Australian Government

Department of Health and Ageing

Submission to

the Senate Finance and Public Administration Committee *Inquiry into Residential and Community Aged Care in Australia*

from the Department of Health and Ageing

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CONTENTS

1 Introduction

Australia's aged care system is structured around two main forms of formal care delivery, residential and community care. Both forms of care continue to expand as the population of older people who require assistance grows. The Australian Government also recognises and supports the vital role which carers play, particularly through the provision of respite care services.

The aged care system also operates within a broader system of medical and health services, income support, and housing and community services. Together, these systems offer older people a broad range of services and support, depending on their needs and circumstances.

Aged care is a shared responsibility – across governments, business and industry, community organisations, individuals and the community in general. The Australian Government predominantly finances and regulates residential aged care as well as community aged care, which provides an alternative to residential aged care. The Australian Government also jointly funds programs with the states and territories. Significant programs in this arena include Home and Community Care (HACC) Program, the Aged Care Assessment Program and the Transition Care Program.

While funding and regulation of aged care services are predominantly the role of the Australian Government, approved providers are responsible for delivering Australian Government funded aged care under the *Aged Care Act 1997*. Care recipients also contribute financially, based on their means, to the costs of their care and accommodation (where applicable).

This submission provides information on the structure, funding, targeted assistance, and planning of Australia's aged care system. These are presented in four parts:

- **Aged care in Australia: an overview** provides an overview of the size and structure of Australia's aged care system.
- **Commonwealth funding for aged care** provides an overview of the funding levels for residential care, community care programs, the Home and Community Care program, and the National Respite for Carers Program.
- **Assistance for aged care service delivery in rural and remote Australia** provides an overview of how the Australian Government supports program delivering on rural and remote Australia through viability supplement payments, capital assistance and targeted programs.
- **Aged care planning framework** provides an overview of the aged care provision target ratios, the current provision levels and recent allocations of aged care places.

2 Aged care in Australia: an overview

Older people may need many different types of assistance at different times, for differing periods of time. These include:

- medical assistance, such as treatment or nursing care for an illness, injury or long term medical condition
- rehabilitation and support, to help restore function and independence after an illness, surgery, accident or a disruption to living arrangements
- functional assistance, because they are no longer able to perform activities of daily living, such as bathing, dressing, eating, shopping, banking or keeping appointments
- psychological assistance, including for loneliness, depression, anxiety, memory loss or confused thinking
- behavioural assistance, including help in managing aggressive behaviour, wandering, disorientation, withdrawal, or compulsive behaviour
- help with social needs, arising from a lack of interaction with people, isolation from family or friends, or an inability to participate in clubs or spiritual and cultural activities
- housing related assistance, for example when the home of an older person is no longer suitable because of a disability, or requires extensive modification.

Older people in need rarely require just one form of help. Their needs also change over time. Some of the conditions associated with advanced age become progressively worse — for example, Alzheimer's disease — while for other conditions, older people can benefit from short term rehabilitation and support to improve or restore their independence.

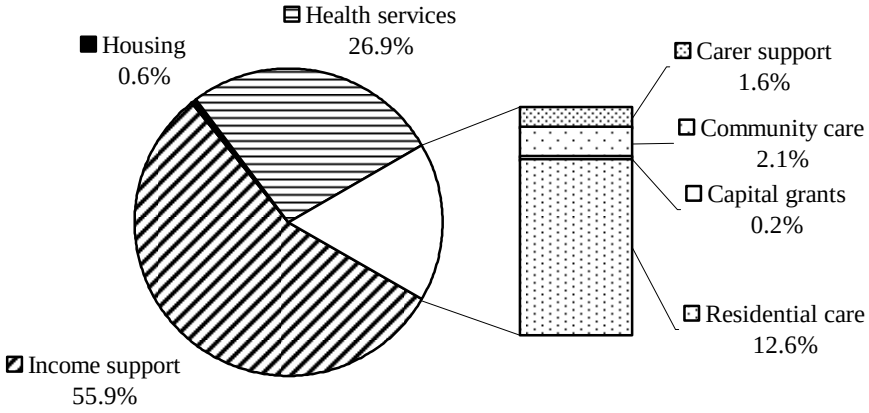
At its broadest, therefore, aged care encompasses the network of all types of support provided to older people as they reach a degree of physical or economic dependency, including informal support provided by families and friends. That is, it includes assistance with social security, welfare, health and housing. In 2000-01, the Commonwealth expended $29.9 billion (4.5 per cent of GDP) supporting the health and welfare needs of older people. This expenditure accounted for almost a third (31.1%) of Commonwealth outlays on health and welfare ($95.9 billion) and almost a fifth (19.0%) of all Commonwealth outlays ($156.8 billion). The Commonwealth funds support for older people through three mainstream strategies[1] that assist older people in concert with all people, and four targeted

[1] The three mainstream strategies are: *income support*, through age and service pensions and supplementary payments; *subsidised health services*, through the Medicare Benefits Scheme, the Pharmaceutical Benefits Scheme, the Australian Health Care Agreements and tax offsets for health insurance and net medical expenses; and *support with housing*, through the Commonwealth State Housing Agreement, the Supported Accommodation Assistance Program and rent assistance payments.

strategies[2], designed to assist older people (together, in some cases, with people with disabilities)[3].

Figure 2-1 illustrates the breakdown of Commonwealth expenditure on the health and welfare needs of older people against these seven strategies.

Figure 2-1: Commonwealth support for older people, 2000-01



The focus of this submission is narrower and relates to the four targeted strategies. Internationally the scope of these strategies is usually referred to as 'long term care'.

Typology of aged care services

Long term care services can best be characterised against a two-dimensional typology. The first dimension refers to the location in which the care is delivered, and dichotomises into community care, generally delivered in the care recipient's own home, and residential care, which is delivered in purpose-built facilities and includes the provision of accommodation services. The second dimension refers to the intensity of the care provided. This dimension functions as a notional care continuum but with four basic levels that broadly correspond to differing levels of acuity:

- supporting carers to support older people in the community through income support payments, financial assistance and support services such as counselling, information and respite services;

[2] The four targeted strategies are: *subsidised permanent residential care*; *subsidised care at home* and in the community; *support for carers*, through income support payments, financial assistance and subsidised information and support services, including respite services; and *support for aged care infrastructure*, through residential care capital grants and community care establishment grants.grants

[3] Cullen D, 2003. Review of Pricing Arrangements in Residential Aged Care. Australian Government Department of Health and Ageing. Canberra.

- low intensity levels of support (for example, meals on wheels, domestic assistance, home nursing and respite care), generally delivered in the care recipient's own home as individual and often uncoordinated interventions. Apart from meeting client needs, these interventions can improve the allocative efficiency of the entire health and aged care system, as a small quantum of low intensity services at an early stage can maintain people in the community who would otherwise require a much more intensive intervention (either in a hospital or in an aged care home);
- low-level (coordinated) care, which provides more intense and coordinated assistance with activities of daily living. Generally this level of care is provided in an institutional setting, but similar levels of care are delivered in the community as a package of care, usually involving case management; and
- high-level (coordinated) care, which provides nursing care or intensive non-nursing assistance (eg, for people with severe dementia) as well as low-level care. Again, this level of care is generally provided in an institutional setting, but similar levels of care are delivered in the community through packaged care.

Australia's aged care system

About 4.2 per cent of Australia's population (around 800,000 older people in 2006-07) currently receive subsidised aged care services in Australia. These services traverse the care continuum that was outlined in the previous section. The majority of the costs of formal aged care services are subsidised by the Australian Government from general taxation revenue. Recipients of aged care services usually also make a financial contribution to the cost of their care. States and territories have some funding role and play a significant role in the delivery of aged care services. Local governments also play a role in the funding and delivery of aged care services.

