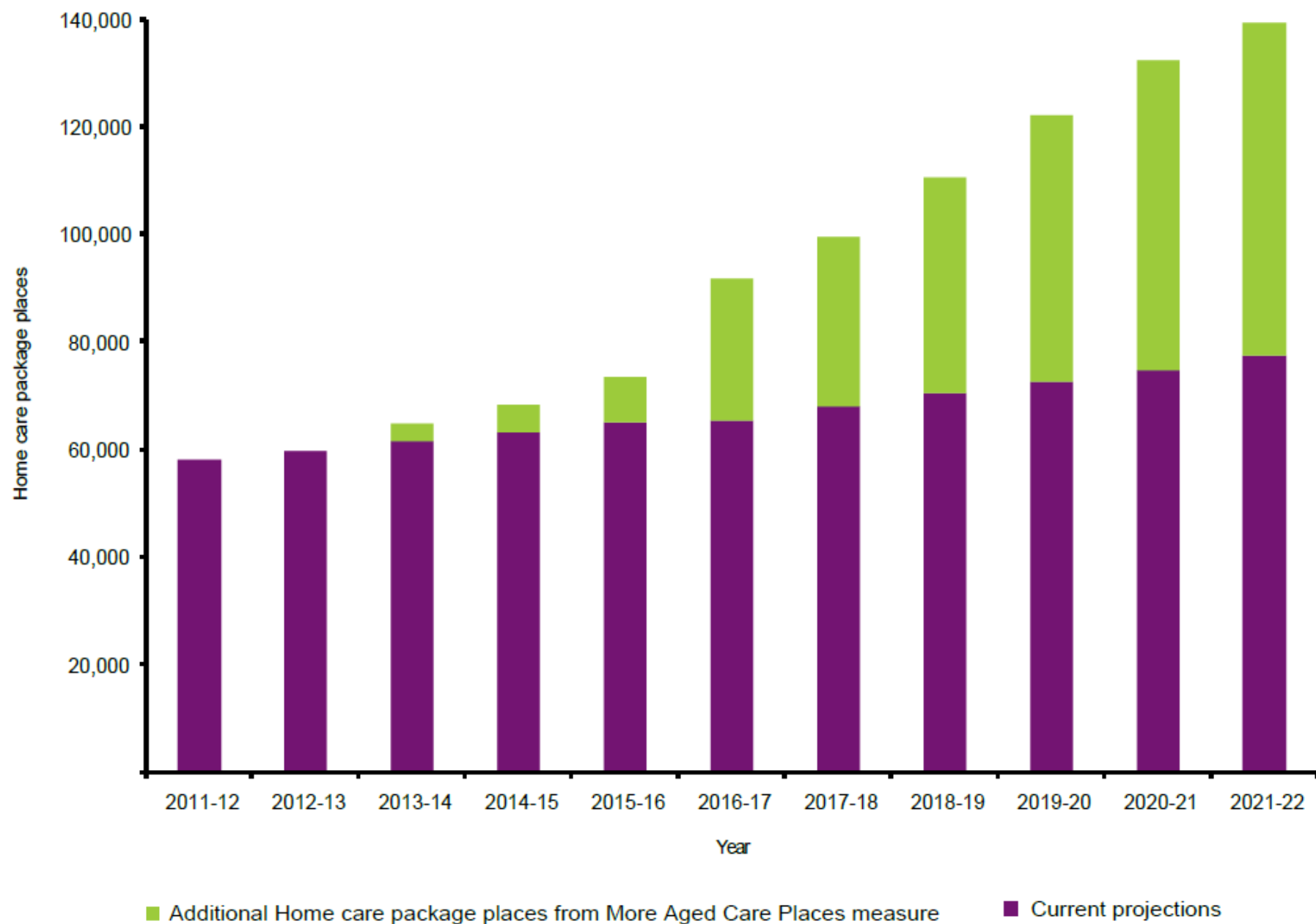
- **Workforce Compact:** The Australian Nursing Foundation has long campaigned for increased wages for nursing staff in aged care. Improved wages for aged care workers and the creation of a **Compact** also featured in the '**Agewell**' campaign supported by an alliance of aged care organisations (**NACA**). This recommendation was accepted by Government and \$1.2b over five years (from 2012-2013) has been allocated to a **Workforce Compact**. Additional funding will be given to aged care providers who sign the Compact (due to commence in July 2013).
- **Strategic Workforce Advisory Group (SWAG)** Ministers Butler and Shorten announced the appointment of **Commissioner Gooley** from **Fair Work Australia** to Chair the **SWAG** and to present a Compact to the Ministers by October 2012. **SWAG** is made up of provider and union groups, and serviced by DOHA and DEEWR. SWAG is charged with settling the 'rules' for access to the re-directed ACFI funds for workforce support. SWAG has already begun to meet.

Consolidation of Home Care Programs and Increase in Places

- **New integrated Commonwealth Home Support Program** will consolidate previous HACC, Respite, Housing and Day Therapy Programs to give greater consumer choice and flexibility
- The total number of aged care places will increase from 113 to **120 places for every 1000 people aged 70 years or over by 2016** and to **125 places by 2021**.
- **Two new home care package levels** will be introduced to allow smoother transition to increased levels of care (now four levels).
- The **number of home care packages will increase** by around **40,000** over the next five years.
- Introduction of **income-tested care fee**



Home care packages, 2011-12 to 2021-22



Increasing Support for Carers

- Establishing a **regional network of carer support centres** from 1 July 2014
- Exploring **new models for carers** to provide greater choice
- Expanding access to **respite** services
- Increased funding for **carer counselling**
- Reinforcing **National Carer Strategy** and introduction of **National Carer Recognition** framework



Consumer Directed Care

- From **1st July 2013**, all new home care packages allocated to providers will need to be offered to care recipients on a Consumer Directed Care basis, with existing packages to be converted by July 2015.
- To be **trialled in aged care centres in 2013/14** to give people greater say over delivery of care.
- Government commissioned **KPMG Evaluation Report of CDC** Jan 2012 and there have been several smaller scale research projects.

