

20 August 2018



Aged Care Update: What does the queue for home care packages mean for aged care reform?

There has been much written and said about the size of the queue for home care packages revealed since packages started being assigned to consumers through a national prioritisation process, rather than allocated to providers.

It is worth remembering, however, that unmet demand has existed under successive governments because of the rationing and geographic distribution of home care packages (and aged care services generally). What has changed is that assigning packages to consumers has provided data for the first time about unmet demand and waiting times for packages, publicly available through Quarterly Reports by the Health Department.

Obtaining better information about demand was one of the side benefits of the policy change whose primary objective was to increase consumer control by giving package holders choice of service provider. The question now is what policy issues flow from this data, and how best to respond.

What does the latest data tells us?

At 31 March 2018, there were 108,456 consumers in the national prioritisation queue, either receiving a low level package pending the availability of a higher level package at their assessed need level or waiting to be assigned a package.

The data confirm that a large number of consumers prefer home care to residential care; they remain on a waiting list for home care rather than use residential care. Occupancy for residential care continues to fall gradually, from a peak of 97% in 2003-04 to 92% in 2016-17, even though there has been a significant reduction in the provision target for residential places.

Just over half of the queue comprises consumers in, or assigned, an interim package (54,821), and just under half were waiting to be assigned a package (53,635). Of the latter, about half are estimated to be receiving some support under the Commonwealth Home Support Program (CHSP), some at levels higher than a level one package. A large proportion of new approvals by ACATs (about 70%) have been at the higher levels (Levels 3 and 4).

The 53,635 in the queue waiting for a package compares with an estimated 77,918 consumers with a package at December 2017, albeit heavily weighted towards lower level packages (68%).

On the face of it, a large number of consumers are not receiving any home care at all or are receiving support at lower levels than their assessed needs. The data also confirms that the distribution of packages across package levels (a key Budget control point) has not reflected needs as assessed by ACATs. This mismatch between available services and assessed need has existed for many years. It posed less of a concern prior to the introduction of individual budgets because providers had some flexibility to direct funds to where they were needed most. This is no longer the case.

At the same time, the introduction of individual budgets has resulted in the emergence of unspent package funds. The latest data shows that at 30 June 2017, providers were holding \$329 million in unspent package funds on behalf of consumers, or \$4,600 per home care consumer.

What does the data not tell us?

Many questions about the demand for aged care packages and aged care services generally arise from the new data. These include:

- To what extent has the increased availability of packages and the higher profile given to home care as a result of the reforms (including increased marketing and competitive behaviour by providers to attract consumers) resulted in increased demand for aged care that would not otherwise have been apparent under previous residential care-focussed arrangements?
- How many in the queue waiting for a package would accept a package if they were offered one, and how many have sought or been given an assessment as a contingency?
- The proportion of the queue at any time that comprises consumers assigned a package who are in the process of identifying a preferred provider, and how long this takes on average.
- What would be the impact on demand of further reform of user contributions, eg. implementing the *Legislated Review of Aged Care's* recommendation to make user contributions in home care proportional to the value of the package?
- How many in the queue receiving CHSP services would accept a package if offered one? What is the impact of more favourable fee arrangements in CHSP on package demand?
- How reliable are ACAT assessments given the distribution of assessments across package levels varies considerably across jurisdictions?
- To what extent is the large amount of unspent funds due to consumers 'saving for a rainy day' or some consumers choosing to purchase fewer services?
- What would be the impact on demand and total costs if consumers had greater choice to settle on a package funding level that more closely met their view of their needs, rather than a higher level assessed by ACATs?
- How many with an interim package would accept a higher level package if they were confident that they would have immediate access to a higher package if their support needs changed?

What has been the response of the Government and the Opposition?

The Government took an important step in the 2018-19 Budget to help address the level of unmet demand for home care packages, especially the apparent demand for higher level packages, by creating a single budget item for home care and residential care.

Combining the previously separate budgets allows available funding to be used flexibly across care types in response to consumer demand. The Government also effectively backdated this flexibility so that the funds allocated to residential care in the 2017-18 Budget that were not needed could be used to increase the proportion of higher level packages (rather than returned

to the Budget).

Because of this measure, the Government will be able to fund an additional 16,000 higher level packages over the next four years (at a cost of \$1.6 billion), most of which will be released over the next two years. Taken together with the increase in the recently introduced Level 3 packages that had previously been budgeted, the proportion of higher level packages will increase to about 50% by 2021-22 (from 32% at 30 June 2017).

Overall, the supply of packages is budgeted to increase to 151,500 by 2021-22. This represents an increase of about 65,000 on current levels, and compares with 53,600 consumers currently waiting for a package.

