12 December, 2002

The Secretary
House of Representatives
Standing Committee on Ageing
Parliament House
CANBERRA ACT 2600

Dear Sir/madam,

Please find enclosed a submission from Aged and Community Services Australia (ACSA) to the Committee's Inquiry on long term strategies to address the ageing of the Australian population.

I have enclosed with our submission two other documents containing ACSA's Vision for Community Care and a briefing on rural and remote aged care issues. These are referred to in the body of our submission but have both been separately issued during 2002.

Please do not hesitate to contact ACSA if you have any queries or would like further information about the matters raised in our submission.

Yours sincerely,

Greg Mundy

Chief Executive Officer
Aged and Community Services Australia

Encl. Submission
A Vision for Community Care
Rural and Remote Briefing

Submission to:

The House of Representatives Standing Committee on Ageing

The House of Representatives Standing Committee on Ageing will inquire into and report on long term strategies to address the ageing of the Australian population over the next 40 years.

INTRODUCTION

Aged and Community Services Australia (ACSA) is the largest peak body in the aged and community care industry representing over 1400 church, charitable and community-based organisations involved in providing residential and community care to over 200,000 older people, people with disabilities and their carers. ACSA's vision is:

Creating, in partnership, consumer-driven quality choices in aged and community services

ACSA's primary focus in terms of the Committee's Terms of Reference is therefore on older people in need of care and the services necessary to support them. The broader context of an ageing Australia is fundamentally important in this regard because the care system is a part of, and needs to respond to, the broader societal environment.

It is sometimes argued that relatively few older people actually require care services and that the majority are fit and well. For example only 7.3% of the population over 70 years is actually in residential care, though a further 26.2% use community care services. If older people's usage of services is measured at a fixed point in time, and particularly if the scope of such measurement is restricted to those aged care services that are the responsibility of the Commonwealth rather than the full range of care services actually used[1], then it is correct to argue that the majority of the older population, two-thirds, do not need care services. This is a good thing and rightly celebrated. However we can ask the question in a different way. If we ask how many older people will need care services during the remainder of their life then the importance of aged care is starkly revealed. In the case of residential care 28% of 65 year old men and 46% of women will be admitted at some point in their remaining years. From an individual perspective aged and community care is of vital importance.

Australia's current system of aged and community care is widely regarded as a good one by world standards. However there are significant pressures on the industry now and a number of problematic features of the present arrangements which need to be addressed if we are to continue to provide high quality care to the increasing numbers of older people who will require care over the next forty years. Our system of care did not get where it is today through complacency and resting on our laurels.

Planning for the future now is the best approach and ACSA is pleased to provide the Committee with its views on what needs to be done to ensure that Australia achieves and maintains a 'world class' system of aged and community care. Our views are grouped under the following headings:

- Access to appropriate services
- Maintaining high quality care
- Catering for Special Needs
- Maintaining a viable and thriving industry

[1] For example, older people use public hospital services at a higher rate than younger people.

ACCESS TO APPROPRIATE SERVICES

There are several inter-related dimensions to the issue of access to appropriate services by older people when and where they need them. The first of these is the existence of many artificial boundaries or inadequate linkages between the different care services that may be used by an older person. There are poor links for example between acute hospitals and the aged care sector, between residential aged care services and general practitioners and between different community care programs with similar objectives but different rules, parameters and reporting requirements. Rationalisation of funding streams; alignment of administrative requirements and "rules" such as eligibility; user charges; and coordinated planning of related services would significantly improve the efficiency, user-friendliness and effectiveness of all services.

More fundamentally, the division of responsibilities between Commonwealth and State governments is unhelpful to the provision of truly client-centred services. The underlying dynamic of cost-shifting between different levels of government creates a pressure to provide services, or referrals, on the basis of who pays rather than what might be in the best interests of clients and patients. While improvements can be made at the margins, unless the fundamental underlying dynamic of the dysfunctional division of labour between the Commonwealth and the states is addressed, real gains in truly client-focused care are unlikely.

Secondly, there are gaps in the array of services available in many parts of Australia. The most prominent of these is the provision of transition, step-down and rehabilitative care which should fill the gap between acute hospital services and a return to a normal healthy life, whether this be in a residential care setting or at home. There are now several projects around Australia in which aged care providers are involved in filling such gaps (for example the Acute Transition Alliance in Adelaide). An expansion of effort beyond 'pilots' in this area has the potential to increase the overall efficiency of the care system by reducing demand in other areas.