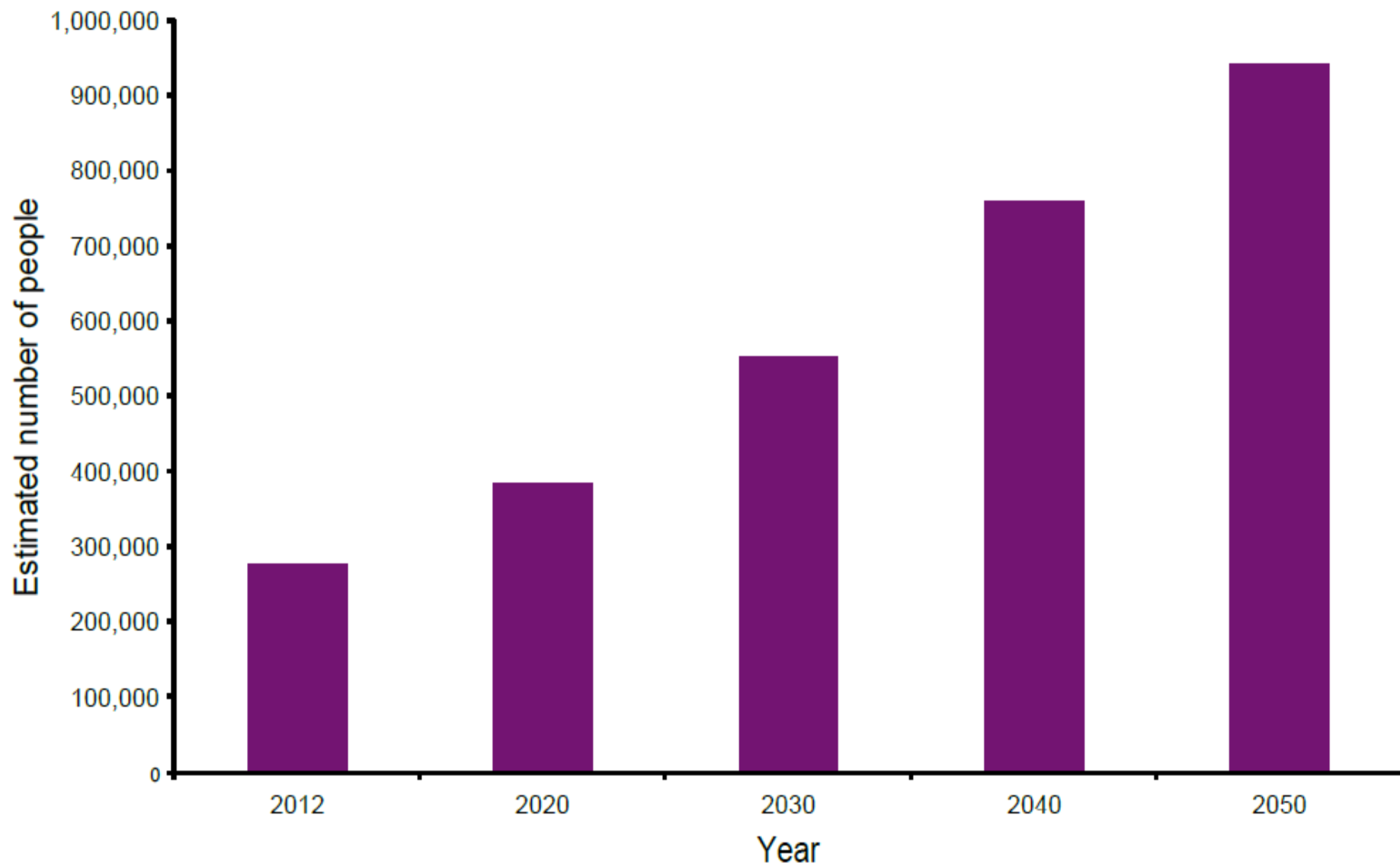


Dementia

- Improved funding arrangements for dementia (**\$268.4 m over five years**), including additional funding for residential and community aged care providers who care for people with dementia.
- A new **Dementia Supplement** in **home** and **residential** care
- Improved **hospital** and **primary care**
- Expansion of Dementia **Behaviour Management Advisory Service**
- Increased focus on people with younger onset dementia
- **Reducing the time between symptoms and diagnosis**



Total Australian Dementia prevalence projections, 2012–2050



Source: Access Economics (2011), Dementia Across Australia: 2011-2050

Diversity and Special Needs

- **\$192m** to support older Australians from diverse backgrounds through both capital and service grants
 - More aged care places for **Indigenous Australians**
 - Supporting **Veterans** with mental health problems
 - Training staff to be sensitive to the needs of diverse groups e.g. **GLBTI**
 - Helping **homeless** older people stay in the community.
 - Enhanced **Rural/Remote** services



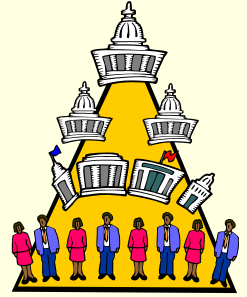
Ensuring Better Health Connections \$80.2m



- **\$19.8m** for **specialist palliative care** and advance care planning advisory services for aged care providers and GP's caring for older people to build better links between aged care and palliative care services.
- **\$1.9m** for the expansion of the existing **Program of Experience in the Palliative Approach** (PEPA) to provide palliative care training for staff in residential aged care facilities and Home Care package services.
- **\$58.5 m** for projects with a focus on **prevention of hospitalisation** for older Australians and improved access to complex health care, involving multidisciplinary teams, public/private partnerships, research and innovation.

