



IMPROVING CHOICE IN RESIDENTIAL AGED CARE: ACAR DISCONTINUATION RESPONSE TO DISCUSSION PAPER

Introduction

Catholic Health Australia's position regarding the discontinuation of the ACAR is based on the premise that the ACAR of itself does not ensure the availability of subsidised residential aged care services in any market, let alone thin markets, be they rural and remote, special needs groups or low socio economic status.

The sole policy rationale for the ACAR was to enable rationed subsidised residential aged care places to be allocated and tied to regions as the basis for achieving an equitable distribution of subsidised residential aged care places. Allocating places in this way, of itself, does not ensure that services will be developed and commissioned, including services targeting thin markets or certain consumer groups.

The fact is that investment in services regardless of their location or any specialisation requires a viable business case. This was clearly demonstrated by the slowdown of investments in new mainstream high care building stock prior to the accommodation payment reforms as part of the 2012 *Living Longer Living Better* package. Similarly, securing services in thin markets has always required targeted additional financial and planning support. This will continue to be the case with or without an ACAR.

In summary, the ACAR should not be allowed to stand in the way of policies designed to give consumers choice and control of their aged care services. Allocating subsidised places to consumers is pivotal to achieving consumer choice and control of residential aged care services, preferably in an open market where subsidised services are not rationed.

Response to Issues Raised in the Discussion Paper

Issue 1: Should aged care assessments consider the person's urgency for care?

CHA considers that prioritisation of access to subsidised residential aged care services may be necessary when the supply of subsidised services is rationed and demand exceeds supply, but history also demonstrates that the administration of such policies introduces considerable administrative complexities and are best avoided.

CHA agrees that in an environment where the supply of subsidised residential aged care places is expected to exceed demand in the majority of circumstances, prioritising access would not only make the system more complex and be of doubtful effectiveness, but more importantly would not address the causes of any localised access issues.

If certain sections of the community are experiencing access problems, specific, targeted and cost effective policy responses should be pursued consistent with the Government's stewardship role. A regional stewardship role for Government is not a novel idea. It was successfully deployed by the Queensland State Office of the Department of Health during the 1990's.

The Government's stewardship role should address access problems in conjunction with the Independent Pricing Authority, including monitoring access issues and understanding the underlying factors that are contributing to access problems. The Government's ongoing monitoring and evaluation of issues should be published in an annual report, building on the access analysis that was provided in ACFA's Annual Reports.

CHA notes the analysis in the Discussion Paper which concludes that, because of the inter-action of Australia's population age profile and the population-based provision ratio, it is expected that the supply of subsidised residential aged care places will exceed demand for the foreseeable future. However, in the best interests of the consumer and policy clarity for providers, investors and financiers, it would be good policy to discontinue the current provision cap for residential places to complement the discontinuation of the ACAR.

CHA also notes that the rationing of home-based aged care and support services is planned to be addressed in conjunction with the implementation of a single home-based care and support program.

Issue 2: Should aged care assessments consider whether a person is from a special needs group or has additional cultural or other special needs?

CHA considers that eligibility assessment should consider and record whether a person is from a special needs group or has additional cultural or special needs. This data will be useful in cases where the assistance of care finders and specialist support is required, but more importantly as a data source to monitor access by certain groups as part of the Government's regional stewardship role.

It will be important that providers will continue to be able to access individual eligibility assessments and support plans to inform their admission processes.

Issue 3: What should be considered when assigning residential aged care places? Should time or location restrictions be introduced?

CHA does not support the introduction of time or location restrictions, especially in circumstances where the supply of subsidised residential places is expected to exceed demand. If demand in certain circumstances were to exceed supply, the appropriate policy response should be to deal with the shortfall through tailored local initiatives. Introducing time and location restrictions would add to administrative complexity and would not address the underlying causes of access problems.

As noted under Question 1, the opportunity should be taken in conjunction with the discontinuation of the ACAR to also discontinue the provision ratio for subsidised residential care places.

Issue 4: Could the assignment system be designed to mitigate localised supply issues.

The assignment system would be no more effective than the ACAR in addressing localised shortfalls in the supply of services. As was the case with ACAR, there will still be a requirement for tailored and targeted policies to ensure that aged care services are available in 'difficult to service' environments and contexts, and will continue to require special intervention by Government, including as part of the Government's regional stewardship role.

In short, CHA would not support the use of the assignment system as a policy tool to mitigate localised supply issues. The assignment process is simply the final step of the eligibility assessment process.

Issue 5: Are any additional measures or information needed to support informed choice

CHA considers that the focus should be on the successful design, development and implementation of the current measures identified in the Discussion Paper to support more informed choice, noting that these measures have been identified and accepted after considerable public consultation and review.

As with any new public policy measure, there should be arrangements in place for post-implementation evaluation of the effectiveness of the measures. This is particularly important with these information and accountability measures because their successful design and implementation will present many challenges.

Issue 6: How can people be supported to move between aged care homes if they want to do so?

CHA agrees that there is a need to have in place clear protocols governing the transfer of residents wishing to change provider, including protocols for the management of financial considerations such as exit fees, RADs, invoiced additional services, publication of exit fees etc. These should be supplemented by ready access to advocacy support when needed.

CHA notes however that such protocols are relevant whether places are assigned to an individual or to a provider, acknowledging however that the threat of and opportunity to change provider is likely to be the primary motivator of behaviour by a provider.

Issue 7: Should the existing quality and safety functions be expanded or redesigned to address any potential gaps arising from the removal of the ACAR?