Thirdly, there are limitations in the range of options available for older people. Australia's major effort in aged care is the $4 billion residential aged care program which essentially delivers only one product – institutional congregate care. There is nothing wrong with having this as a major part of the service system, but many commentators have warned that future generations of older demanding consumers will want a greater range of housing options and different ways of combining them with the provision of care as they grow more frail. As older people become more numerous, so too will the diversity of their needs and preferences.

Lastly, but importantly, there are real questions of quantity of service. Improving system efficiency in the ways suggested above would result in better resource utilisation but there is evidence that we simply do not have enough of some types of service. There is very real demand pressure on high level residential care which results, quite directly, in the expenditure of more resources in the acute hospital system to meet the same needs. Community care services are rationed by spreading them ever more thinly – compromising their ability to divert people away from more restrictive and more expensive forms of care, particularly residential care but also health services including hospitals.

ACSA would support a review of the planning arrangements for aged and community care services including the current ratios used to determine the allocation of Commonwealth-funded

places. In order to properly deal with the inter-related nature of care services used by older people, such a review would need to have regard to a broader range of services than those covered in the current system.

MAINTAINING HIGH QUALITY CARE

The government is currently conducting a review of the pricing of residential aged care services. This is expected to report at the end of 2003. There is a fairly direct relationship between the price paid and the quality of the service that can be delivered. However there is currently no specification of the quality of the product and, without this, arguments about the price are destined to be circular. In fact over the past six to seven years the price paid by the Commonwealth for both residential and community aged care has declined in real terms due to the failure of the indexation of payments to keep pace with real and unavoidable cost increases. The pricing of community care services is no less important and this issue is not covered by the current review.

ACSA believes that significant reform is needed to Australia's community care system if it is to meet the expectation placed on it of assuming an increasingly significant role in the future of our care system and if it is to continue to provide high quality care services to older people.[2] To further reform in this area ACSA, with the support of many other groups,[3] has published a *Vision for Community Care*. A copy of this document is provided with this submission.

The other type of investment which is relevant to the delivery of high quality care is investment in systems, product development, staff development and research[4]. The Government has recently announced its intention to develop, in conjunction with industry groups such as ACSA and other stakeholders, an aged care workforce strategy covering the period up to 2010. This is a welcome initiative and one which is sorely needed to underpin a strategic approach to current problems with the recruitment and retention of staff and the development of sustainable models of care.

CATERING FOR SPECIAL NEEDS

Clients with special needs (such as mental health issues), those who have complex care needs and those who live in rural and remote areas often experience more difficulty accessing services than others. While these people are, in principle, able to access services in the same way as anyone else, they may experience extra difficulties in gaining entry to a service (either community or residential) or having their needs met appropriately once they are receiving a service.

The Diversity of the Population

Australia's population is a diverse group with diverse needs. This diversity is reflected in older people, younger people with disabilities and their carers.

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[2] Older people are the largest single group serviced by the community care sector but by no means the only important one. People with disabilities and those suffering from chronic, acute or episodic illness are also very important recipients of community care services.

[3] These are listed on the front cover of the *Vision* paper.

[4] This issue is returned to later in this submission.

One in four older Australians come from a different cultural or linguistic background and this proportion is increasing quite rapidly. The number of people with dementia is increasing as our "older" old population increases. Indigenous Australians use aged and community care services at a younger age as their life expectancy is much lower (56.9 years for males and 61.7 years for females) than the non-indigenous population. There are also homeless older people and those who are experiencing mental health issues.

This diversity requires aged and community care services to be able to respond flexibly and creatively to meet the wide range of needs present in the Australian community. Current service and funding models do not always enable this making some client groups financially unviable for service providers with limited financial resources and limited capacity to raise funds through fees and charges.

Specific Rural & Remote Area Issues

The infrastructure of smaller country towns and surrounding areas has been eroded over time. Local hospitals have closed, GPs have moved to larger regional centres, local government boundary changes have altered service delivery, small residential care facilities (most suited to rural and remote areas) are very vulnerable under current funding arrangements, and unemployment is high[5]. This has created access difficulties for country people to the whole range of health and welfare services.