Support for carers, including information services

Informal care is a significant source of support for many older people. In 2008, about 500,000 people were primary carers for one or more older people. About 40 per cent of these carers were older people themselves. The Commonwealth provides support for carers through income support payments (the Carer Payment), financial assistance (the Carer Allowance), and support services such as counselling, information and respite services, including through Commonwealth Respite and Carelink Centres and the National Respite for Carers Program. The Carer Payment and the Carer Allowance are provided to all those meeting the eligibility criteria. Funding for support services is provided through grants from a capped budget.

The Carer Payment is an income support payment for people whose caring responsibilities prevent them from undertaking substantial workforce participation. The payment is means-tested and paid at the same rate as other social security pensions. The Carer Allowance is an income supplement for people who provide daily care and attention at home to a person who has disabilities or a severe medical condition. The payment is not

means-tested and it is indexed annually. In 2007-08, the Commonwealth provided $1.7 billion for Carer Payments and $1.6 billion for Carer Allowances. It is estimated that about one third (35%) of Carer Payment recipients and about one third (39%) of Carer Allowance recipients care for people aged at least sixty-five.

Respite is a form of support for carers enabling them to attend to everyday activities and have a break from their caring role. Respite may be given informally by friends, family, neighbours or by formal respite services. Respite services can supply a trained person to provide support at home or at facilities such as day care centres. The National Respite for Carers Program (NRCP) funds 600 respite services across Australia delivered in a variety of settings, including the care recipient's home, overnight community houses and community centres. Commonwealth expenditure on the NRCP is projected to be $187.6 million in 2008-09. The NRCP assisted about 118,000 people in 2007-08 with an average level of support of $1,590. Respite care is also provided by the Home and Community Care program, and by aged care homes funded through residential aged care subsidies (see below).

The Commonwealth also supports information services for people receiving care, carers, service providers and health professionals. This helps people to make informed decisions about care needs and the range of care options available. Information is available through Commonwealth Respite and Carelink Centres, which act as a single point of contact to assist older people and people with a disability, and their carers, with information about community care and other services available locally, and to assist carers to access respite. These Centres assisted 182,881 carers in 2007-08.

Low intensity services

The majority of recipients of aged care services in Australia, over 831,500 people in 2007-08, receive quite low intensity levels of support in the community through the Home and Community Care (HACC) program, which is jointly funded by the Commonwealth and the states and territories. The Commonwealth coordinates national policy and the states and territories contribute to policy and manage the program on a day-to-day basis. States and territories are accountable to the Commonwealth for expenditure of Commonwealth funds.

The HACC program subsidises access to wide range of community care services by block funding service delivery organisations. Fixed budgets are allocated to providers, and providers have responsibility for assessing people presenting for services to determine their priority for accessing subsidised services within broadly consistent parameters. Funding agreements would usually specify the type of services to be delivered and require an acquittal of funds expended. Providers range from very large consolidated providers to local community groups with very small budgets (less than $50,000 per annum). In some instances, providers contribute additional resources in kind, or funds to either cover the cost of service delivery or to increase the level of services available. Most services are delivered by paid workers but volunteers play a substantial role in the delivery of some services.

The program supports people with a moderate, severe or profound disability, including frail older people, and their carers. In 2007-08, the HACC program is estimated to have assisted 831,500 people. About 70 per cent of these recipients of HACC services were frail older people (aged seventy years or older) with a disability (or their carers). The services provided by the program include community nursing, allied health services (physiotherapy, occupational therapy, podiatry, dietetics, etc), personal care (help with showering, dressing etc), domestic assistance, delivered meals, and respite/social support at a centre or in a person's home.

Total (matched) government expenditure in 2007-08 on the HACC program was $1.652 billion, consisting of $1.006 billion from the Commonwealth and $645 million from the states and territories. Nationally, the Commonwealth contributes 60.9 per cent of the total government funding, although this share varies slightly between jurisdictions. Several states and territories contribute additional funds over their matching requirement (an estimated $118.8 million in 2006-07). For example, New South Wales makes allocations to service providers to meet cost of award wage increases and South Australia provides additional funds for a range of HACC-like services, including community nursing services. HACC clients can be asked to pay fees as a contribution towards the cost of services, but these fees, on average, account for only about 5 per cent of the cost of delivering HACC services.

Most HACC interventions are low intensity, although they may be delivered over a long period of time (such as meals on wheels). Most (97%) clients receive, on average, services worth about $1,200 per year (in 2007-08 prices). On the other hand, about 3 per cent of HACC clients receive services worth more than $16,000 per year (about the level of Commonwealth funded community aged care packages). Expenditure on these clients accounts for about 30 per cent of all HACC expenditure.

The Commonwealth also directly administers and funds several programs that offer low intensity care in the community, such as the Veterans Home Care (VHC) program and the Day Therapy Centre program. The VHC program offers holders of Gold or White Repatriation Health Cards home support services, including domestic assistance, personal care, home and garden maintenance, and respite care. Other services, such as community transport, social support and delivered meals, are also available under arrangements with states and territories. Eligibility for VHC services is not automatic, but based on assessed need. About 90,000 people were approved for VHC services in 2006-07, although not all assessed clients took up their care entitlement. The Commonwealth provided $97.8 million in 2007-08 for the VHC program. Recipients of VHC services are also eligible for HACC and other Commonwealth funded services.

The Day Therapy Centre (DTC) program assists people to either maintain or recover a level of independence, to allow them to remain either in the community or in low level residential care. Commonwealth expenditure on the DTC program is projected to be $35.7 million in 2008-09.

Low and high level (coordinated) care services

In general, the provision of low-level care and high-level care is funded directly by the Commonwealth.

In 2007-08, some 61,740 people received packages of subsidised community care through the Commonwealth's Community Aged Care Package (CACP) program and its Extended Aged Care at Home (EACH) program, including the Extended Aged Care at Home - Dementia (EACH-D) program. Commonwealth funding for CACPs and EACH packages is projected to total $729 million in 2008-09.

These services differ from those generally provided under the HACC program as they are delivered as individually tailored packages of care, usually involving case management. CACPs deliver low-level care at an estimated average annual (total public and private) cost of $15,100 (in 2007-08 prices). EACH and EACH-D packages deliver high-level care at an estimated average annual cost of $43,630 and $49,150 respectively (in 2007-08 prices). On average, care recipient fees account for about 16 per cent of the costs of CACPs and about 5 per cent of the cost of EACH packages.

A further 208,079 people received subsidised permanent residential aged care at some stage during 2007-08, with an average of around 160,000 people receiving care each night. Commonwealth funding for residential care is projected to total $6.7 billion in 2008-09. The estimated average annual (total public and private) costs of high-level and low-level residential care per recipient were $63,300 and $39,550 respectively (in 2007-08 prices). On average, care recipient fees account for about 26 per cent of the costs of high-level residential care and about 53 per cent of the cost of low level residential care.[4]

Low-level care and high-level care services (both residential and community care) are funded through subsidy arrangements paid directly to aged care providers on behalf of care recipients. However, a care recipient can only receive a subsidy if four conditions are met.

- They must be an *approved care recipient* for the type of care (residential or community, high or low, respite or permanent) they are receiving. This approval is granted by Aged Care Assessment Teams (ACATs) who act as gatekeepers to subsidised care.
- Their care must be provided by an *approved provider* (judged suitable to provide care).
- Care must be provided in an *allocated place*. The number and distribution of places is governed by the 'needs based planning arrangements'. These arrangements aim to equitably distribute places subject to an overall national limit of subsidised operational places of 113 for every 1,000 people aged at least seventy (to be achieved by June 2011), with a target balance of care of 44 high level residential care places, 44 low level residential care place, 21 low level community care packages and 4 high level

[4] The share of costs borne by care recipients in community care and residential care cannot be directly compared as care recipients in the community are also meeting their own accommodation costs.

community care packages. Places are allocated through an annual (non price based) competitive tender.

- Care must also be of a *specified quality* (eg, accreditation in residential aged care). An aged care home must also meet *specified building standards* (certification) before Commonwealth accommodation supplements are payable and before accommodation payments can be levied on residents.

