



**Elton Humphery  
Committee Secretary  
Community Affairs Committee  
Australian Senate  
PO Box 6100  
PARLIAMENT HOUSE  
CANBERRA ACT 2600**

## **ACCV Submission to the - Inquiry into the cost of living pressures on older Australians**

Aged & Community Care Victoria Ltd (ACCV) is the sole industry association and peak body for aged care in Victoria, resulting from the amalgamation of the Victorian Association of Health and Extended Care (VAHEC) and Aged Care Association of Victoria (ACAV) Ltd. ACCV came into existence from July 1<sup>st</sup> 2006.

ACCV represents providers of residential aged care, community care, retirement living and bush nursing. ACCV exists to promote, encourage and assist the health and care needs of the aged care residents and community care clients.

ACCV supports the providers of 36,458 aged residential care beds across 852 Aged Residential care facilities (Nursing Homes and Hostels) in Victoria, and 125 providers of Aged Community Care services

### **Executive Summary**

#### **Financially disadvantaged older people in Residential Aged Care**

The terms of reference of the Senate's Inquiry into the "cost of living pressures on Older Australians" addresses 5 key areas. ACCV's submission is concerned specifically about part (b) "the impact of these cost pressures on the living standards of older Australians"

ACCV is particularly concerned about a hidden group of older financially disadvantaged Australians residing in Residential Aged Care facilities (RACS) for whom an acceptable living standard is not able to be enjoyed through any modest personal consumption or expenditure.

This is due to the inadequacy of the aged pension on its own to extend much beyond the cost of contributing to some people's care and accommodation in Nursing Homes and Hostels. Subsequently this group of people are left with no financial means to purchase other personal essential items or enjoy any form of discretionary spending.

We therefore propose that two mechanisms are further explored to improve the quality of life for this group of people:-

- Provide a supplementary pension amount to be paid to these residents each fortnight, and
- Ensure the Hardship provisions under the Aged Care Act 1997, whereby residents daily care fees may be partially subsidised by the Department of Health and Ageing, easier to understand and less daunting for care recipients or providers to apply for on behalf of the resident.

## **Background**

ACCV is acutely aware that there are a number of financially disadvantaged Older Australians in our Hostels and Nursing Homes who are without family and friends to support them with their financial affairs. We refer to those residents who have no financial resources other than their fortnightly pension. Residents with assets of less than \$33,000 are currently classified as 'Concessional Residents' by the Act. Residents with no assets also fall into this category.

In residential aged care facilities, residents pay daily care fees, which equate to 85% of their pension. A resident generally pays for most individually prescribed medicines from their own resources, some of which is not covered by the Commonwealth Pharmaceuticals Benefits Scheme (PBS). This leaves very little money for discretionary spending such as purchasing clothes, toiletries, small luxuries and medications that are not covered by the Aged Care provider or that are not free on the PBS.

If a person is a smoker and (there are still some who choose to smoke after they enter aged care), then they will have very little left for this luxury at over \$10 per packet. If they wish to consume alcohol or the occasional chocolate bar then this will eat further into their scant reserves, if any.

Residents who have no assets are subsidised by the Department of Health and Ageing by means of a Concessional Resident supplement, however, this supplement goes to the provider and the resident continues to pay the standard daily care fee of \$30.77 per day. Concessional Residents made up

approximately 35.8% of all residents in aged care facilities as at 30 June 2005<sup>1</sup>.

Many financially disadvantaged residents rely upon support from families and friends to pay for basic items such as nightwear, underwear, footwear, other clothing, toiletries and medications. However, there are also residents who would have no such support from family or friend.

An example is a low care resident who has leg ulcers and who may require special bandages which are not covered by PBS or are not required to be paid for by the residential aged care provider. These may cost the resident up to \$130 per month or approximately 15% of the resident's pension.

These residents who have no family or friends may end up relying upon the goodwill and personal disbursements of another resident, another resident's relative, a staff member or an aged care provider to provide for their personal expenditure needs.

