



**Response to the Productivity Commission
Draft Report - *Caring for Older Australians***

March 2011

About National Seniors Australia

National Seniors Australia (NSA) is the largest organisation representing the over 50s in Australia with over a quarter of a million individual members.

Our members are from metropolitan, regional and rural areas across all states and territories, and are broadly representative of the three key ageing cohorts: those aged 50-65; those aged 65-75; and those aged 75 +.

NSA works to provide a voice and address the needs of this diverse membership:

- **We represent** – to governments, business and the community on the issues of concern to the over 50s;
- **We inform** – by providing news and information through our website, forums and meetings, our bi-monthly award winning magazine, a weekly E-newsletter and our Australia-wide branch network;
- **We provide opportunity** – to those who want to use their expertise, skills and life experience to make a difference in indigenous communities and on our environmental legacy;
- **We support those in need** – our Charitable Foundation raises funds to provide comfort and support for our most vulnerable older citizens;
- **We provide savings** – through quality insurance, affordable travel and tours, and discounts on goods and services.

Contact:

National Seniors Australia
National Policy Office
23 Torrens Street
Braddon, ACT 2612

P: (02) 6230 4588
F: (02) 6230 4277

E: npo@nationalseniors.com.au

www.nationalseniors.com.au

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NSA Response to the Productivity Commission Draft Report - *Caring for Older Australians*

1. Introduction and summary of recommendations

National Seniors Australia (NSA) welcomes the opportunity to respond to the Productivity Commission's draft report *Caring for Older Australians*.

NSA knows that the current aged care system does not adequately serve the needs of our community through the many telephone calls, emails and letters we receive from our members each day, highlighting the need for improvements to the aged care system.

In the decade ahead, older Australians will be more demanding and better informed consumers. It is essential that the health and aged care systems respond to this changing pattern and more effectively engage this group in the planning of future health services. Inevitably, there will be a greater emphasis on system efficiencies and new technologies.

This is why the Productivity Commission's work is so critical and we hope that government will also respond with full and careful implementation and continue to fund the aged care system and ensure it befits a decent and humane society.

Previous reviews of the aged care system have urged greater involvement of the community in the processes surrounding aged care. NSA has responded by holding two community workshops (one in Melbourne on 3rd March 2011 and one in Perth on 8th March 2011, which together attracted close to 200 people) and conducting an online member survey (between 8th and 16th March 2011) that received 1,708 responses.¹

This document addresses some of the questions outlined in the draft report but also draws attention to some of the major concerns that were highlighted through our member and community feedback processes with a key aim of ensuring better quality of care for people in the aged care system.

Summary of recommendations

Quality of care

1. NSA agrees with the objectives to guide future policy change as stated in the draft report, but suggests that the word 'quality' needs to be included before the word 'care'.

¹ The summary report from the community workshops and the member survey report are provided at Attachments 1 and 2 respectively.

2. NSA believes that there is a need to amend the Aged Care Act 1997 to include these objectives, thus giving them the force of law and to see reference made to 'human dignity and respect' in the Act.
3. NSA is cautious about the belief that freer competition and market forces will drive standards and enhance quality in the area of aged care services and would like to see the empirical evidence to support this notion.
4. NSA is not convinced that 'basic minimum standards' are enough to ensure the highest quality of care and notes that a twin room with shared bathroom is a fair and reasonable basic standard of residential care is not acceptable by a majority of respondents to our member survey and participants at the community workshops.
5. NSA notes that couples ought not to be separated if one or both have residential care needs.
6. NSA is concerned that the draft report focuses on accreditation, complaint and regulation as the main means of ensuring 'quality' of care and views this as not sufficient.
7. NSA believes that provider performance against standards must be publicly reported to ensure transparency, to drive continuous improvement in quality and efficiency, and to help consumers make informed choices.
8. NSA agrees it is appropriate for standards to be in place and measured against but would like to see additional protections in place to enhance the quality of care of people in the aged care system.
9. NSA believes more needs to be done, and quickly, to address workforce issues, particularly in the areas of attraction and retention.
10. NSA would like to see the Productivity Commission encourage and support unions and industry to confer to develop a national industrial framework which would commit the parties to improve resident care and service delivery.
11. NSA believes there is a need for not only more respite opportunities but for flexibility in how respite care is offered.
12. NSA would like to see the Productivity Commission suggest some practical frameworks to ensure that the most vulnerable will be responded to in a manner appropriate to their various diverse care requirements.
13. NSA would like some clarity around how primary care and hospital-based services will intersect and better relate to the aged care system.

