

## Living Longer Living Better: Reform of Australia's Aged Care Sector

May 2012

On 20 April 2012, Prime Minister Julia Gillard together with Minister for Mental Health and Aging, Mark Butler, announced the Government's 10 year plan to reshape aged care in Australia entitled *Living Longer Living Better*.

The Government's full announcement can be found [here](#).

### Overview

The \$3.7 billion Living Longer Living Better Plan includes:

#### **Making it easier for older Australians to stay in their home while they receive care:**

- Increase the number of Home Care Packages - from 59,876 to almost 100,000 (99,669).
- Provide tailored care packages to people receiving home care, and new funding for dementia care.
- Cap costs, so that full pensioners pay no more than the basic fee.

#### **Making sure more people get to keep their family home, and to prevent anyone being forced to sell their home in an emergency fire sale:**

- Provide more choice about how to pay for care. Instead of a bond residents will be able to pay through a lump sum or a periodic payment, or a combination of both.
- Give families time to make a decision about how to pay, by introducing a cooling-off period.
- Cap care costs, with nobody paying more than \$25,000 a year and no more than \$60,000 over a lifetime.

#### **Ensuring there are immediate improvements to the aged care sector:**

- Increase residential aged care places from 191,522 to 221,103
- Fund \$1.2 billion to improve the aged care workforce through a Workforce Compact.
- Provide more funding for dementia care in aged care, and more support for services.
- Establish a single gateway to all aged care services, to make them easier to access and navigate.
- Set stricter standards, with greater oversight of aged care.

## **Funding and Delivery**

In the 2012-13 Federal Budget, handed down by the Deputy Prime Minister and Treasurer Wayne Swan on 8 May 2012, the following funding detail was announced for the *Living Longer Living Better* reforms.

### **Addressing workforce pressures**

#### Expense (\$m)

	2011-12	2012-13	2013-14	2014-15	2015-16
Department of Health and Ageing	-	1.6	98.8	207.1	332.6
Department of Human Services	-	0.2	0.1	..	..
Department of Veterans' Affairs	-	-	11.7	24.9	40.1
<b>Total - Expense</b>	<b>-</b>	<b>1.8</b>	<b>110.5</b>	<b>232.0</b>	<b>372.8</b>

The Government will provide \$1.2 billion over five years from 2012-13 (including \$471.7 million in 2016-17) to address workforce pressures in aged care. The Government will provide additional funding to aged care providers that take steps to improve their workers' terms and conditions of employment and ensure that these reforms generate better care and services for older Australians.

This will be delivered through a Workforce Compact developed by an independently chaired Advisory Group, in consultation with the sector and endorsed by the Government. The Compact will begin in July 2013 and improve the capacity of the aged care sector to attract and retain staff through higher wages, improved career structures, enhanced training and education opportunities, improved career development and workforce planning and better work practices. Employers will also be expected to contribute to the implementation of the Compact.

### **Better health care connections**

#### Expense (\$m)

	2011-12	2012-13	2013-14	2014-15	2015-16
Department of Health and Ageing	-	8.8	17.7	17.3	17.8

The Government will provide \$80.2 million over five years from 2012-13 (including \$18.6 million in 2016-17) to strengthen the links and continuity of care between aged care and the primary care and hospital systems.

This will be achieved through:

- providing direct access to specialist palliative care and advance care planning expertise through palliative care advisory services. The Government will also improve palliative care support skills of the aged care workforce through expansion of the Program of Experience in the Palliative Approach to include staff of residential and community aged care services. These reforms are expected to cost of \$21.7 million over five years (including \$5.3 million in 2016-17); and
- enhancing multidisciplinary care and access to primary health care for aged care recipients and encouraging aged care providers to work more closely with health care providers. This measure will provide grants to develop models of service that result in improved access to complex health care services, including palliative and psycho-geriatric care for aged care recipients. It will provide support for the implementation of innovative ways of delivering health care services, including telehealth trials. These reforms are expected to cost \$58.5 million over five years (including \$13.3 million in 2016-17).