The level of *care subsidy* payable by the Commonwealth in community care is fixed for each type of package. In residential care it depends on the resident's care needs according to the Aged Care Funding Instrument (which replaced the Resident Classification Scale on 20 March 2008). These needs are determined by the approved provider, subject to audit. The level of care subsidy payable is also subject to an income test (but not an assets test).

Accommodation supplements are also paid in respect of some care recipients in residential care to subsidise their accommodation costs. The level of accommodation supplement payable is subject to an assets test. Capital grants are also available for providers in rural and remote areas or for providers who target special needs groups. Accommodation supplements are not paid in community care. *Viability supplements* are paid to providers of community and residential care in some rural and remote areas in recognition of the higher costs of providing care in those regions.

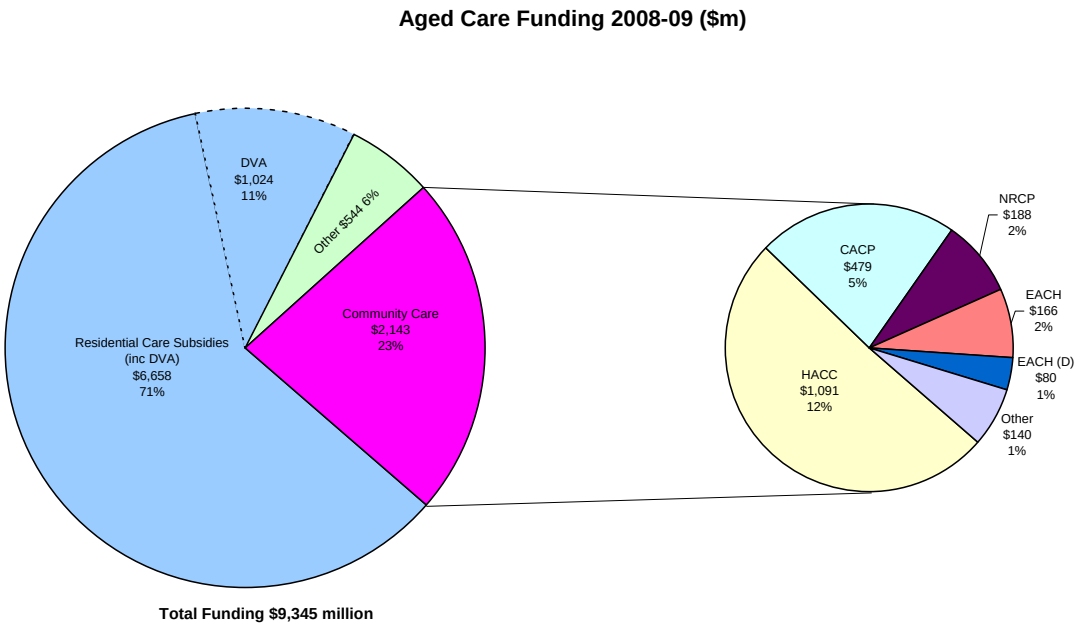
Care recipients contribute to the cost of their care (and accommodation in relation to residential care) through the *fees* they pay. Recipients of community care packages pay a maximum fee equal to 17.5 per cent of the maximum basic age pension. Recipients of residential care pay a complex array of fees and charges, some of which are subject to income and assets tests. Administrative and legislative arrangements also ensure that older people have access to care, irrespective of their capacity to pay. For instance, the Australian Government sets upper limits on the level of daily care fees and accommodation charges that can be requested by aged care homes. The Australian Government also provides additional payments on top of the basic subsidy, such as the new accommodation supplement (see above), to aged care homes on behalf of residents who cannot meet their own costs.

Several *quality assurance and consumer protection* programs support the regulation of residential aged care and community care packages. These include the accreditation of aged care homes by the Aged Care Standards and Accreditation Agency, building certification requirements, a Complaints Investigation Scheme and prudential regulation in relation to accommodation bonds.

3 Commonwealth funding for aged care

Total Commonwealth expenditure on ageing and aged care (including expenditure on residential care appropriated to the Department of Veterans Affairs) is estimated to be $9.3 billion in 2008-09, compared with $8.3 billion in 2007-08 (Figure 3-1).

Figure 3-1 Aged Care Funding



The four largest components of the Commonwealth's expenditure on ageing and aged care in 2008-09 will be expenditure on:

- residential aged care subsidies (for permanent and respite care) of $6.7 billion;
- Community Aged Care Packages (CACPs) of $479 million;
- flexible care programs, including Extended Aged Care at Home (EACH), Extended Aged Care at Home - Dementia (EACH-D), Multi-purpose Services and Transition Care of $429 million;
- the Home and Community Care (HACC) program of $1.1 billion. This funding represents approximately 60 per cent of HACC program funding nationally with the remainder funded by the states and territories.

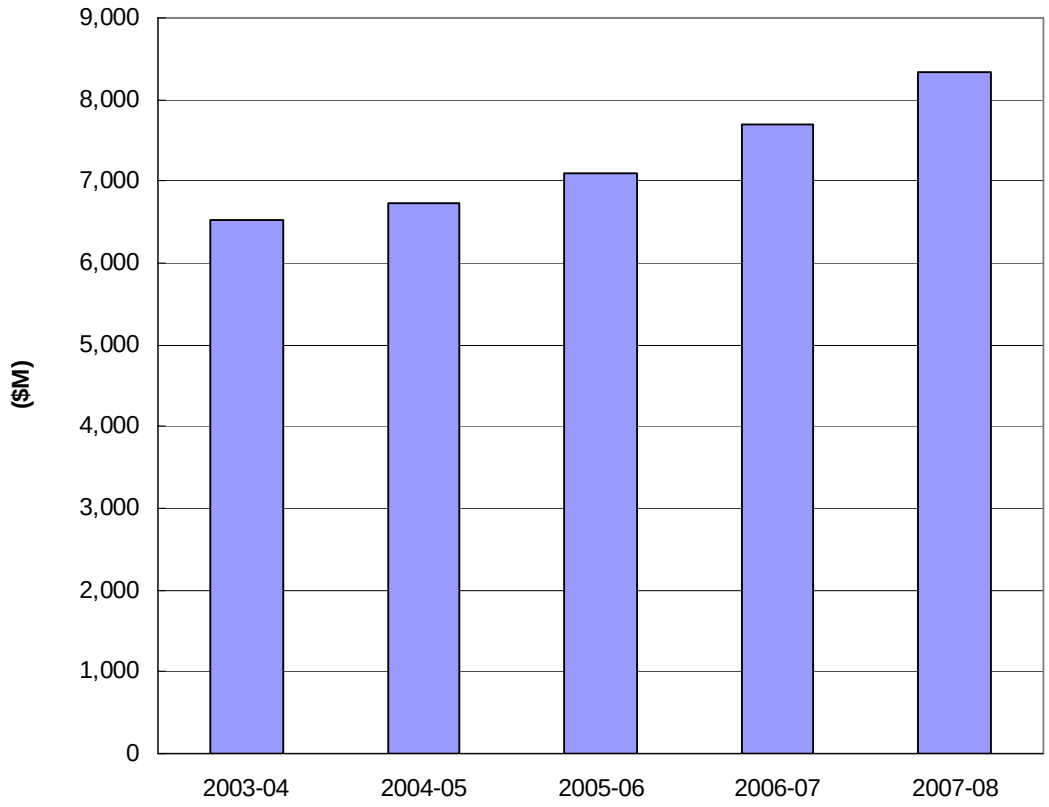
The remaining funding of $688.4 million is provided to support:

- aged care assessment ($80.3 million);
- aged care workforce ($55.8 million);

- ageing information and support such as carelink and the Community Visitors Scheme ($36.1 million);
- culturally appropriate aged care ($29.3 million);
- dementia programs outside community care ($31.6 million);
- capital assistance ($128.2 million); and.
- Aged Care Accreditation Agency ($21.7 million)

The Commonwealth provided $636 million more in recurrent funding for ageing and aged care in 2007-08 than was provided in 2006-07. Figure 3-2 illustrates how Commonwealth expenditure has increased, in nominal terms, over the last decade.