14.NSA endorses the suggestion by the Productivity Commission for access to visiting multidisciplinary health care teams in rural and regional communities to help keep people in their homes longer and enhance their access to community-based aged care services.

Access to the aged care system

15.NSA believes there is merit in establishing a single overarching information platform.

16.NSA believes there is a need for additional local/regional information to complement the set of general information for people with special and diverse needs.

17.NSA believes that the proposed Gateway Agency's functions should be integrated and linked into existing residential and community services.

18.NSA notes that there should be a role for e-health, subject to privacy and confidentiality concerns, in the work of the new Gateway Agency to ensure seamless delivery of aged care services to all consumers, but particularly to the frail and those living in regional and remote areas.

19.NSA believes further consideration needs to be given to practical issues around care coordination and support needs, as well as re-assessment of care and support needs once people's needs change.

20.NSA suggests that the proposed Gateway Agency needs to work within a networking model so that it can be fully interactive with service expertise in local and regional areas.

Regulation and consumer protection

21.NSA agrees in principle with the establishment of a statutory regulator which is independent of the providers and which has strong consumer protection frameworks.

22.NSA would like to see more detail on how the proposed new statutory body, the 'Australian Aged Care Regulation Commission', would manage and deal with non-compliance by providers.

23.NSA suggests that consideration be given to establishing a dedicated and independent Aged Care Ombudsman who reports to Parliament and whose recommendations can be made public.

Paying for aged care

24. NSA strongly believes that the Productivity Commission's proposal to include the family home in the comprehensive aged care means test should be carefully targeted to only those who have a significant level of wealth invested in the family home.
25. NSA considers that the concept of the Australian Pensioners Bond scheme has merit but suggests linking the Australian Pensioners Bond to the long-term Treasury bond rate.
26. NSA believes that the Productivity Commission needs to outline a detailed transition plan explaining in more detail the actual costs that consumers and government are likely to face and a strategy, including timelines, so that people can plan for the future.

2. Quality of Care

As stated in its previous submission to the inquiry, NSA believes that an aged care system should deliver the best 'quality of care' to meet consumer needs. It should not just "facilitate access to care" or "guarantee an acceptable or even a minimum standard of care", rather it should customise care and meet individual care needs as identified in a care assessment. In other words, as people age and develop age-related conditions, they deserve to be provided with the best quality of care instead of just an acceptable standard of care.

NSA agrees with the objectives to guide future policy change as stated in the draft report, but suggests that the word 'quality' needs to be included before the word 'care'. NSA believes that there is a need to amend the Aged Care Act 1997 to include these objectives thus giving them the force of law and providing a clearer context for how services should be delivered in order to improve and enhance quality of care and also to make reference to 'human dignity and respect'. We also suggest that these principles ought to be embedded in the accreditation standards that the various players in the system are required to attain.

NSA acknowledges that many aged care services, both residential and community care, provide excellent and quality care and meet the standards and other requirements for their residents and clients.

Nonetheless, NSA agrees with the Productivity Commission that the current system allows poorer quality operators who meet minimum standards to survive but is cautious in the belief that a competitive market will, in and of itself, drive standards and enhance quality. We would like to see the empirical evidence to support the

notion that freer competition and market forces will drive quality up in the area of aged care services.

One of our members has highlighted issues that pertain to the quality of care and quality of life of residents, as follows:

NURSING HOME SUMMARY - NSA Member Viewpoint

Staff need to be trained specifically for nursing homes.

- RNs are trained to work in hospitals - their skills are needed for medications etc. but most are unable to get away from the medical model.

Residents should be able to make their own daily choices.

- Many staff now take away their last ounce of dignity by speaking for them, making decisions for them.
- Residents should be able to make their own choices about routines: When to go to bed, when to get up, when to shower, what clothes to wear, the length of their hair.
- Residents should be able to go outside when they wish, and choose their own activities.

Give residents the option of voting in elections.

- Some were not given this choice in the last election.

Treat the client's clothes, jewellery and personal possessions with respect

- Hang up clothes, iron clothes, make sure they are wearing their own clothes.

Make sure all staff can read and write English, and know how to report a problem and to whom.

Staff must be taught that care plans also include, hair, nails, teeth.

Every resident must be entitled to their room

- Many have never shared before
- Some have only ever shared with a husband or wife.

Depression symptoms treated not ignored sometimes are now confused with other aging conditions.