### Building an aged care system for the future

#### Expense (\$m)

	2011-12	2012-13	2013-14	2014-15	2015-16
Department of Health and Ageing	-	24.4	25.3	8.5	8.3

#### Related capital (\$m)

<i>Department of Health and Ageing</i>	-	15.8	21.8	9.8	13.8
--	---	------	------	-----	------

The Government will provide \$256.4 million over five years from 2012-13 (including \$36.8 million in 2016-17) to support continued reform in the aged care system. Of this amount, \$123.0 million (including \$31.0 million in 2016-17) has been redirected from funding associated with the One-Stop Shop initiative.

This will be achieved by:

- establishing an Aged Care Reform Implementation Council (the Council) to provide advice to the Minister for Mental Health and Ageing on the implementation and development of aged

care reform. These arrangements are expected to cost \$15.2 million over five years (including \$0.6 million in 2016-17), of which \$7.3 million is for information and communications;

- creating an Aged Care Financing Authority to provide transparent advice to the Australian Government on pricing and financing issues in aged care, including the regulation of fees and additional service charges. This is expected to cost \$26.4 million over five years (including \$5.4 million in 2016-17);
- developing an aged care gateway that will provide a single point of contact to access aged care services. This includes establishing a central *My Aged Care* website, a call centre and developing a common assessment process for accessing aged care services. In addition, older Australians who are unable to organise their own services with providers, and do not have family or carer support to do so on their behalf, will be assisted by the gateway to access a range of services. This is expected to cost \$198.2 million over five years from 2012-13 (including \$29.7 million in 2016-17); and
- creating the Australian Aged Care Quality Agency as a single agency responsible for aged care quality assurance and accreditation of both residential and home care services for older Australians. This measure will also support the development of national aged care quality indicators and a rating system, the results of which will be published on the *My Aged Care* website.

### Consumer support and research

#### Expense (\$m)

	2011-12	2012-13	2013-14	2014-15	2015-16
Department of Health and Ageing	-	1.1	8.1	10.5	9.4

The Government will provide \$39.8 million over five years (including \$10.7 million in 2016-17) to assist aged care recipients in maintaining links with the community and to enhance the collection and availability of aged care data and information on the characteristics and needs of older Australians.

The Government will:

- increase funding for the National Aged Care Advocacy Program to assist older Australians to choose, or resolve concerns with, the quality and type of aged care services they receive; expand the Community Visitors Scheme to help socially or culturally isolated people living in Australian Government subsidised aged care homes or receiving home care services remain connected to the community. These initiatives are expected to cost \$30.8 million over five years (including \$8.9 million in 2016-17);

- establish a centralised data clearing house at the Australian Institute of Health and Welfare from 1 July 2013; and
- expand the Australian Bureau of Statistics Survey of Disability, Ageing and Carers and allow it to be conducted every three years, rather than every six years, from 2014-15. This initiative is expected to cost \$9.1 million over five years (including \$1.8 million in 2016-17).

### Improving the Aged Care Funding Instrument

#### Expense (\$m)

	2011-12	2012-13	2013-14	2014-15	2015-16
Department of Human Services	0.3	3.8	0.6	0.6	0.6
Department of Veterans' Affairs	-	-8.3	-41.7	-56.6	-66.7
Department of Health and Ageing	-	-45.6	-228.5	-309.3	-366.3
Total - Expense	0.3	-50.1	-269.6	-365.4	-432.5

The Government will refine the Aged Care Funding Instrument to better align the funding claimed by aged care providers with the level of care being offered. This measure will allow \$1.6 billion over five years from 2012-13 (including \$479.7 million in 2016-17) to be redirected to aged care reforms.

Under this measure, the funding instrument for residential aged care services will be modified through the tightening of assessment criteria. The compliance powers of the Department of Health and Ageing in relation to this funding mechanism will also be enhanced.