Figure 3-2 Australian Government Expenditure on Aged Care: 2003-2008



Over the decade to 2007-08, aged care expenditure has comprised 0.7-0.8 per cent of GDP, or around 2.6-2.9 per cent of Commonwealth revenue.

Funding for residential care

The Australian Government subsidises the provision of residential aged care to those approved to receive it. The payment for each resident consists of a basic subsidy plus those supplements that the resident is entitled to. The system used to assess the amount of basic subsidy changed on 20 March 2008 with the introduction of the new Aged Care Funding

Instrument (ACFI). From that date all new permanent residents are given a classification under the ACFI. All existing permanent residents who entered before 20 March 2008 retain their basic subsidy at the level determined under the former Resident Classification Scale but will gradually be assessed under the new ACFI.

The 20 March 2008 changes also included initiatives that increased accommodation funding for high care services. As a result of these and other initiatives, Commonwealth residential aged care payments are set to total around $6.7 billion in 2008-09, which represents an increase of almost 11 per cent over 2007-08. The average residential care subsidy paid for *each day a resident is in care* in 2008-09 will be more than 8 per cent higher than 2007-08. The corresponding year-on-year increase from 2006-07 to 2007-08 was 7.3 per cent as shown in Table 3-1.

These figures include funding appropriated through the Health and Ageing portfolio as well as funding for veterans in residential care through the Veterans' Affairs portfolio. The Department of Veterans' Affairs provides the Australian Government subsidy for entitled veterans and war widows and widowers (those with Gold or White health care cards) in aged care homes. In 2007-08 the Department of Veterans' Affairs paid $922.3 million for this purpose.

Table 3-1 shows the change in residential care funding over the five years from 2003-04.

Table 3-1: Australian Government Expenditure on Residential Aged Care Services by State and Territory 2003-04 to 2007-08 ($m)

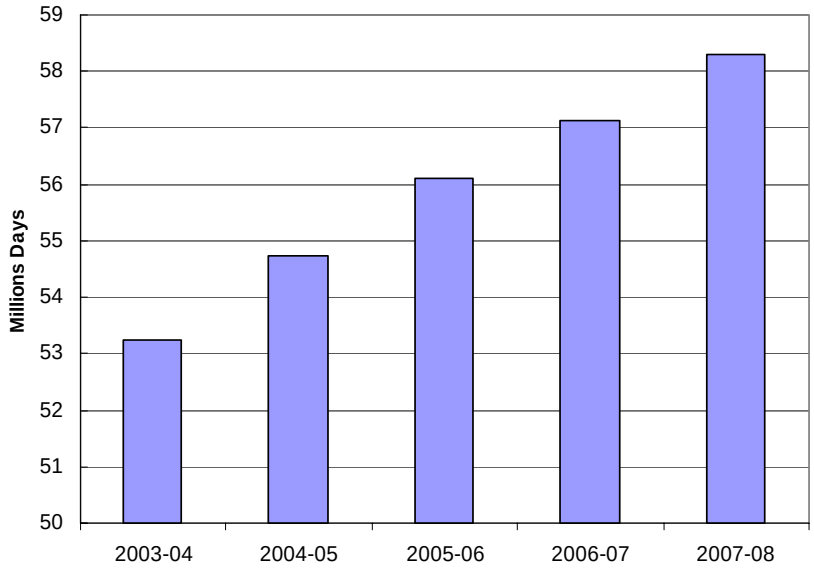
State	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008
NSW	1,623	1,753	1,849	1,960	2,102
VIC	1,124	1,236	1,316	1,396	1,507
QLD	819	903	953	1,004	1,068
SA	455	506	549	590	637
WA	370	414	440	466	500
TAS	130	140	147	153	163
NT	15	16	17	17	18
ACT	44	48	51	54	58
Australia	**4,579**	**5,016**	**5,323**	**5,641**	**6,053**
Nominal growth on previous year		*9.5%*	*6.1%*	*6.0%*	*7.3%*

Note: Table includes funding through the Veterans' Affairs portfolio.

The expenditure provided in Table 3-1 is made up of changes in the number of people receiving care as well as the average cost of providing that care for each individual.

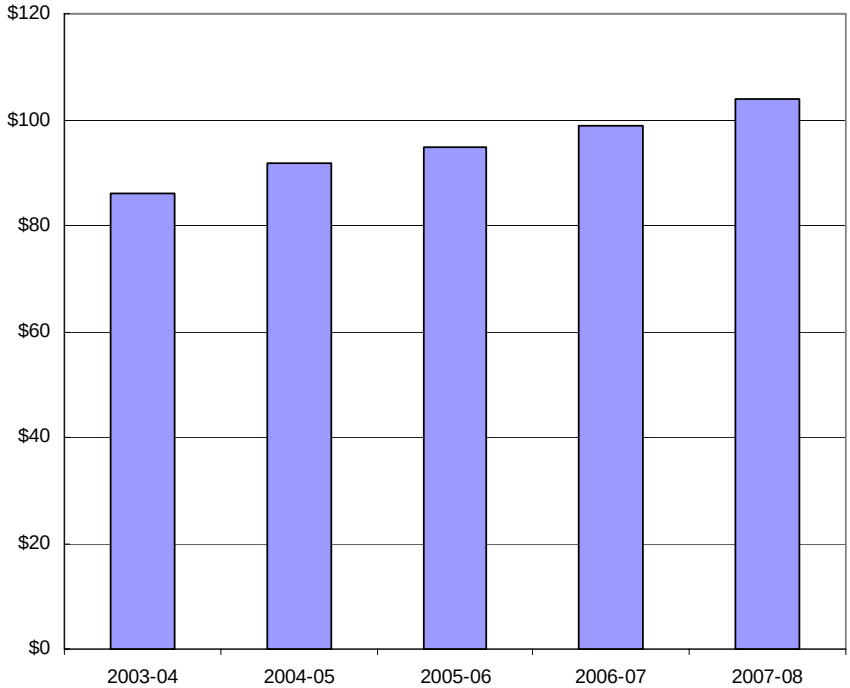
The number of days of residential care provided has increased by 9.4 per cent over the last 5 years from $53.2 million in 2003-04 to $58.3 million in 2007-08 (Figure 3-3).

Figure 3-3: Growth in residential care claim days 2003-04 to 2007-08



The average daily Australian Government contribution towards the cost of providing residential care to a resident has increased by 20.8 per cent over the last 5 years from $86.01 in 2003-04 to $103.85 in 2007-08 (Figure 3-4). This reflects price indexation and the increasing frailty of residents.

Figure 3-4: Growth in the cost per resident of providing residential aged care 2003-04 to 2007-08



Funding for community care programs

The Australian Government funds and regulates some community care directly, mostly in the form of Community Aged Care packages and Extended Aged Care at Home Packages.

These community care services offer packaged care of varying levels depending on the needs of the client. Services are provided by Approved Providers, which are approved under the provisions of the Aged Care Act 1997. Client eligibility for these packaged care programs is determined through an assessment by an Aged Care Assessment Team.

Community Aged Care Packages (CACPs) provide care at home for frail older people with care needs requiring care planning and case management. They are designed to meet the needs of frail older people to enable them to remain in their own homes as an alternative to low level residential care.

Extended Aged Care at Home (EACH) offer coordinated and, managed and individually tailored care top assist frail older people with complex care needs to stay in their home s an alternative to high level residential care. EACH packages were introduced in 2003-04.

Extended Aged Care at Home - Dementia (EACH-D) packages help frail older people with high level care needs and dementia or behaviours of concern to remain at home. They offer the same types of assistance as EACH packages with additional services targeted to meet the needs of people with Dementia. EACH-D packages were introduced in 2005-06.

The Australian Government spent $645 million on community care packages in 2007-08 which was an 20 per cent increase on the previous years figure of $537 million. This includes funding provided under CACP, EACH and EACH-D packages.