No means of calling staff

- Bell placed out of reach
- Sometimes not answered for up to an hour
- Resident may have fallen out of bed, distant from bell.

Some clients live many years in nursing homes not always short term.

- Compassion, empathy and patience cannot be bought with money.
- Staff need to lift their game; pay rises should be a reward for effort.

We are not convinced that 'basic minimum standards' are enough to ensure the highest quality of care. It is NSA's view that these minimum standards actually drive standards down to the lowest standards that need to be met. We have a system that is dealing with often frail individuals who have increasingly reduced capacity, especially when the figures on dementia and other degenerative conditions are taken into account; we see this as problematic if only minimum standards are what providers need to aspire to. Our member survey showed that a majority of respondents did not agree that a twin room with shared bathroom is a fair and reasonable basic standard of residential care.

Accreditation

NSA is concerned that the draft report focuses on accreditation, complaint and regulation as the main means of ensuring 'quality' of care and views this as not sufficient.

NSA has taken into consideration the fact that the research indicates that the 'jury is still out' on whether accreditation alone can lift standards of aged care. For instance, the Department of Health and Ageing itself concedes that accreditation requirements cannot of themselves necessarily achieve desirable outcomes and that there are factors that influence quality of life that are independent of the care provided to aged care residents.² Others have also highlighted the shortcomings of relying solely on accreditation and the need for complimentary measures for performance measurement.³

NSA believes that provider performance against standards must be publicly reported to ensure transparency, to drive continuous improvement in quality and efficiency, and to help consumers make informed choices. There should be regular reviews at key points in the implementation of agreed reforms, to ensure that key learnings and unintended consequences are taken into account. The outcomes of these reviews also need to be publicly reported to give the community confidence that their needs remain central to the reform process.

We note that the draft report has also tried to address the issues presented by a supply driven system which inhibit quality of care. Whilst we agree it is appropriate for standards to be in place, measured against and performance continuously

² Department of Health and Aging, *A Literature Review and Description of Its Regulatory Framework*, 5 March 2008 <http://www.health.gov.au/internet/main/publishing.nsf/content/ageing-iar-review-framework.htm>

³ J. Braithwaite, T. Makkai and V. Braithwaite, 2007, *Regulating Aged Care: Ritualism and the New Pyramid*, Edward Elgar Publishing; J. Braithwaite and T. Makkai, 1993, Can resident-centred inspection of nursing homes work with very sick residents?, *Health Policy*, 24,1 M. O'Reilly, M. Courtenay and H Edwards, 2007, How is Quality being monitored in Australian Residential Aged care Facilities, *International Journal for Quality in Health Care*, 177-182.

improved upon, we would like to see additional protections in place to enhance the quality of care of people in the aged care system and other means of monitoring compliance with standards other than accreditation and self-reporting. These are discussed in the section below on regulation and consumer protection.

Workforce

The draft report quite rightly identifies the critical importance of the aged care paid workforce and the challenges of attracting enough people into the workforce into the future. It points to recruitment and retention challenges and the high use of temporary and agency staff as well as issues around training and ongoing professional development.

In recent years, there has been a significant deterioration in staffing levels in the aged care sector.⁴ This has led to a low staff to patient ratio and an inability to provide the high levels of care required particularly for those older people with more complex medical conditions and behaviours. NSA is concerned that a decrease in the aged care workforce will result in a decrease in the quality of care provided. High quality care is a function of skills and training associated with those providing care, and the amount of care provided.

The provision of high quality aged care depends significantly upon the ability of the aged care sector to attract and retain adequate numbers of appropriately qualified, committed and skilled staff. NSA recognises several initiatives undertaken by government over the last few years to bring nurses back into the workforce and invest in training for aged care workers. However, NSA believes more needs to be done, and quickly, particularly in the areas of attraction and retention.

The Productivity Commission has stated that it supports the payment of competitive wages to nursing and other care staff in the sector. NSA welcomes this. The wages gap for all occupations in aged care, whether residential or community based, is significant. NSA is aware wages alone will not improve quality but they are important in attracting people to the sector.

We are aware that unions and industry see the need to confer to develop a national industrial framework which would commit the parties to support industry-wide efficiencies and other changes that would improve resident care and service delivery. The national industrial framework would specify the wages to be paid to nurses and other aged care staff, with such wage rates to be expressed in enterprise

⁴ Access Economics 2009a, *Nurses in residential aged care*, Report for the Australian Nurses Federation, <http://www.accesseconomics.com.au/publicationsreports/getreport.php?report=224&id=284>.

agreements. NSA would like to see the Productivity Commission encourage and support this approach.