### Means testing

#### Expense (\$m)

	2011-12	2012-13	2013-14	2014-15	2015-16
Department of Human Services	-	20.4	21.7	17.9	17.3
Department of Veterans' Affairs	-	0.2	0.8	-8.9	-19.0
Department of Health and Ageing	-	-8.6	-8.9	-116.4	-211.0
Total - Expense	-	11.9	13.6	-107.4	-212.8

*Related capital (\$m)*

<i>Department of Human Services</i>	-	22.9	7.9	-	-
<i>Department of Veterans' Affairs</i>	-	1.8	5.3	-	-
<i>Total - Capital</i>	-	24.6	13.2	-	-

The Government will improve the fairness and sustainability of the aged care system by strengthening means testing arrangements for aged care recipients in residential and home care. This measure will ensure that aged care service recipients contribute to the cost of their care (and accommodation costs for those in residential care) according to their means. This measure is expected to result in savings of \$561.0 million over five years (including \$304.1 million in 2016-17) that will be reinvested into the aged care system.

To ensure aged care recipients make an appropriate contribution to the cost of their care, a new income test will be introduced from 1 July 2014 for Home Care packages. Under these arrangements, full pensioners will not pay any income-tested care fee, while part-pensioners will contribute up to a maximum of \$5,000 a year, and self-funded retirees up to \$10,000 a year, for their care. Care recipients will continue to pay a basic fee of up to 17.5 per cent of the basic age pension. These reforms are expected to result in savings of \$183.0 million over five years (including \$123.0 million in 2016-17).

Income and assets tests will be combined from 1 July 2014 to strengthen the means testing arrangements that currently apply to residential care. An annual cap of \$25,000 will apply to care contributions in residential care. Care recipients will continue to pay a basic fee, currently up to 84 per cent of the basic age pension. Residents in permanent care in an aged care home as at 30 June 2014 and all respite residents will not be affected by these changes. These reforms are expected to save \$378.0 million over five years (including \$181.1 million in 2016-17).

The Government will put in place safeguards to ensure aged care remains affordable and protect care recipients with higher care needs. Aged care recipients will not contribute more than the cost of their care. In addition, a lifetime cap of \$60,000 will be applied to both home care and residential care contributions. The lifetime and annual caps will be indexed.

**Older Australians from diverse backgrounds**

*Expense (\$m)*

2011-12    2012-13    2013-14    2014-15    2015-16

Department of Health and Ageing	-	6.0	14.5	17.0	19.1
Department of Veterans' Affairs	-	-0.3	12.9	13.4	14.0
Total - Expense	-	5.8	27.4	30.4	33.1

*Related capital (\$m)*

<i>Department of Veterans' Affairs</i>	-	0.3	-	-	-
--	---	-----	---	---	---

The Government will provide \$192.0 million over five years from 2012-13 (including \$55.2 million in 2016-17) to improve the skills and knowledge of aged care providers to meet the needs of older Australians from diverse backgrounds. Of this amount, \$61.6 million (including \$21.6 million in 2016-17) has been re-directed from mainstream residential and home care funding.

These reforms will be achieved through:

- expanding the scope of existing diversity initiatives that improve the skills and knowledge of aged care providers in meeting the care needs of diverse populations, including people living in rural and remote areas, people from culturally and linguistically diverse backgrounds, people who are homeless or at risk of being homeless. These reforms are expected to cost \$24.4 million over five years (including \$5.8 million in 2016-17);
- providing an additional 200 aged care places over four years from 2012-13 in Indigenous communities under the National Aboriginal and Torres Strait Islander Flexible Aged Care program. Funding levels for all existing Aboriginal and Torres Strait Islander flexible aged care places (675 places) will also be adjusted annually for frailty levels in addition to indexation adjustments. These reforms are expected to cost \$43.1 million over five years (including \$12.6 million in 2016-17);
- additional funding from 1 July 2013 to deliver more appropriate care for veterans with an accepted mental health condition. These reforms are expected to cost \$114.8 million over five years (including \$34.7 million in 2016-17);
- sensitivity training for the aged care sector that is specific to the needs of older lesbian, gay, bisexual, transgender and intersex people. These reforms are expected to cost \$2.5 million over five years (including \$0.5 million in 2016-17); and
- expanding the current *Assistance with Care and Housing for the Aged* program to assist the homeless or those at risk of being homeless in regional and remote areas. This program links older people with suitable accommodation and care services so that they can remain in the

community. These reforms are expected to cost \$7.3 million over five years (including \$1.6 million in 2016-17).

