

Senate Committee on Finance and Public Administration

Public Hearing: 7th April, 2009, Brisbane

**by
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1. Perspectives

There is a growing public recognition of the need for a strategic reappraisal of the policy directions on aged care pursued by successive governments in recent times. This is apparent in two recent public contributions. Last September the Productivity Commission offered a comprehensive study of aged care services and the implications from the way trends in the provision of those services were developing. Just recently the National Health and Hospitals Reform Commission provided an interim report which had much to offer about provision of services to the elderly.

Much emphasis in both reports is laid upon the need for aged care services to be more responsive to the needs of the users of those services and their families. The issues posed in these two most recent contributions provide an impressive challenge to existing arrangements at a time of difficult economic circumstances and harsh fiscal prospects.

Centrally planned and directed requirements are at the core of existing policy strategies for aged care services. These have brought inefficiencies and rigidities to the way those services are offered. Users of those services and their families have been afforded few opportunities to influence the extent and quality of services. What we have in Australia, and have had for all too long, is a system of regulated scarcity.

2. Choices

Funding of aged care services should be directed through users of services and their families just as readily as with present arrangements attaching funding to beds. By issuing vouchers to residents and potential residents for the value of the care to be met by government, these users could determine in discussions with the provider of their choice, the type of service suited to their needs as specified by an Aged Care Assessment Team (ACAT). Similar provisions would apply as with domiciliary support. The recipients, by taking their vouchers to aged care facilities are then better placed than now to judge the best place in which to secure the level of care suiting their wishes.

The determination of need would be made as at present through the

ACATs. The difference would be simply granting the users of services in aged care the same basis on which they and all other Australians secure basic health care. The fiscal budget is exposed to decisions of each individual in the population over which no direct control is exercised. The Australian Government is exposed to the moral hazard of open access to government funding. What applies to the population as a whole and to the elderly for access to medical advice, is withheld from the provision of aged care services. This is discriminatory.

3. Flexibility

Choice is no less important for boards and management of aged care entities whether “for profit” or “not for profit”. By being able to determine their investment outlays on new or replacement capacities as well as adapting their offerings of care types including respite, in their facilities, boards and management would be responsive to specific needs of users which may be seasonal as well as structural.. The underlying purpose is for enhanced competition and stimulus to quality, the two going hand in hand.

The existing regulated procedure for bed allocations should be abandoned leaving the investment decisions to boards and management of entities providing facilities. They would be responsible for making investment decisions and determining the range and quality of services to be offered.

Some reservations may be expressed about the applicability of these arrangements in remote and those rural spheres where supporting services are lacking. In these circumstances there are grounds for implementing an auction system with bids sought on the fiscal support needed for capital outlays and operating budgets were facilities to be established in those locations. This approach has the advantage over the existing administrative bed allocation device in that existing regional providers and potential newcomers may bid on equal footing.

4. Funding Investment

Given the fiscal strains inevitable with the current financial and economic turmoil, there is every reason to explore means to foster investment outlays in light of the need to expand facilities to meet future demands.

Accommodation bonds have been the one flexible funding measure available to boards and management. Accommodation bonds apply in low care, in extra service high care and are perpetuated in the processes of “ageing in place”. Bonds are a form of corporate debt provided by the resident or resident’s family which is repayable except for an annual

charge, the retention sum. The interest on the bond accrues to the provider as a contribution to servicing the cost of capital embodied in the aged care facility as does this annual retention charge, itself limited to five years duration. The bond is a loan contribution towards the costs of provision of a residence. Thus it has similarities to the minimum payment and servicing costs of a mortgage on an ordinary residence. However, bond requirements are subject to some minimum value of assets held by the resident.

Accommodation bonds are not permitted in ordinary high care. The impact of this distinction is to make investment in ordinary high care facilities less attractive than in any other type of aged care facility. Yet high care needs must increase relatively to low care in coming years, especially so with the greater quest or reliance on various categories of domiciliary care being a feature of recent decisions by successive governments.

The distinction drawn between extra service high care where bonds may be sought, and ordinary high care where they may not, brings a remarkable discrimination. Those with substantial assets may “buy” their way into high care by offering substantial bonds. Those lacking substantial wealth, not concessional and assisted residents alone but including those of relatively modest wealth, are not able to offer anything to support the provision of services for them. Thus the discrimination is against the less well placed in Australian society

5. Funding Operations

The direction of government policy is, for this government as with the previous one, the provision of facilities in which single bed and two bed en suite rooms are the dominant feature. Hence a funding system which does not allow for adapting to this type of facility, will impair provision of these facilities. These types of rooms, rather than the larger multi-bed rooms familiar historically in aged care, bring an immediate need for government to sharpen a focus on inducements embodied in their pricing of subsidy payments for residential accommodation to secure the effective development of facilities meeting the stated goals of specific room layouts.

Accordingly, the pricing adjustment arrangements called for in the contemporary setting call for more than adapting the existing COPO indexation plus the CAP annual adjustment.

7. New Approaches

What has been addressed so far are possibilities for bringing user influences to bear on the existing policy framework in order to achieve a greater responsiveness to users' needs. What should be explored further are new ways to provide care. This is what the Productivity Commission and the National Health and Hospitals Reform Commission are pointing to in their writings. .

First, might it not be timely, now that successive governments have tended to give greater emphasis on domiciliary care rather than residential, to extend the thinking to separate completely the care costs in aged care provisions from the accommodation costs.

Secondly, this tentative possibility could be tested further with placing more independence in users' hands by adopting possibilities already in place in some countries with cash payments to users and their families whereby they could determine the care services they require.

Thirdly, the co-ordination of care services to assist the elderly in potentially traumatic circumstances might be secured more effectively by closer ties between General Practitioners and aged care services. But this would require a degree of flexibility to be afforded boards and management for bed use not available under the existing regulated regimes.

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These are three possibilities well worth exploring beyond the reconstruction needed to enhance the offerings under existing provisions.

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