Respite

NSA Member Case Study 1

An NSA member explained how tired and run down she was from the demands of caring for her husband. She is unwell and highly stressed. Her husband had been waitlisted for respite care for some time. When she rang to organise his entry into respite as agreed, she was told that the respite bed had been turned into a long term bed.

NSA welcomes the acknowledgement in the draft report of the need for improvements in respite care from the perspective of both people with aged care needs and their carers. As the Productivity Commission highlights, there is a need for not only more respite opportunities, but for flexibility in how respite care is offered particularly in view of some of the slow take-up rates of residential respite care.

NSA Member Case Study 2

D cares for her husband who is now 70 years of age. He has Parkinson's Disease, a heart condition and dementia. They have lived on a farm for many years. Their adult children now live all over Australia and overseas. D feeds, bathes, and has to assist her husband with his toilet needs. Incontinence is a big issue. He is tall and thin but heavy. He tries to be as active (as he used to be) at times, often during the early hours of the morning he gets up and wanders and has had a number of falls as a consequence due to his poor balance and shakiness. Although a farmer's wife and quite sturdy D has lost significant weight and is continuously tired.

They cannot move into smaller accommodation nearer the town for legal reasons connected to the farm. Recently, after an inability to access respite care in the local area because the facility cannot cater fully for her husband's needs, D needed time out and decided to risk going into the front garden to water her hydrangeas to get some 'peace of mind'. She had left her husband at the table near the windows to the garden. He pulled out a ladder to change a light globe and fell whilst trying to climb it. He has broken his hip. D feels responsible as 'she shouldn't have taken time out'

We are aware that government views respite as something that is well-funded. NSA member experience is that respite and access to it can be a moveable feast.

Respite care needs to be located in rural, regional and remote settings for people to be able to seriously avail themselves of these opportunities. This need is urgent and, as the draft report states, there is unmet need. We would like to see a larger availability of specialist dementia respite.

NSA believes that the lack of flexibility in what is offered and available is a key reason why the take-up may be low in some instances. NSA wonders whether if people had a choice of respite care services that were broader than those currently permitted whether the take-up rates might improve with other services potentially able to offer the desired flexibility.

We note that the Productivity Commission draft report on Disability Care and Support (February 2011) discusses and supports cashing out of care service to give people more choice. This option is not flagged in the draft report of Caring for Older Australians and given the stated intent of providing more consumer choice we wonder what the reason is for the difference in approach between the two sectors. In the specific case of respite care, perhaps this could be considered?

Diversity and special needs groups

NSA agrees with the Productivity Commission that there are groups with special needs, including people with mental illness, people with psycho-geriatric conditions, and a significant increase in people from diverse backgrounds who are ageing.

The draft report notes the Gateway Agency would be required to respond to special needs groups and use trained interpreters but little further detail is provided as to how the needs of these groups will be catered for.

NSA would like to see the Productivity Commission suggest some practical frameworks (such as developing and implementing 'cultural diversity plans' as some hospitals in Victoria currently do, or building on existing systems of knowledge in other sectors, such as the dementia and the mental health initiatives) to ensure that the most vulnerable will be responded to in a manner appropriate to their various diverse challenges.

This goes to the quality of care but also the capacity of the system to respond to the future challenges in an appropriate manner, particularly for those people with dementia, mental illness, psycho-geriatric conditions, as well as for people from non-English-speaking backgrounds, Aboriginal and Torres Strait Islanders and veterans, with complex and in some cases multiple needs.

An interactive system

We know that as people age, they experience declining health. We also know that with timely health interventions, allied health, social support and lifestyle interventions and education around disease management, there can be better health outcomes. These can lead to people either avoiding declining health or implementing measures to prevent deterioration. Such measures can keep people out of residential care for longer and keep them in a system of community care. This is stated to be the aim of the Government.

The aged care system, as the draft report highlights, interacts with other systems of care and support, such as health, disability, housing, social welfare, allied health and social services. At various times, the draft report endorses the notion of integrated delivery.

We note that in the draft report on Disability Care and Support, the Productivity Commission acknowledges that aged care is a 'particularly important parallel support system' and identifies some key differences in the two spheres pertaining to philosophy, employment goals and duration of care and support. NSA agrees with the Productivity Commission that although the two systems may not be integrated they should interact.

Our concern is that, without explicit explanation as to how different systems (which rely heavily upon access to each other) are provided, there could be a tendency for aged care to operate in a silo.