CHA notes that the purpose of the ACAR was to distribute rationed subsidised services as equitably as possible across Australian regions using a population-based formula. To the extent that the ACAR process of allocating subsidised places in perpetuity to providers may have contributed to the quality regulation of the system, it was only marginal and incidental to the policy objective of the ACAR.

From the outset, it was recognised that aged care services should be required to operate within a comprehensive quality regulatory framework, which is required with or without the ACAR.

CHA also notes that over the years, and especially since the Royal Commission, the quality regulatory and accountability framework has been strengthened considerably, with more regulation and increased transparency and accountability in the pipeline. That is, it should be sufficient for the system to rely on the quality regulatory framework, supplemented by greater competition and increased consumer choice.

Issue 8: What measures would further ensure providers cater to people with special needs or additional cultural needs?

A policy response needs a good understanding of the extent to which individuals from such groups are actually not having their needs met and why this may be the case. At this stage we do not know precisely how this will play out in an environment where subsidised residential places are not rationed, and current and prospective providers have greater capacity to respond flexibly to consumer demand.

The appropriate response at this stage is to put in place appropriate data collection and monitoring to identify where there are gaps that may not be being addressed through existing programs and the reforms being introduced as part of the Government's response to the Royal Commission. This can inform the need for and nature of any further cost-effective targeted interventions. Interventions can range across regulatory requirements regarding the Quality Standards, pricing/subsidy responses, the provision of access guidance and support, and Departmental stewardship activity at the local level in collaboration with the affected communities.

However, it would be unrealistic to base policy on the expectation that every residential aged care service can be all things to all individuals, highlighting the importance of appropriate pricing and the role of regional stewardship, and what is affordable for the taxpayer.

Issue 9: What information do providers need to help support decision making?

CHA agrees that providers will need to continue to undertake their own strategic planning and market analysis.

The Government's role should be limited to providing information on the distribution of subsidised services, assessment data, length of stay data, trends in the classification profile of residents, the usage of respite, elapse times between assessment and admission, transfers from home care to residential care etc ie the data that can be obtained from the payments system and the assessment process, presented at both a national and regional level.

CHA notes that through its regional stewardship role, Departmental officials will be able to draw on this data to work with local communities to fill service gaps in thin markets.

Issue 10: What impact will the removal of bed licences have on the sector?

The removal of bed licences will contribute to creating a more competitive aged care service environment which will require providers in mainstream markets to pay greater attention to the quality and price of their services and their reputations in order to sustain viable occupancy levels.

Along with other complementary reforms, such as a more comprehensive regulatory framework, increased reporting and transparency, and increased home based care options (depending on how generous home care subsidies are compared with residential care), the removal of bed licences will increase the structural adjustment pressures the sector has already been experiencing in recent years.

Depending on individual provider balance sheet treatment of bed licences, it will require providers who have not already done so to write down bed licences values and allay any investor concerns. Writing down bed licence values of itself should have no bearing on a provider's capacity to continue to operate in the aged care sector ie the underlying business, market and service operating dynamics will not be affected by writing down the 'goodwill value' of bed licences.

Issue 11: Are there further measures that may help to mitigate risks arising from the removal of bed licences?

CHA notes the recent measures introduced to support structural adjustment in the sector, including a Structural Adjustment Program, the Business Advisory Service and the Business Improvement Fund. Depending on the level of demand that emerges for these services, there may be a need for additional funding and the involvement of the Department as part of its regional stewardship role in thin markets.

Issue 12: What impact will the removal of bed licences have on investment decisions?

CHA does not anticipate any impact on the financing of residential aged care services. Evidence given in the Royal Commission context and to ACFA is that bankers discount the value of bed licences when assessing the financial and business case of financing applications and place considerable emphasis on the management strength and past performance of the provider.

Future policies concerning RAD/DAP arrangements (including the equivalence formula), the pricing of aged care services and the management strength of providers will be the primary determinants of investment decisions.

Issue 13: Are there any additional issues that should be considered in relation to lending and investment decisions?

CHA has not identified any additional issues at this stage.

Issue 14: What processes could occur between now and 30 June 2024 to allocate places to providers when they are ready to deliver care immediately?

CHA supports the allocation of additional subsidised places to providers with 'bed ready' aged care services prior to 30 June 2024, noting the lead time required to commission new services, the need to increase overall supply and the need not to put on hold the de-commissioning of older inappropriate building stock.

New services should be subject to the normal pre-commissioning regulatory checks by the Quality Commission.

Issue 15: What transitional arrangements could be in place between now and 30 June 2024 for the management of provisional places and operationalising provisional places?

CHA supports the removal of current reporting arrangements for offline and provisionally allocated places. It considers however that there should be role under regional stewardship arrangements to monitor and respond to developments that may affect thin markets.

Issue 16: Do you think that Extra Service Status arrangements should be discontinued from 1 July 2024?

CHA supports in principle the removal of the current extra service status arrangements.

CHA also notes however that extra service status provides regulatory certainty and clarity about the provision of additional services to meet consumer preferences. This contrasts with the regulatory arrangements for optional additional services for non-extra service aged care homes which have evolved since the *Living Longer Living Better* reforms. These arrangements are characterised by ambiguity, uncertainty and compliance risk. This ambiguity is directly responsible for the initial enthusiasm for returning extra service places having evaporated, with Extra Service providers now choosing to maintain their extra service status places.

In the circumstances, CHA considers that extra service status places should be removed only after policies and regulations governing fees for additional services have been clarified and provide certainty in administration. This includes consideration of the Tune Review recommendation to reform the regulation of the Basic Daily Fee for everyday living expenses so that providers have greater scope to respond to consumer preferences.