## Residential care

### Expense (\$m)

	2011-12	2012-13	2013-14	2014-15	2015-16
Department of Health and Ageing	-	20.4	23.7	111.3	148.3
Department of Veterans' Affairs	-	2.1	2.2	20.1	29.9
Department of Human Services	..	0.1	1.1	1.5	1.4
Department of Families, Housing, Community Services and Indigenous Affairs	-	-	-	9.2	25.6
<b>Total - Expense</b>	..	22.6	27.0	142.0	205.2

The Government will provide \$660.3 million over five years from 2012-13 (including \$263.4 million 2016-17) to support the viability of, and capital investment in, residential care facilities and to give residents greater choice of extra services and amenities.

This increased support will be provided through:

- increasing the maximum rate of the accommodation supplement from \$32.58 to \$50.00 a day (in current prices) from 1 July 2014 for aged care homes that are newly built or significantly refurbished from 20 April 2012. In addition, all residents entering permanent residential aged care from 1 July 2014 will have the choice to pay for their accommodation through a fully refundable lump sum payment, periodic payments, or a combination thereof. Providers of residential aged care services will also be required to insure any accommodation bonds that they hold for residents entering care on or after 1 July 2014. These reforms are expected to cost \$486.9 million over five years (including \$212.2 million in 2016-17);
- releasing a capped number of aged care places that will allow residents to purchase higher level amenities and hotel-type services. It will also abolish the Government component of the extra services fee for residents who enter care after 1 July, 2014. These reforms are expected to cost \$65.4 million over five years (including \$28.7 million in 2016-17); and
- continuing the existing viability supplements, to help fund higher delivery costs for providers in regional and rural areas or those providing specialist aged care services, including Indigenous Australians and older people who are homeless or at risk of homelessness. The Government will also combine its current aged care capital grants programs into a single Rural, Regional and other Special



Needs Building Fund to streamline assistance to providers in these areas. These initiatives are expected to cost \$108.0 million over five years (including \$22.5 million in 2016-17).

## Home Care

### Expense (\$m)

	2011-12	2012-13	2013-14	2014-15	2015-16
Department of Health and Ageing	-	1.5	25.7	102.0	121.5
Department of Human Services	0.1	1.0	0.8	1.6	1.7
Department of Veterans' Affairs	-	-	-	-5.0	-18.5
<b>Total - Expense</b>	<b>0.1</b>	<b>2.5</b>	<b>26.5</b>	<b>98.6</b>	<b>104.7</b>

### Related capital (\$m)

<i>Department of Health and Ageing</i>	-	0.4	-	-	-
--	---	-----	---	---	---

The Government will provide \$955.4 million over five years from 2012-13 (including \$570.0 million in 2016-17) to assist older Australians in need of care to stay at home. Of this amount, \$454.0 million (including \$301.2 million in 2016-17) has been re-directed from funding previously allocated to residential care.

These reforms will be achieved through:

- increasing the total number of residential places and home care packages from 113 to 120 places for every 1,000 people aged 70 years or over by 2016 and to 125 places by 2021. The number of home care packages will increase by nearly 40,000 over the next five years. The significant increase in the number of home care packages will, in part, be funded by redirecting some of the new places that would have been allocated for residential aged care under current planning arrangements. From 1 July 2013, the Government will also create two additional funding levels for home care packages to make it easier to match the level of care required to the appropriate package funding level. These reforms are expected to cost \$880.1 million over five years (including \$531.7 million in 2016-17); and
- establishing a national Commonwealth Home Support Program from 1 July 2015, consolidating and providing extra funding for the Home and Community Care (HACC), Day Therapy Centres, National Respite for Carers, and the Assistance with Care and Housing for

the Aged programs. These reforms are expected to cost \$75.3 million over five years (including \$38.2 million in 2016-17).