Table 3-2 shows the change in funding provided for community care packages over the five years from 2003-04. The large increase in funding from 2005-06 represents the roll-out of the EACH-D program.

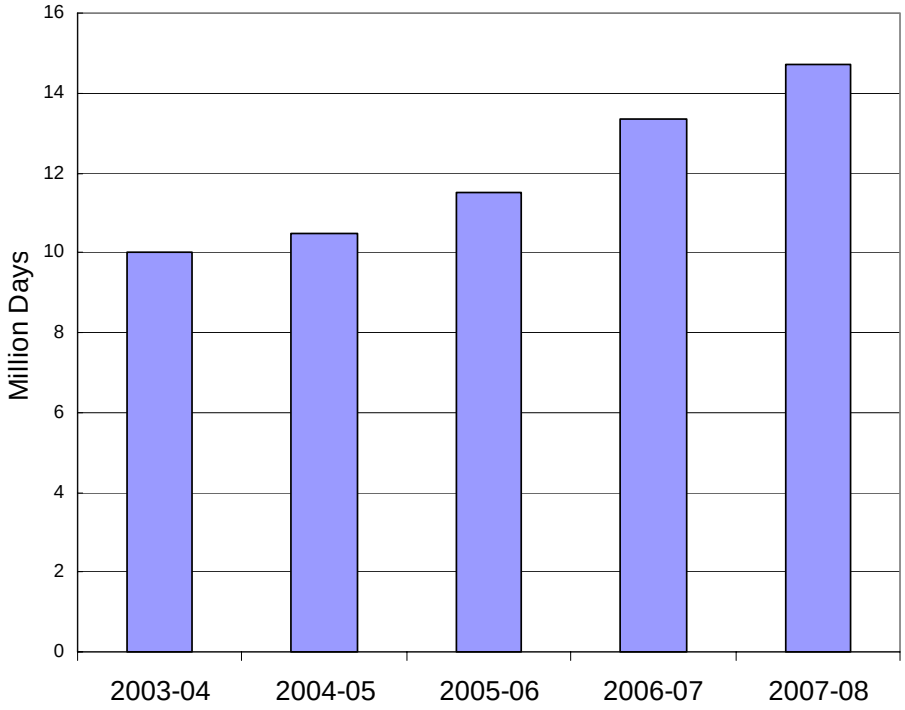
Table 3-2: Australian government expenditure on community care packages (CACP, EACH and EACH-D) by State 2003-04 to 2007-08 ($m)

State	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008
NSW	111	123	144	180	218
VIC	85	96	114	144	173
QLD	50	55	65	85	103
SA	31	34	39	49	59
WA	29	30	34	45	53
TAS	9	10	12	15	18
NT	6	6	8	9	11
ACT	5	6	7	9	11
Total	**326**	**361**	**422**	**537**	**645**
Nominal growth on previous year		*10.6%*	*17.1%*	*27.1%*	*20.1%*

The expenditure provided in Table 3-2 is made up of changes in the number of people receiving care as well as the average cost of providing that care for each individual.

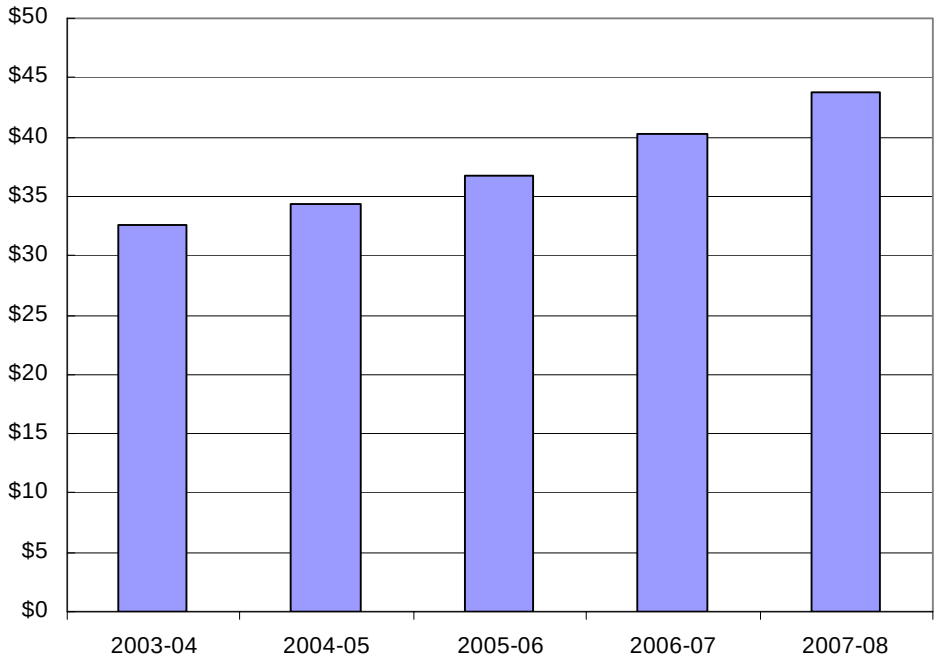
The number of days of community care provided has increased by 47.0 per cent over the last 5 years from $10.0 million in 2003-04 to $14.7 million in 2007-08 (Figure 3-5).

Figure 3-5: Growth in the number of community care days provided 2003-04 to 2007-08.



The average daily Australian Government contribution towards the cost of providing community care to an older person has increased by 34.5 per cent over the last 5 years from $32.54 in 2003-04 to $43.78 in 2007-08 (Figure 3-6). This reflects price indexation and the increasing frailty of people receiving care reflected in the introduction of EACH and EACH-D packages.

Figure 3-6: Change in the unit cost of community care packages 2003-04 to 2007-08



Home and Community Care Program

The Home and Community Care Program provides care to assist people in their own homes and is the largest community care program. The Home and Community Care Program is jointly funded by the Australian and State and Territory governments. The Australian Government contributes approximately 60 per cent of the funding and maintains a broad strategic policy role.

The State and Territory governments are responsible for the day-to-day management of the program. They fund program services through block grants to organisations, and set recipients' fees policy. Fees are estimated by the states to cover around five per cent of the cost of Home and Community Care services.

The aims of the Home and Community Care Program are to:

- provide a comprehensive, coordinated range of basic support services to enable older Australians and those with a disability to live independently; and
- support people to be more independent at home and in the community, to enhance their quality of life and/or prevent their inappropriate admission to long term residential care.

Australian Government funding available for HACC in 2007-08 was $1.007 billion, an increase of 8.4 per cent over the $928 million provided in 2006-07. Total combined Australian Government and state and territory government funding for 2007-08 was $1.652 billion, an increase of $127.9 million over the previous year.

Tables 3-3 and 3-4 show the change in Australian Government and Total HACC funding respectively by state from 2003-04 to 2007-08.

Table 3-3: Australian Government HACC funding by State 2003-04 to 2007-08 ($m)

Funding	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008
NSW	229	248	266	285	305
VIC	190	201	215	230	247
QLD	146	161	180	200	223
SA	63	68	73	79	85
WA	72	79	86	93	101
TAS	19	20	22	24	26
NT	5	5	6	6	7
ACT	9	9	10	11	12
Total	**732**	**792**	**858**	**928**	**1,007**
Nominal growth on previous year		*8.1%*	*8.3%*	*8.2%*	*8.4%*
Real growth on previous year		*5.9%*	*6.0%*	*6.0%*	*6.0%*

Note: Excludes funding provided by state and territory governments.