Whilst we appreciate that the recent health and hospital reforms had not been signed off by the States and Territories at the time of the draft report, we would hope that in the final report the Productivity Commission may be able to provide more detail on how such interaction might be accommodated/envisaged. For example, how are Medicare locals likely to interact with the proposed reforms to enhance access to health services, early intervention, prevention, restorative and rehabilitative aged care access in metropolitan, rural and regional and remote areas. Similarly, NSA would like some clarity around how primary care and hospital based services will intersect and better relate to community care, residential care and local providers of other related services in the aged care system.

NSA endorses the suggestion by the Productivity Commission for access to visiting multidisciplinary health care teams in rural and regional communities to help keep people in their homes longer and enhance their access to community based aged care services.

We also see a continuing key role (if properly resourced and funded) for local community health centres to provide aged care services in both metropolitan, rural and regional settings in. Research has revealed that people with chronic disease and older Australians are most likely to have an array of problems and that they come in clusters, can be multiple and can be triggered by an event such as ill health.⁵ This is why connections and inter-relationships between the aged care sector and other sectors can be critical to assisting an ageing person and reducing the stress caused by such unresolved problems.

3. Access to the aged care system

In order to overcome the deficiencies relating to information provision, needs assessment and care coordination inherent in the current aged care system, the Productivity Commission in its draft report is proposing the establishment of an Australian Seniors Gateway Agency. The Productivity Commission attests that, as the new 'single entry point into the aged care system', this would simplify and streamline entry.

The proposed Agency's objective is to re-structure the 'front-end' of aged care service delivery by:

- Informing people about the aged care system as a whole, as well as available care and support options;
- Assessing an individual's care needs and financial capacity to pay care co-contributions; and
- Assisting people to access services from an approved provider of their choice.

Information

Currently, too many outlets seem to provide partial information, but the overall functioning of the aged care system, its interfaces with other health care services, and broadly applicable information on how and where to enter the system and how to navigate it following entry, seems to be lacking.

NSA believes that there is merit in establishing a single overarching information platform which coordinates the development of a comprehensive and accurate set of information which then would be made available through numerous outlets or other entry points.

⁵ P. Pleasence, N.J. Balmer, A. Buck, A. O'Grady and H. Genn, 2004, Multiple Justiciable Problems: Common Clusters, Problem Order and Social and Demographic Indicators, *Journal of Empirical Legal Studies*. 30:1

We also concur that there is a need for additional regional information to complement the set of general information, as well as a need to provide additional, regionally-based information for people with special and diverse needs.

However, there is insufficient detail provided about how the Agency will operate in practice to convince people that this will not become another bureaucratic system.

Assessment

In addition to acting as an information platform, the Productivity Commission proposes that the Gateway Agency should conduct base assessments of individuals' care and support needs, which in turn would determine to what degree they require more complex case management. At the same time, it should conduct assessments of people's financial capacity to make co-contributions to the services they are receiving, as well as assessments of the capacities of people's carers to identify the extent to which carers need respite care or training.

NSA welcomes the assessment functions assigned to the Agency, and believes there is merit in assigning the responsibility of coordinating a number of different assessments to a single agency as this allows for a streamlined and centralised entry process into the aged care system.

The draft report does not elaborate on practical issues around conducting the assessments nor whether the different assessments are to be performed by the same person or by different sections within the Gateway Agency. Presumably, the proposed assessments require staff with different skill sets: community workers to assess support needs and carers' needs, medical staff to assess more complex care needs, people from a financial planning background to assess people's overall financial situation in order to determine their capacity to co-contribute.

Further, it is not evident from the draft report whether the Productivity Commission envisages the Gateway Agency outlets as separate entities or whether they should be integrated into existing aged care service provision infrastructure, and the additional entities currently being set up, such as the GP super clinics and the Local Hospital Networks. NSA believes that there is merit in integrating and networking some of the proposed Gateway Agency's functions into existing services and that local knowledge and decision making will enhance delivery of the Agency's functions.

NSA notes that there should be a role for e-health, subject to privacy and confidentiality concerns in the work of the new Gateway Agency. There are some key questions around information sharing that remain. How would the information sharing in the aged care system interact with information provided to health care

providers? Would the Gateway Agency only update a personal file or could every practitioner access a patient's file? If they want to avoid the person repeating their history again and again, this may be a consideration. Privacy and confidentiality concerns also need to be addressed as other agencies/government departments ought not to have access to this information which is provided on the basis of the provision of aged care and not for other purposes. More exploration of information sharing and how this might occur is required.