The Government will also review the types of services delivered through the new Commonwealth Home Support program, including meals on wheels, transport services, home modifications and home maintenance. The review will inform a move to more consistent and equitable service delivery arrangements and more national consistency in the fees people contribute to the cost of these services.

### Streamlining and expanding support for carers

#### Expense (\$m)

	2011-12	2012-13	2013-14	2014-15	2015-16
Department of Health and Ageing	-	7.3	12.2	11.5	11.8

The Government will provide \$54.8 million over five years from 2012-13 (including \$12.0 million in 2016-17) to expand access to respite services, increase funding for carer counselling and provide carers with more choice and flexibility in the services they use.

This will be achieved through consolidating respite initiatives into a single program to streamline respite arrangements and establishing a regional network of carer support centres from 1 July 2014. The Government is also providing additional funding for the *National Respite for Carers program (NRCP)* from 1 July 2012 and incorporating the *NRCP* into the *Commonwealth Home Support* program from 1 July 2015.

This measure is part of the Government's *Living Longer. Living Better* aged care reform package. Further information can be found in the press release and related materials of 20 April 2012 issued by the Prime Minister and the Minister for Mental Health and Ageing.

### Supporting long stay older patients

#### Expense (\$m)

	2011-12	2012-13	2013-14	2014-15	2015-16
Department of Health and Ageing	-	-	-	-	-
Department of the Treasury	-	-37.5	-37.5	-37.5	-37.5
Total - Expense	-	-37.5	-37.5	-37.5	-37.5

The Government will redirect \$187.5 million over five years from 2012-13 (including \$37.5 million in 2016-17) from the Long Stay Older Patients program which provides funding for State and Territory governments to improve care for older patients in public hospitals. This National Partnership was due to expire on 30 June 2012. Funding will be redirected to support the aged care reforms.

Services for older patients with long hospital stays will continue to be provided under a separate agreement, the *National Partnership Agreement on Financial Assistance for Long Stay Older Patients*, which came into effect in December 2011.

### Tackling dementia

#### Expense (\$m)

	2011-12	2012-13	2013-14	2014-15	2015-16
Department of Health and Ageing	-	14.8	30.7	28.6	29.3
Department of Human Services	-	0.7	-	..	-
Total - Expense	-	15.5	30.7	28.6	29.3

The Government will provide \$268.4 million over five years from 2012-13 (including \$73.7 million in 2016-17) to tackle dementia. Of this amount, \$135.1 million (including \$44.6 million in 2016-17) has been re-directed by adjusting the eligibility criteria and mechanisms for determining residential and home care funding.

The Government will improve the care of people with dementia through:

- the introduction of a new 'Very High' behaviour classification within the Aged Care Funding Instrument from 1 July 2013 that will provide additional funding to residential aged care providers caring for residents with severe behavioural and psychological symptoms of dementia at a cost of \$41.0 million over five years (including \$10.8 million in 2016-17);
- an additional supplement to providers of *Home Care* packages to reflect the higher cost of delivering aged care services to people with dementia at a cost of \$123.3 million over five years (including \$41.6 million in 2016-17);
- expanding the scope of the existing Dementia Behaviour Management Advisory Services program into acute and primary care settings, by including dementia in the nursing and medical curricula, and through additional training for General Practitioners and Practice Nurses to specifically address the barriers to timely diagnosis of dementia. These reforms are expected to cost \$41.3 million over five years (including \$8.0 million in 2016-17);

- development and dissemination of nationally agreed principles and protocols for the management of people with dementia admitted to acute care hospital settings, at a cost of \$39.2 million over five years (including \$8.6 million in 2016-17); and
- additional funding to the National Dementia Support Program to support people with younger onset dementia and their families and carers, and the development of best practice guidelines to support the implementation of appropriate models of care, at a cost \$23.6 million over five years (including \$4.8 million in 2016-17).

### **Implementation**

Implementation of the reforms will be overseen by a new Aged Care Reform Implementation Council. The new reform package will be implemented in stages to enable providers and consumers to gain early benefits of key changes and have time to adapt and plan for further reform over the 10 years.