Viability issues for smaller community located residential care homes may force providers to enter delivery arrangements that are focussed only on economies of scale rather than on the best outcomes for clients, carers and the community balanced with efficiency considerations.

While current arrangements attempt to acknowledge rural issues, the funding provided is not adequate to maintain quality services. Cost structures for such services may be different to those of larger urban services[6].

Access to additional forms of funding is essential to build new services and to enable existing services to upgrade and meet fire, safety and other building certification requirements by 2008. While the Government has allocated an additional $100 million (over four years) for rural and remote services ACSA estimates that significantly more than this, at least $450 million, is required if any significant progress is to be made.

Financially Disadvantaged & Homeless People

Older homeless people have difficulty accessing mainstream community and residential aged care services due to funding, program and legislative barriers as well as the fact that services are required at a younger age than traditionally recognised as an aged care responsibility.

One of the biggest challenges facing the older homeless and those providing care is finding suitable accommodation and services for those with high and complex care needs. Existing

[5] These issues have been compounded by the current drought conditions affecting many rural communities which, for example, require farmers to spend more time on eg carting water, supervising remote agistment etc leaving less time for caring for elderly relatives.
[6] ACSA's Rural and Remote Briefing paper is enclosed with this submission.

residential care services are not funded appropriately to meet the care needs of a homeless person. Provision of community care faces similar challenges in being able to meet their needs. As a result the homeless person can end up back on the streets, entering other unsuitable accommodation or moving in and out of the public hospital system.

Aged care homes totally or largely occupied by financially disadvantaged groups, including homeless elderly residents, are unable to charge accommodation bonds to raise capital for construction of new homes or extensions when new places are allocated. This also limits the ability of providers to maintain and update existing capital stock.

Under the previous aged care system, capital was provided (at the time of construction) by Government under the Variable Capital Funding program for financially disadvantaged people which enabled organisations to fund the construction of aged care homes. Without access to adequate capital funding, organisations that cater specifically for financially disadvantaged people will not be able to build new homes or add new places to existing homes.

In 1997 the Government also introduced concessional resident supplements to replace capital subsidies to the industry. The policy stated that existing financially disadvantaged residents would attract a transitional supplement of $4 per day while new residents identified as financially disadvantaged and admitted after 1 Oct 1997 would be entitled to the full concessional supplement of $12 per day. The introduction of this two-tier system was intended to act as an incentive to mainstream providers to provide services to homeless or financially disadvantaged residents. However because the supplement does not recognise the true costs of capital (a more realistic level would be in the region of $27-$29 per day), it severely impacts upon those organisations whose clients are exclusively financially disadvantaged and who therefore have no opportunity to cross subsidise with income from wealthier clients.

MAINTAINING A VIABLE AND THRIVING INDUSTRY

Governments do not provide many aged and community care services themselves[7]. Most services are provided by either not-for-profit or commercial non-Government organisations[8]. The health of these organisations is vital to the delivery and future development of the increasing volume of care services that will be required by our ageing population. Investing in and developing the service system is an important priority for an ageing Australia.

As the document, *2020 A Vision for Aged Care in Australia*, published in November by the Myer Foundation argues[9] the capability of the industry is crucial and too important to be left simply to market forces. A conscious industry strategy on issues such as provider consolidation is required. The innovative capacity of the charitable sector and its concern with providing care to the

[7] Some State Governments, most notably the Victorian Government, do provide significant amounts of residential aged care services and in some States, State and/or local governments are significant providers of community care services.

[8] In the case of residential aged care services, some two-thirds of the total bed numbers are provided by charitable organisations. In community care, where there is more state and local government provision, approximately 55% of services are provided by charitable organisations.

[9] See www.myerfoundation.org.au. See also the supporting paper prepared by John Macallum and Greg Mundy on the need for an industry strategy.

socially vulnerable is an asset of our current care system that should be nurtured. Greater use of information and communications technology needs to be encouraged. Research to support improvements in practice and innovative service models requires support. Compared with other segments of the care system, aged and community care research is not well supported financially. The Government has recently initiated a process to sharpen the focus of aged care research (the *Building Ageing Research Capacity* project) but it is likely that an increased quantum of effort will also be required if we are to optimise our capacity to meet the needs of Australia's ageing population.