Table 3-3: Total HACC funding by State 2003-04 to 2007-08 ($m)

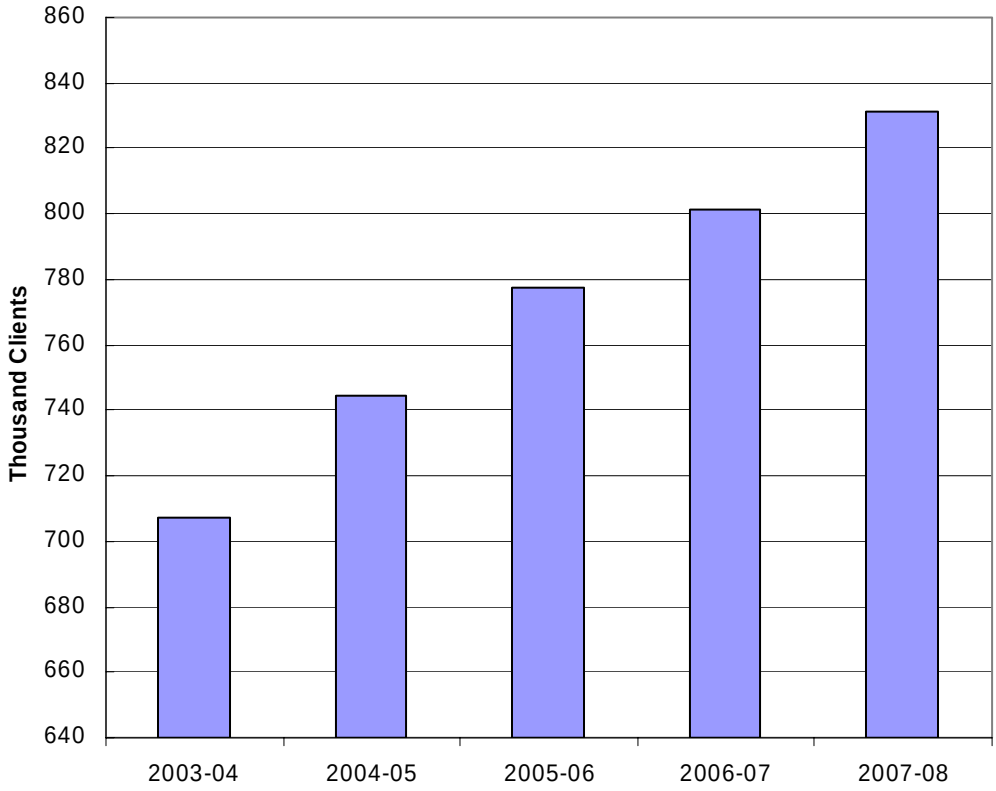
Funding	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008
NSW	382	414	444	475	510
VIC	317	336	359	384	412
QLD	226	249	278	310	345
SA	102	110	119	128	139
WA	119	130	141	153	166
TAS	33	35	38	42	46
NT	7	8	9	9	10
ACT	17	19	21	22	24
Total	**1,204**	**1,301**	**1,409**	**1,524**	**1,652**
Nominal growth on previous year		*8.1%*	*8.3%*	*8.2%*	*8.4%*
Real growth on previous year		*5.9%*	*6.0%*	*6.0%*	*6.0%*

Note: Excludes funding provided by state and territory governments.

The expenditure provided in Table 3.3 is made up of changes in the number of people receiving care as well as the average cost of providing that care for each individual.

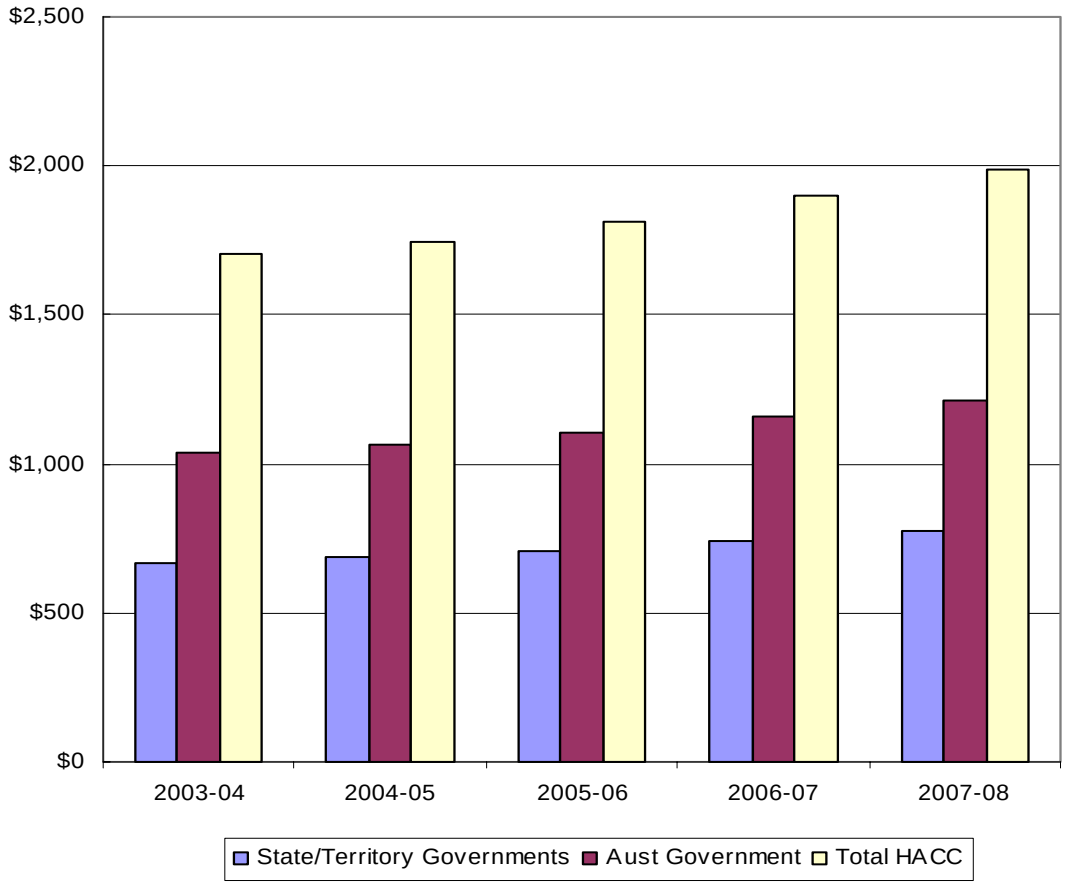
The number of HACC clients has increased by 17.6 per cent over the last 5 years from 707,207 in 2003-04 to 831,472 in 2007-08. (Figure 3-7)

Figure 3-7: Growth in HACC client numbers 2003-04 to 2007-08



The average daily Australian Government contribution towards the cost of providing HACC services to a client has increased by 16.9 per cent over the last 5 years from $1,036 in 2003-04 to $1,211 in 2007-08. The average daily national contribution (commonwealth and states) towards the cost of providing HACC services to a client has increased by 16.7 per cent over the last 5 years from $1,702 in 2003-04 to $1,987 in 2007-08 (Figure 3-8).

Figure 3-8: Change in the unit cost of providing HACC services by jurisdiction 2003-04 to 2007-08



National Respite for Carers Program

Carers are unpaid family members and friends who provide support with activities of daily living for frail older people and younger people with a disability. In 2003 the Australian Bureau Statistics estimated there were 2.6 million people in Australia who provide assistance to another person who has a disability or is aged. Of these, around 475,000 are primary carers – they are the people who provide the most care, usually for six months or more. Primary carers are predominantly female.

Carers perform a vital role in allowing frail older people and people with disabilities to stay at home and avoid or defer the need for residential care. Caring for frail older people at home can be a demanding task and carers also need care and support.

The Australian Government provides a range of assistance to carers including respite services and financial assistance.

The National Respite for Carers Program (NRCP) funds over 600 respite services across Australia delivered in a variety of settings, including the home, overnight community houses and in community centres. These include:

- 89 services that specifically cater to the needs of employed carers;
- 15 Employed Carer Innovative Projects that are testing different models of supporting employed carers;
- 71 overnight respite houses; and
- 30 demonstration day respite services at residential aged care facilities.

Some of the services provide respite for carers of people with dementia and challenging behaviour. Fees for respite services vary according to the type of service.