At particular times of the year, for example at Christmas time, things can be very miserable for some of our elderly residents because they have no family to care for them or to buy them the occasional small present. It is common place that staff will identify this hardship and buy a needy resident a present out of their own pocket. Often these residents are very proud and would not like to bring their plight to the eyes of others but they do confide in their care workers who get to know them very well.

The Aged Care Act 1997 has a clause to cover applications for up to 6 categories of Hardship Supplements (Section 44.30).

- Class A Hardship Supplement for residents under 21 years of age who receive income support payment
- Class B Hardship Supplement for residents under 16 years of age who are dependent children
- Class C Hardship Supplement paid in respect of self funded retiree residents who receive an income that is just above the pension income test cut-off
- Class D Hardship Supplement paid in respect of residents who were in receipt of an income support payment on 30 September 1997
- Class E Hardship Supplement for residents who were living in a Hostel prior to 30 September 1997 to enable an alignment of Nursing Home and Hostel daily care fees, and
- Individual Hardship determinations by the Secretary to the department of Health and Ageing relating to the payment of Bonds, Accommodation Charges, Income-tested fee and Daily Care fees which would cause a hardship.

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<sup>1</sup> Residential Aged Care in Australia, A Statistical Overview, 2004-2005, Australian Institute of Health and Welfare, table 4.11

The first 5 classes of hardship Supplement are automatically applied by the Department of health and Ageing. The 6<sup>th</sup> classes must be applied for by the care recipient or the provider. However, the latter is infrequently utilised or invoked for residents who have difficulty paying their Daily Care fee. The most common cases where it has been utilised is for those residents who were in aged care prior to 1 October 1997 whereby their daily care fee has been reduced by \$0.80 per day.

There is very little promotion of the “Hardship Supplements” facility by the Department of Health and Ageing. Residents, nor their relatives or friends understand it and staff in Aged Care facilities are not sure of their right to apply for hardship on behalf of a resident who has no money. Although the Act states that a provider can apply on behalf of a resident under Section 44.31 4(b) and is covered in more detail in the Aged Care Principles 1997, specifically (Part 15 of Division 1 Section 21.37), we understand that many are not aware of this detail or find it too daunting. This is an area that could be picked up by the Public Advocate, or by State Trustees on their client’s behalf. We understand that in Victoria these two bodies manage the financial affairs (for a fee) of many of these Concessional residents. We are told that most of the residents looked after by these two bodies receive on average less than \$40 per month in funds for – “out of pocket expenses” after receiving their pension entitlements and after paying for their Daily Care fees.

In the 2007 May Federal budget, the Government granted a welcome once-off lump sum payment to all seniors of \$500 (subject to some conditions). This would have been a great relief to many residents in aged care but would have been of greater benefit if it had been introduced much earlier.

Our current system of meeting the needs of older people in aged care would appear to assume that people’s needs are met solely by the provision of Aged Care itself.

Many elderly living in rented accommodation choose not to go into residential aged care because they believe that they will have less disposable income after paying their daily care fees in a hostel or nursing home. Their decision at least enables them to have a greater choice about how to spend their meagre resources i.e. their pension and rent assistance. Although they may then forfeit expenditure on essentials or defer payment of bills – nonetheless they have greater capacity to determine this expenditure allocation.

Diversional or Occupational Therapists are employed in aged care facilities to run activities for residents. In some facilities they also organise fund raising activities to raise funds to make essential purchases for financially disadvantaged residents.

## **Conclusion**

In conclusion, ACCV believes that there is a substantial minority of older financially disadvantaged Australians who should be helped by way of an extra permanent allowance added to their pension to cover personal living

expenses of both an essential and discretionary nature. We specifically refer to these residents who have no money or assets other than their pension and who have no family or friends to support them. We suggest that these people are able to be readily identified by Centrelink data as part the Income and Assets checking on entry into Residential Aged Care.

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