Care coordination

Despite assigning the Gateway Agency the three main functions of information, assessment and care co-ordination, NSA notes that the draft report provides little detail on the Gateway Agency's potential to provide and enhance care co-ordination. This seems to be a very critical part of considering reform of the aged care system and deserving of some further attention.

The report states that "care coordination services should be provided at a number of points within the reformed system. Care coordination in the form of a preliminary care plan should be available to older people upon entry into the system through the access gateway".

This seems to limit the Gateway's care coordination function to the entry point into the system, and as such is closely related to the initial base assessment of an individual's care and support needs. However, it does not seem to address the important issue of care coordination following entry, meaning the navigation of the system, especially as care and support needs change. NSA believes that while streamlining the entry into the system is important, it is equally important that people are assisted with coordinating their care and support needs, often attended to by a number of different providers, once they are a consumer of aged care services.

NSA also believes further consideration needs to be given to practical issues, such as who re-assesses care and support needs once people's needs change, and how flexible the system is in responding to changing care and support needs in a timely manner.

NSA notes that community awareness and education and a public awareness campaign and then delivery on promises, timeliness, accurate and up- to-date information and skill in assessment are central to the Gateway Agency's success. We also suggest that it needs to work within a networking model so that it can be fully interactive with service expertise in local and regional areas. Given that implementation inevitably will take some considerable time, we would expect the Productivity Commission to provide an indication about how the issues of

information, navigation and assessment could be dealt with in the interim and during transition.

4. Regulation and consumer protection

The Australian Government has no direct constitutional power to regulate activities of residential aged care homes. It does have heads of power that support aged care legislation and uses these powers to establish a regulatory framework for aged care. Currently, the Secretary of the Department of Health and Ageing has the role in imposing sanctions where providers have breached their regulatory and other responsibilities and fail to meet their obligations under the Aged Care Act 1997. The Productivity Commission rightly suggests that the current role of the Department in granting entry of providers into the system and regulating them presents a perception of a conflict of interest which needs to be addressed. NSA concurs.

NSA agrees in principle with the establishment of a statutory regulator which is independent of the providers and which has strong consumer protection frameworks. We refer to the Productivity Commission's comments in their draft report on Disability Care and Support Report and would argue the comments are just as equally applicable in the aged care system:

'However, where standards fall below an acceptable level, making a complaint can be difficult, particularly under current arrangements where consumers are disempowered by scarcity, lack of choice and lack of support'.⁶

NSA Member Case Study 3

Maria, a former nurse, has her mother in a private residential care setting. She reported to the provider that the food provided to her mother was very poor and not nutritious. She complained as her mother appeared to be losing weight and not eating. Nothing was done and Maria did not feel in a position to challenge the provider as her mother was in their care. Maria decided to arrive around mealtime for several days and noticed that where the residents had not eaten their food it was merely cleared away.

NSA would like to see more detail on how the proposed new statutory body, the 'Australian Aged Care Regulation Commission', would manage and deal with non-compliance by providers, data collection, risk management practices, early risk

⁶ Productivity Commission, February 2011, Draft Report, Disability Care and Support, Volume 1, 8.33

identification of liquidity, enforcement and policing mechanisms. The Australian National Audit Office in its 2009-2010 on the current regulatory system of accommodation bonds was deeply concerned about the current management practices of the Department of Health and Ageing in this regard.⁷ It would be helpful to have more detail on how the proposed Commission would address these.

NSA believes that the establishment of a dedicated and independent Aged Care Ombudsman who reports to Parliament and whose recommendations can be made public will be more effective in keeping the pressure on for improvement and prioritise action on consumer protection concerns. We see this Aged Care Ombudsman as having oversight of community care and residential aged care. This role would not only be able to consider complaints from consumers with protocols with the statutory regulator but would be able to call their own systemic reviews/investigations of issues in the aged care sector. ‘

At our community workshops in Melbourne and Perth, participants expressed a real lack of confidence in the level and quality of care residents were receiving, particularly in residential facilities. This included staff who worked in facilities as well as people with relatives in them. Participants also were not convinced the proposed statutory complaints body will be as responsive as it ought to be, nor able to respond to individual instances of concern and systemic cases of a failure to care for the aged and frail, especially in residential care where people are most vulnerable.

NSA also commends the Community Visitors Program of the Office of the Public Advocate in Victoria as a potential model that may be adopted and attached to the Office of the Aged Care Ombudsman as an effective way of improving the current lack of consumer confidence in the existing system. This community visitor’s model is completely different to that which currently sits within the Department of Health and Ageing as it is stronger and independent.

5. Paying for aged care

NSA supports the principle of people being required to contribute towards the costs of their aged care and this was borne out by the results of our member survey. We recognise the importance of this principle in facilitating increased funding flows into the aged care system to improve the quality and availability of care and in delivering a measure of inter-generational equity. Furthermore, we welcome the proposal for a life-time stop-loss limit on co-contributions to care costs, as this should give older

⁷ Australian National Audit Office, *Protection of Residential Aged Care Accommodation Bonds Report 2009-2010*, http://www.anao.gov.au/director/publications/auditreports/2009-2010.cfm?item_id=C01669DC1560A6E8AA310F3BE8D11932

Australians greater 'peace of mind', knowing that they will not face crippling care costs as they age and can preserve much of their accumulated wealth.

NSA has commissioned a further study into long-term care insurance to examine how this might in the future assist in paying for the currently underfunded aged care system which is projected to grow significantly into the future. This is not currently available and so will be provided to the Productivity Commission by way of a supplementary response once it has been completed.

Inclusion of the family home in a comprehensive aged care means test

One of the more radical proposals in the draft report is the inclusion of the family home in a 'comprehensive aged care means test' that would be used to assess a person's financial capacity to pay for aged care co-contributions. This test would apply the age pension *income test* and the age pension *non-home owner asset test*, including any housing assets, accommodation bonds and the proposed Australian Pensioners Bond, where approved care services have a combined value of around \$100 or more per week and all home modification services. Below this \$100 a week threshold, the test for determining care recipients co-contributions would rely simply on pensioner status.

NSA notes that the draft report is quite confusing about how this means test would operate and little detail is provided. In its discussion of options in the draft report, the Productivity Commission (page 189) talks about three "subsidy" levels, with people whose assets are below the median of \$350,000 receiving the full subsidy, those with assets below the 80th percentile of \$550,000 receiving a mid-rate of subsidy, while those with assets above the 80th percentile receiving the lowest rate of subsidy. The \$350,000 median quoted appears to be the average of the age pension assets test thresholds of \$313,250 for non-home owner single pensioners and the \$389,000 threshold for non-home owner pensioner couples.

The draft recommendation talks about "co-contributions" rather than subsidy levels, and elsewhere in the report it is suggested that such co-contributions would range from 5 to 25 per cent of the cost of care. However, there is no indication of how many different co-contribution levels there would be.

The following comments are therefore based on the best understanding we could glean of the Productivity Commission's intent with regard to this recommendation.

In the December 2010 Quarter, median home prices (houses plus units) in the eight Australian capital cities ranged from a low of \$330,500 in Hobart to a high of \$515,000 in Sydney. Under the comprehensive means test proposal, only a couple with a median priced home in Hobart, and less than \$59,000 in other assets, would

qualify for the lowest rate of care co-contributions. A single person would not be able to qualify for the lowest rate at all, as the age pension non-home owner asset limit is \$313,250.

Home ownership has long been regarded as providing a measure of protection against poverty in old age. But the benefits extend well beyond the financial realm. Appropriate housing is integral to people's health and well-being outcomes. And ontological security – or the confidence, continuity and trust in the world which enables people to lead happy and fulfilled lives – is associated with home ownership. Against this background, any perceived 'assault' on the family home – such as through its inclusion in a comprehensive aged care means test – may result in poorer physical and mental health and overall well-being of older Australians, due to increased anxiety and insecurity. Such outcomes would translate to increased demand for both health and aged care services, with attendant cost and funding pressures.

At the same time, NSA recognises that many Australians have over-invested in their family home because of the favourable treatment it receives under our taxation system. Unlike other forms of investment, it is not subject to capital gains tax on disposal of the asset. We believe that it is only the supernormal levels of wealth invested in the family home that should be captured in the comprehensive aged care means test used to determine a person's rate of aged care co-contribution.

NSA is not opposed outright to the Commission's proposal to include the family home in the comprehensive aged care means test. We note, however, that this is a very contentious issue, as evidenced by member responses to our survey on the overall direction of aged care reform proposed by the Commission. Two-thirds (67%) of respondents disagreed with the inclusion of the family home in the comprehensive means test, with more than one third (36%) strongly disagreeing with the proposal. This was the most negative response received to all the Commission's proposals and points to the very large task that the Commission will have in persuading the seniors' community of the proposal's merits.

NSA strongly believes that this proposal should be carefully targeted to only those who have a significant level of wealth invested in the family home. NSA would like the Productivity Commission to consider a proposal which would be to include the value of the home above a threshold value which is set at the highest priced capital city median home value. For example, Sydney's median price is \$515,000 (houses and units). If the family home was valued at \$750,000, then the value of the home included in the comprehensive means test would be \$235,000, still enabling a

person to qualify for the lowest rate of co-contribution if their other assets were less than \$78,250 for a single home owner or \$154,500 for a home owner couple.

Unlocking housing wealth to pay for aged care costs

Recognising that the wealth of older Australians is locked up in the family home (primary residence), some new choices to enable people to fund their accommodation, everyday living and aged care expenses are proposed in the draft report.

The Productivity Commission has proposed that the Australian Government should establish an Australian Pensioners Bond scheme to allow aged pensioners to purchase a bond from the Government on the sale of their family home, to enable them to fund their accommodation, everyday living expenses and aged care costs. The bond would be exempt from the age pension income and assets tests, and would be indexed to the Consumer Price Index to maintain its real value.

Overall, NSA considers that the concept of the Australian Pensioners Bond scheme has merit, because it potentially provides a safe, fee-free mechanism for releasing funds invested in the family home to flexibly meet the diversity of costs people face as they age.

However, we consider that, to be an attractive option for consumers, the Bond would need to deliver a real, positive rate of return on the investment. This is important for two reasons.

- First, over the long-term, wealth invested in housing or other asset classes would be expected to achieve a real, positive rate of return, that is, a return above the rate of inflation (CPI). Without this prospect, many older people would be reluctant to sell their home and invest the proceeds in the Bond, even if otherwise this would be a sensible course of action to fund their expenses as they age.
- Second, scheduled care prices, Government subsidies and the life-time stop-loss limit on care costs will all rise over time, with the Commission proposing that an Australian Aged Care Regulation Commission be responsible for advising the Government on the level of prices and indexation arrangements. It is highly likely that such prices and costs would rise faster than the Consumer Price Index, quickly eroding the purchasing power of the capital invested in the Bond. This scenario makes it imperative that the Bond scheme deliver some measure of growth for consumers.

NSA suggests that the Productivity Commission consider linking the Australian Pensioners Bond to the long-term Treasury bond rate. This would give consumers a real, but relatively 'risk free' rate of return on their investment, providing an appropriate incentive for them to participate in the scheme.

For those who choose to retain ownership of their home as they age, the Productivity Commission has recommended the establishment of a government-backed Aged Care Equity Release scheme. This would enable people to draw down on the equity in their home to fund the costs of their aged care and support (Draft Recommendation 7.1). No details were provided on how such a scheme might operate, except to note that it would need "careful design".

NSA notes that equity release schemes such as reverse mortgages and home reversion have been relatively unattractive for consumers, both in Australia and internationally, for reasons canvassed in the draft report. While not opposed to this recommendation, on the basis that it adds to consumer choice, we think that the take-up of the proposed Aged Care Equity Release Scheme is likely to remain limited unless it incorporates innovative design features that address the key drawbacks associated with the traditional models.

Retirement Villages

NSA notes that the nature of tenure in retirement villages varies, with some residents owning, some with lease, some with license. It would be interesting to know what the impact of the funding models proposed in the draft report, such as the Australian Pensioners Bond and equity draw down, would be for these people who do not have actual title in their units in retirement villages.

A further question is why when the Commonwealth is recommended to take over the aged care system it has not similarly decided to investigate further the options/powers to take over responsibility for the regulation of retirement villages or seek to investigate how they interact with the aged care system. This point is made in the context that many retirement village residents are, and are likely to be, in the aged care system. This seems an anomaly and we seek some clarification on the Productivity Commission's reasoning.

6. Conclusion

Aged care is relevant to everyone in the community. Young people will want to be assured that their parents and their grandparents will be looked after. Many of the so-called 'baby boomers' are currently interacting with the system as they support older family members and friends to get the assistance and care that they need. A good, decent and humane aged care system is in all our interests.

Aged Care needs to be funded adequately and sustainably into the future. The Government must inject more money into the system with accountabilities in place to ensure that it is responsive to need, and is efficient and transparent.

NSA believes that the Productivity Commission needs to outline a detailed transition explaining in more detail the actual costs that consumers and government are likely to face and a strategy, including timelines, so that people can plan for the future. The Productivity Commission has promised to do this in or before the Final Report.