## **Background**

### **Productivity Commission Inquiry**

On the 21 April 2010, then Assistant Treasurer, Senator Nick Sherry, and Minister for Ageing, Justine Elliot MP, [announced](#) that the Government has asked the Productivity Commission to conduct an inquiry into aged care in Australia, with the aim of developing detailed options for redesigning Australia's aged care system.

The announcement followed a series of reports, inquiries and commissions into the aged care sector in Australia that had recommended reform. These included:

- an [Intergenerational Report](#) conducted by the Treasury in 2010, which forecast that by 2050, nearly one-quarter of Australians will be over 65, compared with 13 per cent today;
- the [National Health and Hospitals Reform Commission](#) (NHHRC), which determined that significant reform was needed to the aged care system, including its relationship to the rest of the health system;
- a Senate Standing Committee on Finance and Public Administration's [Inquiry into residential and community aged care in Australia](#); and
- the Productivity Commission's 2009 [Annual Review of Regulatory Burdens on Business: Social and Economic Infrastructure Services](#).

### **Terms of Reference**

The Productivity Commission was requested to:

1. Systematically examine the social, clinical and institutional aspects of aged care in Australia, building on the substantial base of existing reviews into this sector.

2. Develop regulatory and funding options for residential and community aged care (including services currently delivered under the Home and Community Care program for older people)
3. Systematically examine the future workforce requirements of the aged care sector, taking into account factors influencing both the supply of and demand for the aged care workforce, and develop options to ensure that the sector has access to a sufficient and appropriately trained workforce.
4. Recommend a path for transitioning from the current regulatory arrangements to a new system that ensures continuity of care and allows the sector time to adjust.
5. Examine whether the regulation of retirement specific living options, including out-of-home services, retirement villages such as independent living units and serviced apartments should be aligned more closely with the rest of the aged care sector, and if so, how this should be achieved.
6. Assess the medium and long-term fiscal implications of any change in aged care roles and responsibilities.

### **Productivity Commission Report**

On 8 August 2011, the Productivity Commission released its final report *Caring For Older Australians*. Following the release, the Government announced that it would engage with the community and industry stakeholders in the near future, making a determination to begin the reforms necessary for the aged care sector within its current term of government.

The key reforms proposed in the report include:

- The establishment of an Australian Seniors Gateway Agency (ASGA) to provide information, needs assessment, care coordination and carer referral services.
- The establishment of the Australian Aged Care Commission as a new independent regulatory agency.
- The expansion of training programs in conjunction with universities and providers to provide appropriate training for medical, nursing and allied health students and professionals.
- The removal of regulatory restrictions on the number of aged care beds.
- The establishment of an Australian Age Pensioners Savings Account to allow pensioners to establish an account with the proceeds of the sale of their family home, that would be exempt from income and assets tests for the purposes of the pension.
- The establishment of an Aged Care Home Credit scheme under which individuals could receive a line of credit secured against the value of their home, allowing them to make a co-contribution to the cost of their care and support.
- The development of a co-ordinated and integrated national policy approach to the provision of home maintenance and modification services, and the development of building design standards for residential housing to meet the access and mobility needs of older Australians.
- The development of Carers Support Centres to undertake a comprehensive and consistent assessment of carer needs, provide education and training, emergency respite services, advocacy and carer counselling and support.



The report also recommended that the regulation of retirement villages should remain the responsibility of the states and territories, albeit with the pursuit of nationally consistent legislation under the Council of Australian Governments (COAG).

The full report is available for download [here](#).

Hawker Britton's background earlier brief on the Productivity Commission Inquiry can be found [here](#).

### **Productivity Commission's Draft Report**

On 21 January 2010, the Productivity Commission released its draft report entitled *Caring For Older Australians*.

A record of the submissions received during the Feedback period of the Productivity Commission's inquiry are available [here](#).

The full draft report can be accessed [here](#).

Hawker Britton's background earlier brief on the Productivity Commission Draft Report can be found [here](#).