

## REVIVING AUSTRALIA'S RESIDENTIAL AGED CARE SYSTEM

A federal Review by Professor W Hogan of "Pricing Arrangements" in Residential Aged Care (RAC) now in its closing stage, will hopefully terminate defective and disgraceful aspects for nursing home residents and applicants, and restore the community's expectations

About 130,000 Australians live in RAC for on average about 27 of their final months of life, being unable to live independently for various reasons and are accommodated in 3000 accredited, subsidised RAC facilities, being nursing homes providing High Care or hostels, Low Care.

Non-accredited, non-subsidised facilities catering generally for more affluent persons, are not within the scope of the Review. Comprehensive centralised information on these establishments is lacking, an unfortunate gap in public knowledge.

Whilst Australia has made excellent progress in many facilities for the elderly, the regulated RAC system is generally considered to be mediocre, indeed has failed to meet community's expectations in these four important respects:

- 1 its servicing Capacity falls far short of meeting demand from urgent needs;
- 2 it is Under-funded, reflecting in inadequate resources, poorly paid and inadequate staff, and often inferior accommodation and care standards.;
- 3 it is not adequate to cope properly with the emerging long-term bulging in Australia's aged Population, surging Dementia and inadequate numbers of carers from smaller-sized families and
- 4 its Pricing arrangements contribute to the weaknesses of the system.

History will adjudge the present Review on its success in handling these issues which are inter-related and well incorporated within the Review's terms of reference.

The basic defect, namely the shortfall in Capacity, would be confirmed by the personal experiences of RAC applicants and their anxious families, and verified by the excessively high 96% Australian-average occupancy ratio.

From this inadequate Capacity, other unfortunate consequences follow, such as:

- 1 the lack of Choice by applicant-residents and possible need to accept places with undesired standards or at distant locations;
- 2 the absence for the applicant, of any bargaining power in any "negotiable" fees;
- 3 the incentive for providers to engage in "cherry-picking" of applicants in over-riding of needs and a compassionate stance; ie to prioritise finances over needs;
- 4 a disincentive to cope with residents having dementia and other special needs; or to enlarge needed capacity when residents return after hospitalisation;
- 5 a disincentive to enlarge capacity but to lower standards to minimum levels;

6 incompatibility of the system with the RAC objectives of accessible, affordable, appropriate and high quality (2001 National Strategy) or as re-worded by the Review in an exercise largely in semantics namely : equity, efficiency, quality, choice and sustainability. A "free market" for RAC fees would be unwarranted because of unequal bargaining power and likely inferior standards.

The weaknesses summarised below, in the Pricing Arrangements contribute to, rather than cause the capacity shortfall and the under-funding of the system.:

1 Lack of applicant choice, of information about alternatives, of financial privacy, of certainty about fees, the complexity of scheduled fees and, the application of means-tests to the individual, and lack of capacity to plan RAC ahead. Only a bureaucrat specialist is equipped to assess a non full-pensioner's fees

2 A non full-pensioner's fees are based only on the applicant's means, without reference to the facility's costs which could be below the fees in some cases

3 The Accommodation Bond is a disgraceful part of the cherry-picking practice. There is no evidence that Bonds are effective in enlarging High and Low Care capacity for the system but may well contribute to the current real-estate boom. Since only a minor fraction of the Bonds is generally retained by the provider and the funds have to be available at short notice for return, it is a useless instrument. Payment of the Bond by periodical amounts is inhibited by a penal interest rate, presently 8.82% which bears no relationship to reality.

The Bond's inequity in being applicable to only a small number of applicants, exacerbates its uselessness. The amount of the Bond has no statutory limit and can range up to \$500,000. The asking of \$250,000 is common at present. These amounts bear no relation to the capital value of the applicant's room or share of facilities (say, up to \$50,000), so that a high Bond could service kept scarce by policy impact. Extending a deferral system to a wider range of RAC applicants or abolishing application term would certainly not be a correction but inequitous and ineffectual instrument. In some cases a the provisions as well as the spirit of the Trade Practice against unconscionable conduct.

It is noteworthy that the Capital component of RAC in 2001-02 amounted to only about \$2,200 per new sources of RAC funding are imperative in the absence present. Possibilities could include the following

1 A RAC levy similar to the Medicare levy, but on all providers  
2 A levy on developers of Retirement Villages and/or units. These establishments often include expensive care provision of future High and Low Care needs

Measures such as the above may well be needed to increase capacity without disgraceful demands upon a minority of unfortunates.

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*Enquiry is needed into the uses to which Bond money has tended to be put and into the effects on RAC intake - priorities (and rejected applicants) of Cherry-picking and providers' ownership of "independent"*