The Australian Government provided $179 million for the NRCP in 2007-08, an increase of 7.3 per cent over the $167 million provided in 2006-07. Table 3-6 shows the change in Australian Government NRCP funding by state from 2003-04 to 2007-08.

Table 3-6: Australian Government NRCP funding by State 2003-04 to 2007-08 ($m)

Funding	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008
NSW	31	32	42	48	52
VIC	23	23	31	37	38
QLD	17	17	26	29	30
SA	9	9	11	15	16
WA	8	7	12	14	15
TAS	4	4	4	5	6
NT	3	3	4	5	5
ACT	2	2	3	4	4
C/O	5	6	9	11	13
Total	**102**	**102**	**142**	**167**	**179**
Nominal growth on previous year		*0.4%*	*39.5%*	*17.3%*	*7.3%*

The large increase in funding in 2005-06 reflects the roll-out of the 2005-06 Recognising Senior Australians budget measure that provided an additional $152.4 million over 4 years to assist employed careers and increase the level of overnight respite in community cottages.

4 Assistance for aged care service delivery in rural and remote Australia

Introduction

The aged care planning system ensures that aged care places are provided in rural and remote areas in proportion to the number of older people who live there.

To assist aged care services in rural and remote areas with the extra cost of delivering services, additional funding is made available through the viability supplement. Similarly, capital funding is targeted toward the development of infrastructure in rural and remote areas, including through the provision of zero real interest loans.

In addition, there are two targeted programs, the Multi-purpose Service Program and the National Aboriginal and Torres Strait Islander Flexible Aged Care Program, that provide a mix of residential and community places mainly in rural and remote locations. The Multi-purpose Services Program supports improvements in the integration and provision of health and aged care services for small rural and remote communities. The National Aboriginal and Torres Strait Islander Flexible Aged Care Program assists older Indigenous Australians access appropriate care as close as possible to their communities, which are mainly in rural and remote locations.

Viability supplement

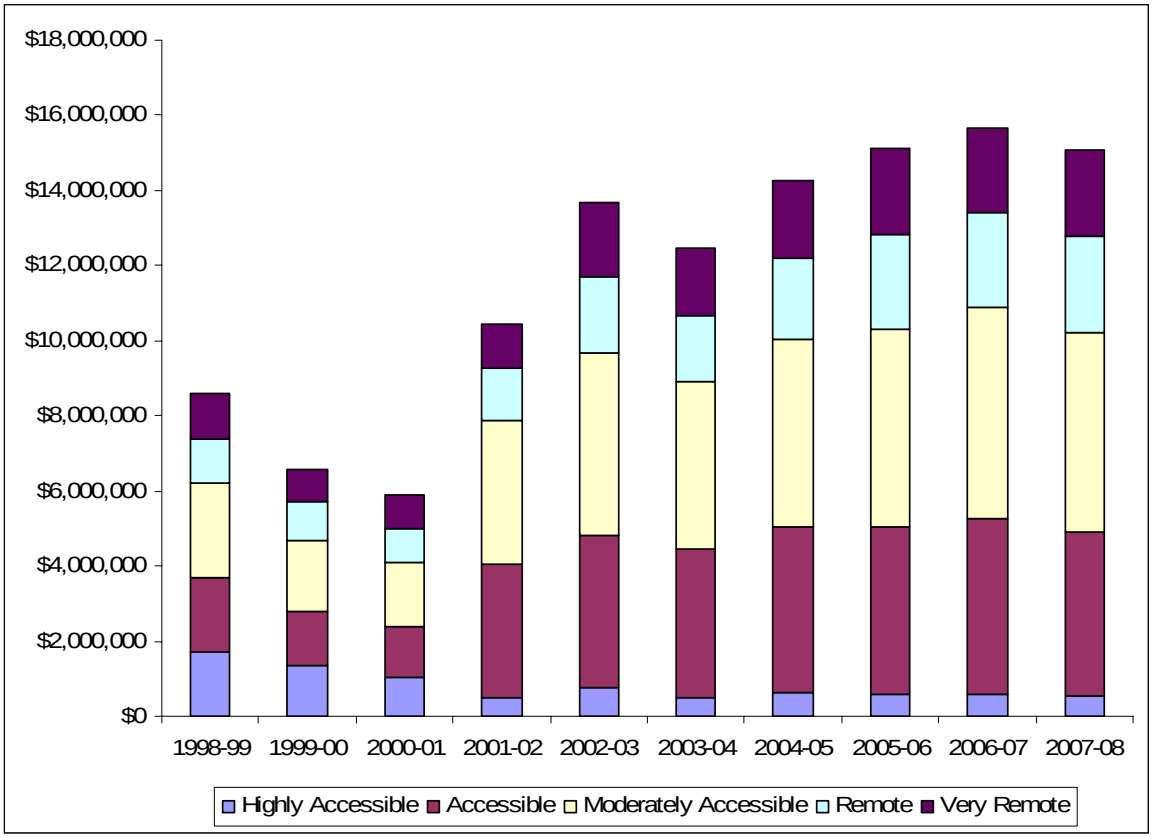
Residential Care

The viability supplement for residential aged care is a special payment made available under the *Aged Care Act 1997* (the Act) to assist aged care services in regional and remote areas with the extra cost of delivering services in those areas. The residential viability supplement is payable for care recipients in residential aged care homes which meet specific criteria. The amount of viability supplement paid to an aged care home depends on where the service is located, the number of places in the service, and the proportion of care recipients with special needs[5]. Eligible services are generally those with fewer than 45 places and in less accessible locations.

In 2007-08, around $15 million was provided to care providers through the viability supplement. This has grown from $8.6 million in 1998-99 (Figure 4-1). The increase in expenditure between 2000-01 and 2001-02 is a result of changes to the residential viability supplement program in 2001.

[5] The eligibility scoring process is set out in Part 14 of the *Residential Care Subsidy Principles 1997*.

Figure 4-1 Australian Government expenditure for residential viability supplement to residential care provider by location of service (ARIA remoteness category) 1998-99 to 2007-08



Residential care providers located in moderately accessible areas received around a third of Commonwealth expenditure on residential viability supplements, which was about the same proportion as in remote areas (Table 4-1).

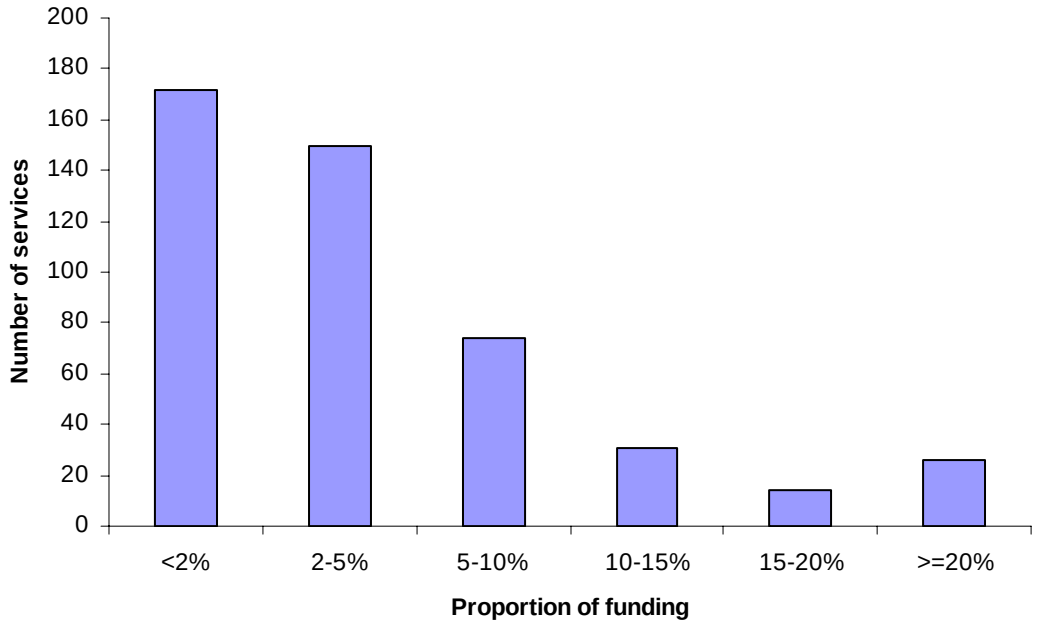
Table 4-1. Australian Government expenditure for residential viability supplement 2007-08, and the number of aged care services receiving residential viability supplement during 2007-08, by remoteness category (ARIA)

Remoteness Category	$'000	Number of services
Highly Accessible	556.3	46
Accessible	4,328.2	230
Moderately Accessible	5,352.7	139
Remote	2,540.4	28
Very Remote	2,295.1	24
Australia	15,072.7	467

Notes: Includes all services receiving a payment, including positive adjustments based on a previous year's entitlement.