The Opposition has been expressing concern about the level of unmet demand for home care packages, including the timeliness of the Quarterly Reports. In the normal course of events, the Opposition's position would be expected to become clearer closer to the next Federal election.

What are the implications for aged care reform?

One of the objectives of the aged care reforms is to give consumers greater capacity to choose their preferred care type, services and service provider, and giving providers greater flexibility to respond to consumer preferences. A key enabler for this reform is uncapping the supply of aged care services.

Putting aside how the transition to a more consumer-driven market-based system should be best staged to minimise disruption, the threshold issue that must be answered with greater certainty is what would be the cost of an uncapped system where all demand is met, and how would the cost be funded. The size of the queue certainly raises question marks about affordability, especially if projected ahead to the growing number of people aged 85 and over in the population (around 2 million by 2055 compared with about 500,000 now). But does the queue information give us greater certainty about costs?

The answer to this question and the related questions listed above which will influence demand is, 'not really, not in the medium term'.

As confirmed by the *Legislated Review of Aged Care*, establishing the cost of uncapped supply has always been problematic. Hence, monitoring of demand trends as supply is gradually increased to the target provision ratio of 125,000 places per 1,000 people aged 70 and over and re-balanced towards home care, has been a key element of the reform agenda. The queue data revealed through the national prioritisation process simply reinforces the importance for such monitoring to gauge what level of consumer choice and control is affordable to the community.

Well before the availability of home care package queue information, the source of the funding that will be required for the growing number of 85 plus in the population that will present from the late 2020s has been an open question that has been parked. In 2015, the Intergenerational Report projected that, even under current policies, demographic changes will result in an almost doubling of government spending on aged care services to 1.7% of GDP by 2054-55.

The extent of the apparent unmet demand indicated by the home care packages queue only adds to the urgency for the community to address how the higher quality aged care services that will be expected will be funded. It is time for a national agreement about how Australia will fund its future aged care needs. Increased contributions by those who can afford to contribute more towards their costs in return for a choice of higher quality services must be part of the national agreement, or 'grand bargain'.

Behind this bigger picture issue, there are also a number of related matters that have to be addressed as part of the reform agenda. These include:

- Prioritising further work to improve the system for assessing eligibility and ongoing care needs for government-funded services.
- Achieving greater equity in consumer contributions across the different care types (residential care, home care and home support).
- Ensuring that consumers and their families are better supported and informed in exercising choice of service provider and services, including with regard to quality and price.
- A review of the factors behind unspent package funds to ensure an appropriate balance between a reasonable contingency for changing care needs and catering for individuals' circumstances and preferences.
- Monitoring services purchased with package funds in a more competitive service environment, where providers are competing for business, to ensure that the services are germane to well-being in the face of increasing frailty, and not seen by families as a top-up to the age pension to be used flexibly.
- Reassessing the timing of the policy intention to combine home care packages and CHSP into a single program. Combining the program should await a better understanding of unmet demand for home care packages and the relationship with residential care demand, and not until reforms to improve eligibility assessment, referral arrangements, consumer contributions and services to support consumer choice are implemented.

Finally, returning to the ongoing need to monitor supply and demand trends, a consequence of assigning packages to consumers that must be addressed is how performance against the provision targets is measured in future.

Under current government policy, the provision targets for home care places (packages) and residential places are based on a ratio of operational places to the population aged 70 and over. 'Operational places' is defined as places allocated to providers through the Aged Care Approvals Round (ACAR), including allocated places that are not being used on the day the stocktake occurs.

With the change to assigning home care packages to consumers, there are no longer vacant packages to include in the calculation, resulting in a loss of comparability with past performance and the official provision target of 45 operational places per 1,000 people aged 70 and over by 2021-22. The same situation will arise when assigning funding to consumers, rather than allocating places to providers through the ACAR, is extended to residential care.

In view of the importance to the reform process of being able to monitor supply relative to the growth in the target population and to monitor performance against the government's provision targets, it is essential that the government moves quickly to recalibrate the current provision targets, while maintaining their supply intent. Instead of basing the targets on operational places, the logical approach would be to recalibrate the targets based on the number of consumers (package holders and residents) per 1,000 people over a given age.

Concluding comment

The emergence of an unexpectedly large queue for aged care packages has raised concerns about the affordability of quality aged care based on greater consumer choice and control over service type and service provider and uncapped supply, as envisaged in the Aged Care Sector Committee's *Roadmap for Aged Care Reform*. This should not be used as an excuse to shelve the destinations of the Roadmap. It should be taken instead as a challenge to double down on the wider systemic reform needed to ensure quality services for all in need of care and support in older age.

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.

You can read previous [Aged Care Updates here](#).



Copyright © 2018 Catholic Health Australia, All rights reserved.

Want to change how you receive these emails?
You can [update your preferences](#) or [unsubscribe from this list](#)