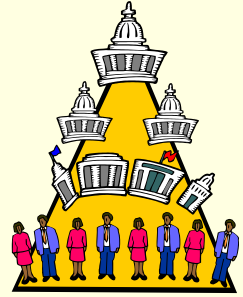


Difference Between what PC Report Recommended and Government Reform Plan



- **The Government did not go along with all the recommendations of the Productivity Commission** and put forward some original suggestions of its own e.g. My Aged Care Website.
- Most importantly they **held back on a complete move to a deregulated market** as they believed sector was not ready, and a more staged transition was needed.
- The Government has **not removed the supply restrictions on the provision of aged care beds** (as recommended by the PC).
- They also did **not support a completely independent regulatory agency** preferring to keep control within hands of Minister and the Department of Health and Ageing and the new Implementation Council
- The Government has not adopted the Productivity Commission's recommendation to introduce a government backed **Aged Care Home Credit scheme** to allow people to more easily access the capital locked up in the value of their homes. However, there is still the **opportunity for the private market** to develop innovative products in this space alongside currently available reverse mortgage products.

Difference Between what PC Report Recommended and Government Reform Plan



- **Budgetary constraints** were another consideration and some new proposed agencies were rejected on grounds that **setup and administrative costs** could not be fiscally supported.
- **Funds transfer from residential to community care** is one of the major sources of new funds
- **Staging the reforms over a 10 year period** with a five year review was aimed at giving time for market testing and ongoing evaluation of the proposed reforms.
- Private providers will be required to **privately insure accommodation bonds** rather than the Government charging providers for carrying this risk as PC recommended.
- PC recommended a **public benchmarking study to be undertaken to determine aged care costs** but this was not adopted by Government.
- PC also recommended that the government should move towards **an entitlement approach** based on rigorous assessment and means testing. This was also strongly supported by Peak Bodies but Government did not feel able to implement at this time.

Minister Butler's comments re graduated implementation of Aged Care Reforms



“Given its current position, the aged care sector is **not able to move to a much more substantial relaxation of supply** – the primary reasons for this is a fiscal one from the Commonwealth budget point of view. **I don't think you can move from a system that has been as heavily regulated and planned as aged care to a fully free market system**, where you can have confidence about consumer information and informed choice, quickly... Growing the number of home care packages by 40,000 would be a **challenge in terms of workforce**. You need the sequence right. **You need to ensure you build consumer confidence and information, so you have more mature competition in the sector**. You need to ensure there are **more sustainable workforce arrangements** in place to enable the expansion.” Aged Insite June/July 2012

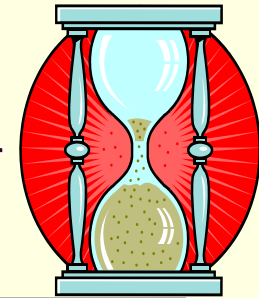


Timelines for Implementation Year 1 (2012/13 – 2013/14)



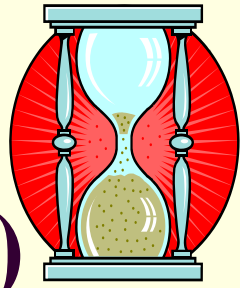
- 1. Establish the Aged Care Reform Implementation Council**
- 2. Setting up of the Transition Office (DoHA)**
- 3. Consolidation and harmonisation of home care programs**
- 4. Escalated release of home care packages in ACAR 2012 and 2013**
- 5. Establish Workforce Compact and Aged Care Strategic Workforce Advisory Group.**
- 6. My Aged Care website set up**
- 7. CAP wage funding increase – Workforce Compact**
- 8. Increased funding for dementia and special needs**

Timelines for Implementation Years 3-4 (2014/15 – 2015/16)



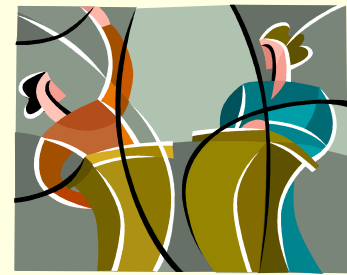
- 1. Means testing for home care**
- 2. Harmonise capital funding for high and low residential aged care**
- 3. Opening up option to charge for additional services in residential aged care**
- 4. Escalated release of home care packages in ACAR 2014 and 2015**
- 5. Design and planning for Gateway**
- 6. Increase in accommodation supplements for facilities built after 20th April 2012**
- 7. Major review of changes implemented and planned**

Timelines for Implementation Years 5-10 (2016/17 – 2021/22)



- 1. Introduce Gateway Agency**
- 2. Consider 'Entitlement' system**
- 1. Planning and review of**
 1. Demand impacts
 2. Means testing adequacy
 3. Financing/pricing arrangements
 4. Workforce strategies

Reaction of Key Stakeholders



■ Umbrella Organizations/ Peak Councils

- National Aged Care Alliance (**NACA**) 28 organisations – Agewell Campaign
- Leading Age Services Australia (**LASA**) (not for profit advocacy group)
- Aged and Community Services Australia (**ACSA**)

■ Significant Providers

- Catholic Health
- BUPA
- Uniting Care Australia
- Anglicare Australia

■ Professional Associations and Unions

- Australian Association of Gerontology

- Australian Nursing Federation

- Health Services Union

■ Local Government

- Municipal Association of Australia
- Local Government Association

■ Advocacy Groups

- Council on the Ageing Australia
- National Seniors
- Carers Australia
- Alzheimers Australia

■ Commercial Agencies

- Business Council of Australia

■ Key Legal and Financial Consultants to the Sector

- Grant Thornton
- Russell Kennedy
- KPMG
- Deloitte Touche Tohmatsu

Members of the Alliance



Response of a Prominent Australian Gerontologist



Professor Hal Kendig in **The Conversation** 25th April

“The favourable reception so far, from consumers and providers alike, reflect **sound policy work** by the Productivity Commission, **attentive consultation** by the Minister and Council on the Ageing, and **astute political judgements** by the minority Gillard government”.



Chairman of the new Implementation Council Prof. Peter Shergold

- This is a **'work in progress'**
- It is going to be all about **collaboratively working together to 'co-design'** the new system. (National Aged Care Conference August 6-7 August, 2012)

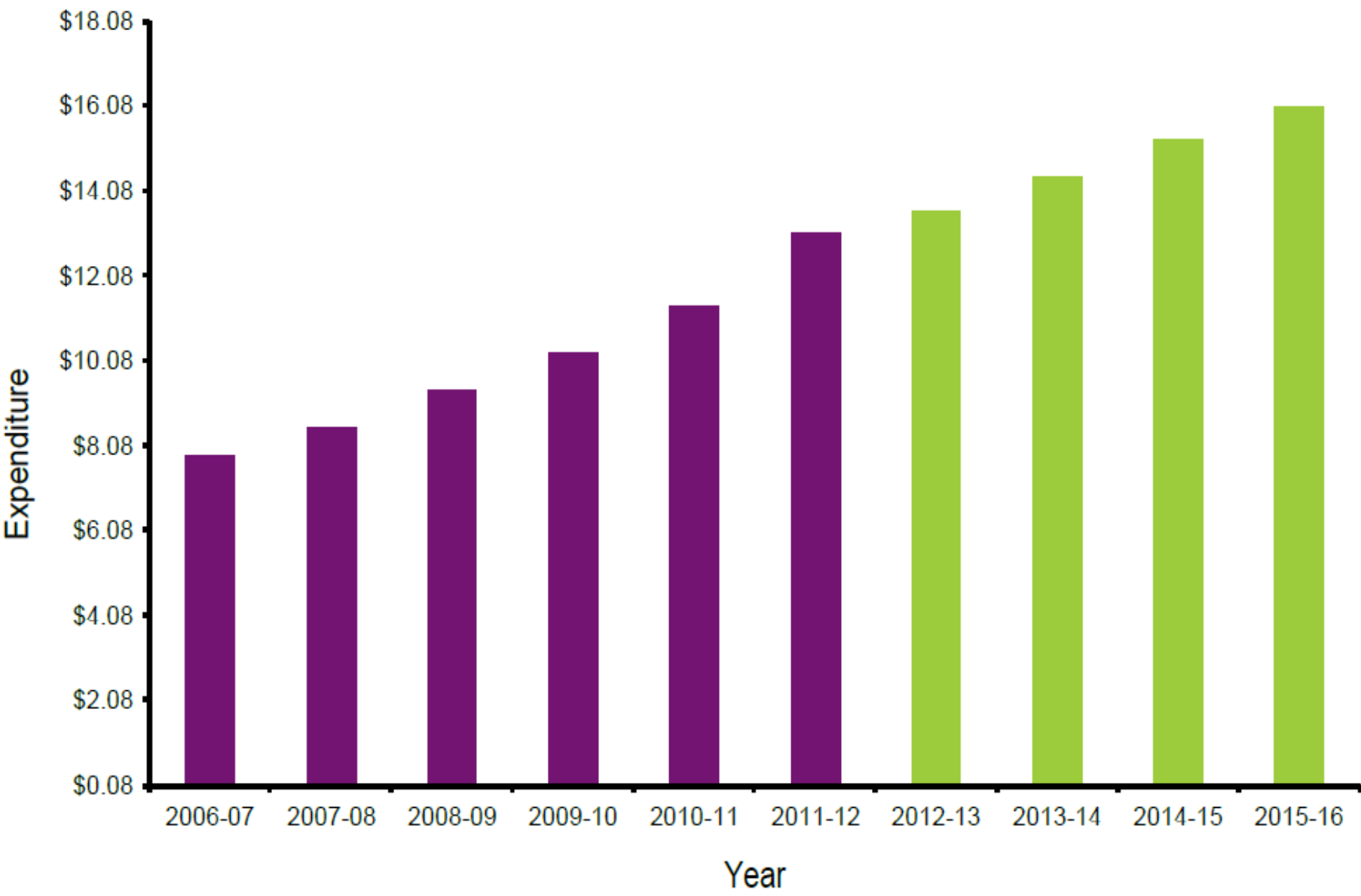


Reaction to Budgetary Arrangements



- While there is some new funding, the majority of the **\$3.7b** projected expenditure over **five years** (\$2.2b over four years) will be off-set by **redirected funding** and **means testing**. The net cost to Government is expected to be **\$576.9m over five years** (\$284.6 m over four years)
- The 2012-2013 Budget details the financing arrangements for the package and the funding associated with the agencies that will be established as part of the reforms.
- There will be **some expenditure in 2012-13** (\$55.2m) and **2013-14** (\$26.9m) but the **majority of expenditure for this package will occur in 2016-17**, outside the forward estimates period.
- In the context of what is currently a \$12b program (in 2010-2011), this represents **very little new expenditure**. (**Crikey Health Blog** 11th May)

Estimated expenditure on aged care from 2011-12 to 2014-15 (\$ billions)



How it is proposed new funds will be generated



- **Changes to the Aged Care Funding Instrument (ACFI)**
- **Introduction of Means testing** – will generate savings of around \$2b over five years. The introduction of means testing for recipients of aged care is expected to generate savings of \$561.0 million over five years. **Annual caps** (\$25,000 for residential care and \$5,000 for home care) and **lifetime caps** (\$60,000) will apply.
- **Transfer of places from residential care to home care** (\$454m over five years)
- **Transfer of funding from residential care to home care** (\$153.3m over five years)
- **Redirection of the Long Stay Older Patients Initiative** (\$187.5 m over five years)
- And the **transfer of a number of smaller programs**

Critique of Funds Generation Strategies



These funds will be '**redirected**' within the aged care budget and will be used to fund the initiatives announced.

In reality, the amount of expenditure by government will not change much overall (apart from a **modest increase of \$576.9 m over five years**), but **where it is spent** will.

The savings were calculated according to expenditure that would have been made by government if current policy settings were to continue.

A Major Bone of Contention

Changes to the Aged Care Funding Instrument (ACFI)



- The **ACFI** is the main source of funding for residential aged care providers to cover the costs associated with the provision of aged care.
- According to the Minister, the \$1.6b clawback of the ACFI is the result of ‘**unusual claiming**’ by residential care providers (rorting the system).
- **Sector disputes the degree and level of rorting**



Major Critiques of Reform from Residential Care Providers



1. The **over-regulation of supply**
2. Aged Care Financing Authority likely to **stifle competition and innovation**
3. **Adjustments to ACFI** (Aged Care Residential Funding Instrument) likely to **introduce price restrictions and undermine investment**
4. Home Care is not a perfect substitution for residential care so **projected changes in service mix might not eventuate**
5. Residential care sector would **prefer a new pricing study** of real costs of residential care

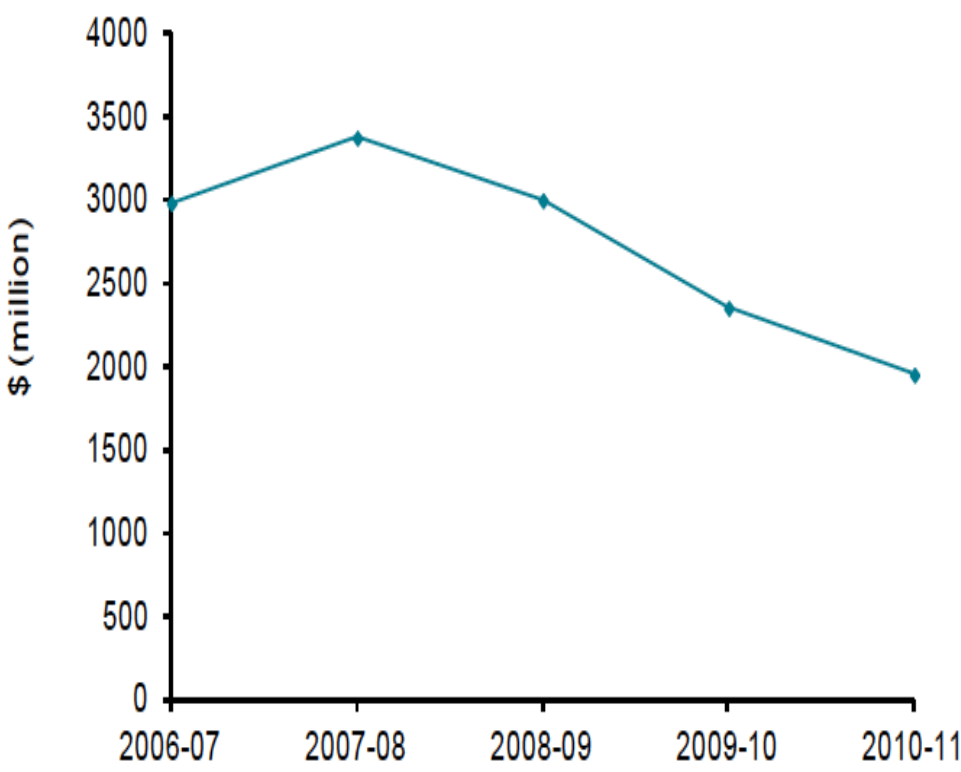


Uncertainty re Future Investment

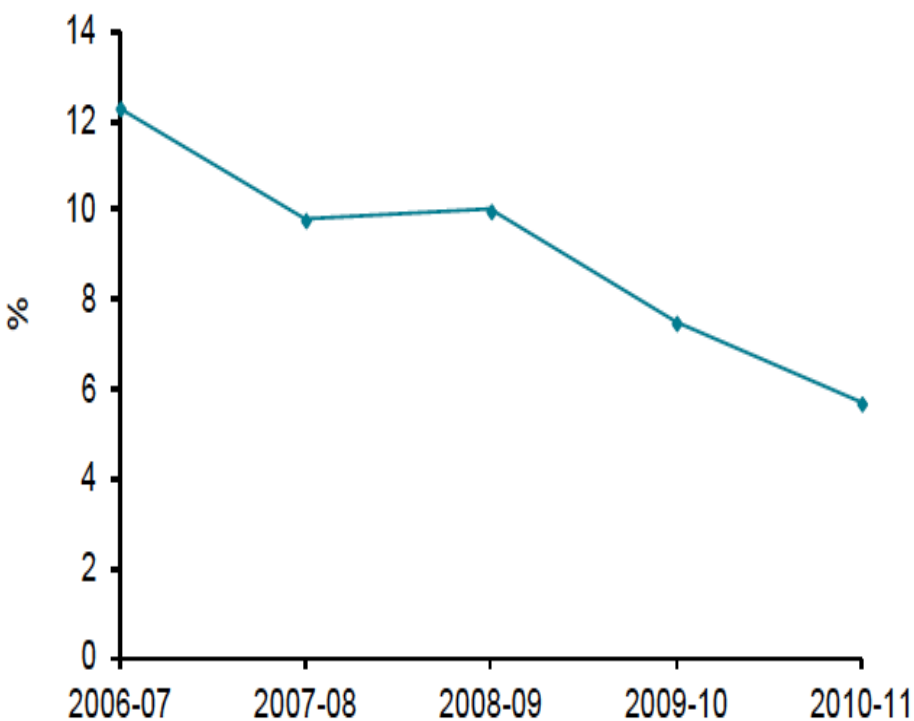
- **doubts about the future viability of the sector among banks and other investors.**
- **Low gross earnings per resident compared to cost of bed provision**
- **Expected cuts because of beliefs about overclaiming of concern**
- **Costs in the sector are rising because of the increasing frailty of individuals moving into long term care.**
- **Consultants to sector estimate that in two months since the reforms were unveiled over \$3.5b in planned aged care development project have been shelved**
- **Sector reviews conclude that the reforms raise serious viability concerns in an industry already suffering from declining investment levels.**

Figure 2: Trends in residential aged care investment

Estimated total building work completed



Proportion of homes with any building work in progress



Source: Department of Health and Ageing 2011, 2010-11 Report on the operation of the *Aged Care Act 1997*, <http://www.health.gov.au/internet/main/publishing.nsf/Content/ageing-reports-acarep-2011.htm>, accessed 14 May 2012

Aged Care Sector Mobilisation and Advocacy



The extensive consultative process that has accompanied both the Productivity Commission Report and the Government's Response has mobilised a broad stakeholder constituency who although initially on board with the reform process have begun to polarise around the perceived shortfall in funds arising from the cutback in the residential care subsidy.

Key mobilising forums have been

National Aged Care Alliance (NACA) **Agewell Campaign**
Aged and Community Services Australia Newsletter
Newspaper and on-line Op Ed Pieces (The Conversation)
Ageing Agenda and Aged Care Insite Monthly Magazines

Attempts at Government control of the Debate

Minister's *National Conversations with Seniors*
Department of Health and Ageing *News Updates*
National Implementation Conference August 2012
Extensive involvement of NACA members in
implementation committees



What Sector likes about Living Longer Living Better

- **Consumer Directed Care Models**
- **Expansion of Home Care**
- **More transparent accommodation charges**
- **Ability to buy optional extras**
- **Support for people with dementia**
- **Advocacy, Respite and Counselling**



Sector Critiques of Reforms

- **Services still rationed - No entitlement to LTC given**
- **No physical location for Gateway –**
essentially a phone assessment - some discussion of co-location in Centrelink Offices – concern about this. Have been recent trials of **Access Points**
- **Long implementation time**
- **Lack of housing support**
- **Overall a long way to go.**



Continuing Campaigns



Push for reconsideration of ACFI Cuts

Leading Aged Service Australia's (LASA) letter to Prime Minister and Minister for Ageing June 2012

Aged and Community Service Australia's Social Action Campaign June 2012

- For transition funding
- For early implementation of revenue raising strategies

Strategies

Both the LASA and ACSA campaigns involve **aged care providers** and the **community**, and use **media and political lobbying strategies** to get the ACFI reduction decision reversed, and/or get more funding.

Individual aged care providers have been asked to **brief their local MP's** about this critical issue and the need for government action to restore funding.

ACSA ACFI Campaign



- ACSA has informed the Minister that the effects of the ACFI clawback will be felt through **reduction in staff numbers and the ability to provide the care and meet quality outcomes for residents - particularly those with the highest care needs** - as they will be the ones with the greater dollar value removed from their care funding.

National Aged Care Alliance (NACA)

Agewell Campaign

- Given the government's precarious political situation, NACA has been endeavouring to gauge **Coalition** and **Green** support for reforms.
- NACA sees its **Agewell campaign** as a default strategy in any forthcoming election that can be mobilised no matter who is in government.

Minister Butler, with Opposition Spokesperson, Green Senator and CEO Council on Ageing at Agewell launch



Degree of Bipartisan Support for Reforms



Shadow Minister for Ageing

To date, the Opposition has not formally responded to the Government's proposal although has previously indicated support for aged care reform in general. The Shadow Minister told an industry meeting on 18th May that the Coalition was ..*'committed to the need for reform'* but added *'what is apparent..is the lack of detail around key elements of the Government's package'*...The Coalition made a 2010 election promise of a **four year aged care agreement with the sector** but no details of this have been released.

The Greens

offered their support to the package but are yet to comment on the associated budget measures.

Council on the Ageing Australia

"Politically the Opposition, the Greens and Independents have all publicly stated they will support a good package of aged care reforms".

National Disability Insurance

A Parallel and Radical Reform



- On **30th April 2012**, the Federal government announced the launch of a **National Disability Insurance Scheme (NDIS)** with the first stage to commence on **1st July, 2013**.
- Around **1.2m Australians** live with **severe and profound disabilities**.
- As proposed in the **Productivity Commission's 2011 Report, Disability Care and Support**, the Scheme is designed to
 - Insure all Australians in the event of a disability
 - Fund long-term quality care and support for people living with disabilities and those caring for them
 - Deliver a wider choice of services, greater certainty of access to appropriate support and additional scope for people with disabilities to more actively participate in their communities.
- **Disability service providers and payers have begun to prepare for the launch of the NDIS** exploring adjustments required to support the growth and change of both funding and service provision models.

Why Long Term Care Insurance got up in Disability and not Aged Care?

■ History of Disability Reforms

- Was a commitment of first term of Labor Government
- Supported by high level political and sector champions
- Concerns about rising unmet need and increasing incidence of families leaving their severely disabled children with services
- Disability considered a defined population with particular needs

- **Five states have now agreed to implement NDIS in launch sites, NSW, SA, Victoria, ACT, NT (Queensland and WA are currently not participating).**



NDIS Campaign Rally

Melbourne Federation Square



Evaluation of Aged Care Reforms against International Benchmarks

(OECD 2011 – Help Wanted)

1. Targeting those with highest need

- Attempt to identify those at greatest need and adjust charges through means-testing.
- Capping of total cost to users
- Assessment based on four levels of service need
- Increase in range of care packages
- Promotion of Consumer Directed Care

2. Moving towards forward-looking financing policies

- Public LTC insurance not supported
- The reform agenda will be largely funded out of public tax revenue means testing and user charges
- Accommodation and care costs ‘unbundled’
- Co-contribution given greater recognition
- Active exploration of public private partnerships to increase investment in residential care though uncertainty has been introduced by recent changes to residential care funding formula (ACFI).



Evaluation against International Benchmarks (OECD 2011)

3. Financial mechanisms to help users mobilise cash

- Reverse mortgages were recommended by PC, but not taken up by Government left to private insurance market
- Continued use of capital payments (bonds) but capped
- Failed to address distribution of capital reserves among providers by pooling.

4. Ensure better value for money

- Build on advances in healthy ageing policy emphasising health promotion, re-ablement and restorative care.
- Continuing productivity gains by promotion of best practice, innovation and evaluation of effectiveness of existing interventions.
- But lack of clear analysis of margins for gain



Comparative Analysis of LTC Reforms

(Glendinning and Moran 2009)



1. Economic and Political Sustainability

- Government commitment to return the budget to surplus has led to staged ten year implementation
- PC recommendations on new outlays and some new administrative arrangements not accepted eg. Separate Clearing House.
- Yet to see whether reforms will increase/decrease investment in residential care given uncertainty in wider economic environment
- Recognition that consumers who have the means to fund their care will need to pay more in co-contributions and for accommodation costs
- Importance of innovation and research in relation to best practice models

2. Degree of development of Market Mechanisms

- PC recommended increased market competition and choice in the sector
- Not generally taken up – supply controls maintained
- Deregulation not really implemented as government believed sector not ready and consumer not sufficiently informed..

Comparative analysis of LTC Reforms



3. Role of Informal Care within LTC

- Australia has given explicit recognition of informal care since 1980's
- Several studies substantiate shrinking future availability of informal carers
- Recognition of financial and other cost to carers
- Prior policy commitments reinforced by new carer initiatives

4. Degree to which age/disabled LTC integrated

- Aged and Disabled separated since mid 1980's in Australian context
- This separation furthered under just announced National Disability Insurance Scheme
- Intergenerational and lifecourse approaches still to be implemented

Comparative Analysis of LTC Reforms



5. Trends to Centralisation/Decentralisation

- Aged care became a federal responsibility in 2010 - Under current reforms 6/8 states/territories have come on board
- Central government has always been the main funder though states and local government have been partners in delivery
- Commonwealth also has responsibility for primary care and national preventative health
- Query in minds of some is whether Commonwealth can manage new system without substantial partnering with states.
- There are also concerns as to whether local government will continue to be a substantial provider as it presently is in some states.
- There is also a planning preference for a more articulated regional service infrastructure which may be possible once Gateway is elaborated
- Trend would appear to be towards a single payer system.

Areas where still a way to go



- True **service integration** between health, aged care and housing
- Whether we will see the development of a **regional service infrastructure** or whether centralisation will stifle regional/local development
- Major effort/ funding required to **capacity build** a skilled workforce
- Residential care funding **unresolved**
- A **rationed** vs **entitlement** system may disadvantage those in most need



Conclusions:



Economic perspectives

- **Mismatch between concerns about future costs** of aged care and wider Australian **economic outlook** – though current unemployment only 5% compared to US and Europe
- **Workforce issues** – increased wages for nurses in aged care
- **Equity protections** through annual and lifetime caps on care contributions.
- **Funding of residential care accommodation** not resolved – questions of viability of sector and future investment

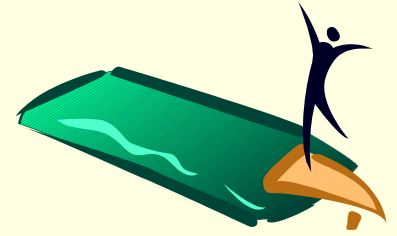
Conclusions:



Political Perspectives

- **Likely stakeholder disenchantment** if progress slow and funding meagre
- **Election by end 2013** – uncertain outcome
- Coalition has **not given bipartisan support** to reforms
- **Crowding out** by other reform agendas issues e.g. health, education, carbon tax, asylum seekers.