In 2007-08 there were 467 residential services (16 per cent of all residential services) that received residential viability supplement payments. For around a third of these services, the residential viability supplement comprises less that 2 per cent of their Commonwealth residential funding (Figure 4-2). For just under half of the services in remote areas (46%), the residential viability supplement accounted for over 20 per cent of their Commonwealth residential funding.

Figure 4-2: Number of residential care services by proportion of total Commonwealth revenue from viability supplements, 2007-08



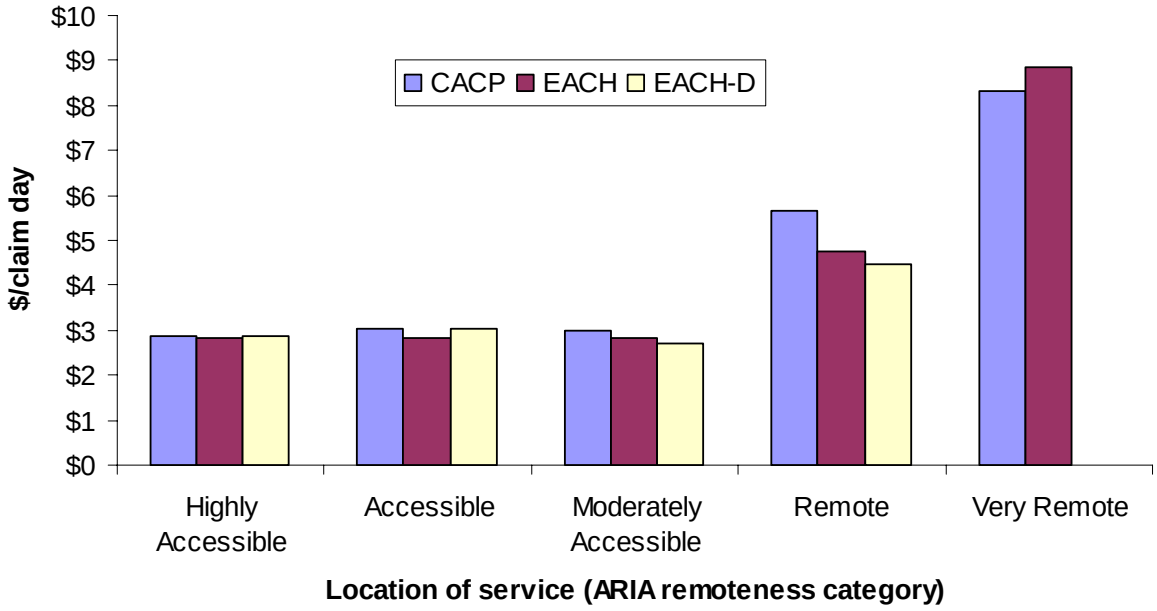
Community Care Programs (CACP, EACH, EACH-D)

The Australian Government also provides a viability supplement to provide additional practical support to community aged care services providing support to clients living in rural and remote areas.

The 2006-07 Budget provided $19.4 million over four years for a new viability supplement to assist providers of community care and flexible care programs in rural and remote areas. This is available to eligible providers of CACPs, EACH and EACH-D packages, Multi-purpose Services providing community care and services funded under the National Aboriginal and Torres Strait Islander Flexible Aged Care Program. The supplement recognises the higher costs and recruitment difficulties faced by these services.

The viability supplement for the Community Care Programs is structured such that the more remote the location of the client the higher the supplement. In 2007-08, the average viability supplement per person per day paid to services located in very remote areas was over $8 for the CACP and EACH programs, this compares to around $3 in non-remote areas (Figure 4-3).

Figure 4-3: Average rural and remote viability supplement for Community Care Programs paid per claim day (per person per day), 2007-08



In 2007-08, around $3.7 million was provided to care providers through the community aged care viability supplement. The providers of EACH and EACH-D packages received around $135,000 and $50,000 respectively through this scheme.

Capital assistance

Capital Grants for Residential Aged Care

Accommodation bonds and charges provide aged care homes with a capital stream to upgrade and maintain buildings. However, some homes may not be in a position to attract sufficient residents who can pay accommodation payments because, for example, of their rural or remote location or because the homes target financially disadvantaged people. An ongoing program of targeted capital assistance helps providers who, as a result of such circumstances, are unable to meet the cost of necessary capital works.

In 2007-08, $45 million in capital assistance was allocated to assist providers of residential care to improve and upgrade 30 aged care homes (Table 4-2), with almost 80 per cent of this funding allocated to services in rural and remote areas. Of this, $12.5 million was allocated as Residential Care Grants, to support fire and safety related improvements and other works required for accreditation and certification, as well as the construction of new accommodation. The remaining $32.5 million was provided through the Regional and Rural Building Fund to assist rural and regional aged care homes to upgrade the quality of their buildings or to expand, thereby increasing access to aged care places for rural communities.

Table 4-2. Residential Care Capital Grants[1, 2, 3] allocated through the 2007 Aged Care Approval Rounds (ACARs)

State or Territory	Grant Amount	No.
NSW	$10,109,900	8
VIC	$9,535,000	5
QLD	$3,968,550	7
SA	$254,700	1
WA	$12,698,250	4
TAS	$2,574,000	3
NT	$6,334,400	2
TOTAL	**$45,474,800**	**30**

[1] Includes funding for Targeted Capital Assistance, grants from the Rural and Regional Building Fund (including Rural Adjustment Grants), and Restructuring Grants.

[2] Some projects have been allocated a grant in more than one year and have been shown in each year in which a grant was allocated.

[3] Some grants have been revoked/reduced and reallocated in later ACARs. In these cases both the original allocation and later re-allocation have been included.

Zero real interest loans

The 2008-09 Budget included a measure to provide $300 million in zero real interest loans to assist in expanding the availability of residential aged care beds. The loans are available to aged care providers to build or expand facilities in non-metropolitan regions where there is a shortage of beds for permanent and respite care, and will provide up to an additional 2,500 aged care beds in areas of need[6]. Loan recipients will pay interest at a rate equal to the Consumer Price Index only.

The loans are being administered through two rounds. Loans totalling $150 million were provided as part of the first round, which began in April 2008. Stage One of the Zero Real Interest Loans allocated 1,348 aged care beds and 107 community care places in areas of high need (Table 4-3).

[6] In general, areas selected are non-metropolitan regions with operational residential aged care ratios below the current national target ratio of 88 residential places per 1000 people aged 70 years and over and where there are not a large number of recently allocated places already under development.

Some non-metropolitan regions with higher ratios have been included because of the high proportion of indigenous people who require care at an earlier age, and in some larger non-metropolitan regions, specific geographic locations within those regions have been targeted where there are particular areas of undersupply.

Table 4-3 Zero Real Interest Loans – Stage One Offers, 2008

State	No. of offers	No of residential aged care places	No of community aged care places*	Loan amount recommended
NSW	12	248	45	$30,110,000
VIC	6	246	-	$19,690,000
QLD	6	249	10	$24,730,000
WA	6	347	28	$46,600,000
SA	3	128	-	$12,800,000
TAS	7	130	24	$16,070,000
TOTAL	**40**	**1,348**	**107**	**$150,000,000**

*** