



Aged Care Update

23 June 2015

The National Aged Care Alliance's new blueprint for further aged care reform

The purpose of this Update is to put a focus on the National Aged Care Alliance's (the Alliance) revised blueprint for further aged care reform, **Enhancing the Quality of Life of Older People through Better Support and Care**, and to place this document in context.

Why update the blueprint?

The blueprint has been updated to frame the Alliance's engagement with three important processes in train that can act as vehicles for planning what is required to ensure quality and sustainable aged care services, ie:

- a. The provision in the Aged Care (Living Longer Living Better) Act 2013 which requires that there be an independent report tabled in Parliament in 2017 on future aged care reform. The Act sets out terms of reference for the review, including the effectiveness of means testing arrangements and whether the availability of services should continue to be controlled.
- b. The agreement reached with the current Government on an Aged Care Sector Statement of Principles to guide future reform of aged care services.
- c. The Government's invitation for the aged care sector to engage in a 'conversation' on future aged care reform in advance of the 2017 review, including how to embed the Aged Care Statement of Principles in the future design of the aged care system.

The updated blueprint confirms the original blueprint's vision for aged care, outlines the strategic objectives that are needed to be pursued if the vision is to be realised, and highlights issues consistent with the strategic objectives where further research and policy development is required.

In many respects, the revised blueprint seeks to progress many of the recommendations in the Productivity Commission's report *Caring for Older Australians* that have not yet been taken up in full. Central to these is the principle that every older person assessed as needing aged care services is able to access their chosen services from their preferred provider at a time of their choosing.

As the Productivity Commission concluded, giving full effect to this principle requires the removal of the current service provision targets that ration aged care services, and the removal of the regulations that constrain provider responsiveness by limiting the type, quantity and location of the services that they can provide. This does not imply a lesser need for effective regulations to support quality services and protect consumers, but increased choice and control for consumers should reduce the current almost exclusive reliance on regulations.

It is acknowledged that governments have been taking steps towards creating a system that is aligned with this principle.

Important measures include a phased increase in the service provision target to 125 places by 2021-22 which should see supply edge much closer to demand; a phased increase in the proportion of home care packages so that the availability of service types more closely reflects what is thought to be consumer preference; introducing individual budgets in home care; the intention to allocate home care packages directly to consumers from February 2017 so that consumers can choose their preferred service provider; and combining entry level home support and home care packages into a single integrated program by July 2018 to provide consumers the option of a continuum of home care services as their care needs change.

These are positive developments, and have come with either phased implementation or some advance notice. But, perhaps ironically, they are also developments that generate a level of uncertainty and anxiety about how far the Parliament is prepared to go in creating a more consumer-driven system, and in what timeframe. They paint only part of the picture, and we await the next strokes of the brush. Will reform stop at 'funds following the consumer' across all aged care services, but within a rationed system so that supply control is substituted by demand control?

Then there are voices that consider that governments will never relinquish control over supply or demand as to do so what mean loss of budget control, and that a demand-driven system is unaffordable. One is reminded that similar views were advanced when the provision ratio was 100 (residential only) places, and that the long term trend has been towards increasing national and personal wealth.

Steps towards a consumer-led and demand-driven system

Faced with this uncertainty, a key step identified in the blueprint is achieving cross-party commitment to move to a consumer-led and demand-driven aged care system through a phased and transparent implementation process. This would reduce uncertainty amongst providers, investors and financiers, and give all stakeholders notice to prepare for a more market-based and consumer-driven system, and facilitate the sector-wide adjustment that will be required in order to minimise transition risks.

However, the blueprint also implicitly acknowledges that a responsible government will not give such a commitment without a reasonable understanding of the implications for the Budget, consumers and service providers.

Therefore the blueprint also proposes that a cross-party commitment to the removal of service rationing should be subject to the outcome of a dedicated program of research and policy evaluation to identify and gauge the risks of a demand-driven model, and to identify measures for managing risks. Factors that research would need to focus on include the following:

- The extent of unmet need, including in the context of the existing policy to increase the provision

target to 125 places. The creation of nationally consistent eligibility assessment and referral arrangements through myagedcare administered by the Commonwealth will allow a better gauge of demand and unmet need.

- Modelling the impact on the sustainability of a demand-driven system of increased care contributions by those who can afford to contribute to their care costs, but within a social insurance framework that protects individuals from excessive care costs by capping contributions. This includes treating assets equally for aged care means testing purposes, and more equitable care fees across residential care, home care and home support.
- Modelling the impact on system costs of greater consumer choice to age at home or in a residential facility.
- The potential to develop financial products, including home equity release products, that are fair, affordable and secure to cover aged care related costs, complemented by independent, ethical and specialised aged care financial advisory services.
- Assessing the impact on system costs of reablement and early intervention services.
- Ensuring that consumers and their families can access reliable and timely information about aged care services and advocacy in order to take full advantage of choices under a more market-based system.
- Better support for informal carers to support people living at home, including more flexible respite care services.
- Opportunities to extend people's choices to live in more age appropriate housing, such as stamp duty reform, review of age pension entitlement rules applying to any surplus resulting from right sizing, and measures to support home modifications.

The blueprint also re-states the Alliance's longstanding concern that a more demand-driven system must include design features to ensure continued access by special needs groups and individuals. This includes block funding arrangements in certain circumstances and tailored subsidy arrangements and policies to meet the requirements of certain groups and communities.

Clearly government consideration of these matters will not be taken in isolation of other budgetary priorities. In this sense, the future of aged care reform will also be influenced by developments in other areas, including the taxation white paper process, the review of Commonwealth/state roles (with its focus on health and housing) and the review of retirement incomes. All of these have the potential to impact on policy development for aged care services.

Other reforms not contingent on a demand-driven system

The blueprint also identifies other key areas for policy development/reform where there is scope to make improvements in services irrespective of how policy on creating a demand-driven system evolves.

A high priority in this regard remains ensuring that the education and training system delivers sufficient numbers of appropriately qualified staff to meet the growing workforce that will be required, and that the sector has the resources and management skills to compete in the labour market to attract and retain a skilled workforce. This requires the formulation of a workforce

development strategy that has regard to the labour force needs of 'competing' sectors such as health and disability services, and whose effectiveness is regularly monitored, evaluated and publicly reported upon.

The revised blueprint continues to prioritise dementia care and palliative and end of life care. In both instances, a skilled workforce is a prerequisite, as is access to specialist advice and support. As well, dementia care requires the development and dissemination of best practice care for older people with dementia and their carers through assessment, diagnosis, social engagement and care and support. This includes targeted funding that supports the care of individuals experiencing very severe and severe behavioural and psychological symptoms of dementia.

Conclusion

It may seem somewhat ambitious, and to a degree alarming, to be raising the prospect of further reform when the sector is in the midst of implementing and adjusting to the complex reforms currently in train.

On the other hand, we all know that there is considerable scope to further improve the quality and sustainability of aged care services as Australia adapts to an ageing population structure. There are also advantages in affecting change within a coherent, transparent and collaboratively designed strategy, rather than responding to ad hoc changes that may emerge from time to time.

What is also clear, however, is that progressing beyond the reform directions outlined in the revised blueprint requires a commitment by all stakeholders to a transparent program of research, scenario modelling and policy development.

Disclosure Statement: The author of this Update, Nick Mersiades, is a member of the Aged Care Financing Authority. The opinions in this Update should not be read as being an expression of the views of the Aged Care Financing Authority.

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