Postscript



- The Productivity Commission provided a sound basis for reform
- Some of the issues raised have been taken up and responded to by government
- There is wide sector involvement in the reform recommendations which is being harnessed in the implementation process
- The timelines are however long and the future political and economic environment uncertain

		Forward Estimates					
	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	4 year Total \$m	2016-17 \$m	5 year Total \$m
Gross Spends from Aged Care Reform Package (Themes)							
Staying at home	2.9	26.5	131.1	224.9	385.4	570.0	955.4
Commonwealth Home Support program	0.0	0.7	16.8	19.6	37.1	38.2	75.3
More Home Care packages	2.9	25.8	114.3	205.4	348.3	531.7	880.1
Supporting Carers	7.3	12.2	11.5	11.8	42.8	12.0	54.8
Streamlining and expanding support for carers	7.3	12.2	11.5	11.8	42.8	12.0	54.8
Residential Care	22.6	27.0	142.0	205.2	396.9	263.4	660.3
Better support to build more residential care facilities	0.1	0.5	109.7	164.4	274.7	212.2	486.9
Greater choice and control	1.9	5.3	10.7	18.7	36.6	28.7	65.4
Ensuring the sustainability of aged care services in regional, rural and remote areas	20.7	21.2	21.6	22.1	85.5	22.5	108.0
Workforce	1.8	110.5	232.0	372.8	717.1	471.7	1,188.9
Addressing workforce pressures	1.8	110.5	232.0	372.8	717.1	471.7	1,188.9
Consumer Support and Research	1.1	8.1	10.5	9.4	29.1	10.7	39.8
More support for consumer advocacy and community visitors	0.4	6.4	7.1	8.0	21.8	8.9	30.8
Supporting aged care research and evaluation	0.7	1.7	3.4	1.4	7.3	1.8	9.1
Better Health Care Connections	8.8	17.7	17.3	17.8	61.6	18.6	80.2
Better palliative care and support in the aged care system	1.2	5.0	5.1	5.2	16.4	5.3	21.7
Promoting better practice and partnerships	7.6	12.7	12.3	12.6	45.2	13.3	58.5

Tackling Dementia	15.5	57.9	58.6	62.7	194.6	73.7	268.4
Supporting people with dementia across the health system	8.1	9.2	8.1	7.9	33.3	8.0	41.3
Better care for older Australians with behavioural problems associated with severe dementia in residential care	0.6	9.5	9.9	10.3	30.3	10.8	41.0
Better care for older Australians with dementia in Home Care Packages	0.5	23.9	26.9	30.4	81.7	41.6	123.3
Improving acute care services for people with dementia	1.7	10.4	9.1	9.4	30.6	8.6	39.2
Improved support for people with Younger Onset Dementia	4.5	4.9	4.7	4.7	18.8	4.8	23.6
Older Australians from Diverse Backgrounds	8.3	36.2	42.7	49.6	136.8	55.2	192.0
Ensuring older people from diverse backgrounds can access aged care services that are specific to their needs	3.7	4.3	5.0	5.7	18.6	5.8	24.4
Ensuring culturally appropriate quality aged care services are available for Aboriginal and Torres Strait Islander people	2.9	6.2	9.0	12.5	30.6	12.6	43.1
More support for veterans in Commonwealth Home Care Packages and residential aged care	0.3	23.7	26.6	29.3	80.0	34.7	114.8
Ensuring sexual diversity does not act as a barrier to receiving high quality aged care	0.5	0.5	0.5	0.5	2.0	0.5	2.5
More assistance for older people who are homeless or at risk of homelessness	0.9	1.5	1.6	1.6	5.6	1.6	7.3

Building a System for the Future	52.6	65.7	48.5	52.9	219.6	36.8	256.4
Establishing an Aged Care Reform Implementation Council	6.2	6.1	1.5	0.8	14.6	0.6	15.2
Aged Care Financing Authority	4.1	5.7	5.8	5.4	20.9	5.4	26.4
Building a gateway to aged care services	35.4	50.7	38.5	43.9	168.5	29.7	198.2
Greater transparency in the quality of aged care	6.9	3.2	2.7	2.8	15.6	1.0	16.6
Total Gross spends from Aged Care Reform Package	120.9	361.7	694.3	1,007.1	2,184.1	1,512.2	3,696.2
Means Testing							
Fairer means testing arrangements for Home Care packages	36.2	24.6	-41.0	-79.8	-60.0	-123.0	-183.0
Fairer means testing arrangements for residential aged care	0.4	2.1	-66.3	-133.0	-196.8	-181.1	-378.0
Total for Means Testing	36.6	26.7	-107.4	-212.8	-256.8	-304.1	-561.0
Redirected aged care funding							
Transfer of places from residential care to Home Care	0.0	0.0	-32.5	-120.3	-152.8	-301.2	-454.0
Transfer of funding from residential care and Home Care*	0.0	-30.6	-33.8	-37.8	-102.2	-51.1	-153.3
Improving the Aged Care Funding Instrument	-50.1	-269.6	-365.4	-432.5	-1,117.5	-479.7	-1,597.2
Supporting Long Stay Older Patients Initiative - Redirection of funding	-37.5	-37.5	-37.5	-37.5	-150.0	-37.5	-187.5
Transfer of residential places to Aboriginal and Torres Strait Islander flexible care	-2.3	-5.4	-8.4	-12.2	-28.2	-15.2	-43.5
Moving call centre, assessment and the one stop shop measure to the Gateway	-12.4	-18.6	-30.2	-30.8	-92.0	-31.0	-123.0
Total redirected aged care funding	-102.3	-361.6	-507.8	-671.0	-1,642.7	-915.7	-2,558.4
Total Gross spends from Aged Care Reform Package	120.9	361.7	694.3	1,007.1	2,184.1	1,512.2	3,696.2
Total for Means Testing	36.6	26.7	-107.4	-212.8	-256.8	-304.1	-561.0
Redirected Aged Care Funding	-102.3	-361.6	-507.8	-671.0	-1,642.7	-915.7	-2,558.4
Net cost of Aged Care Reform Package	55.2	26.9	79.1	123.3	284.6	292.4	576.9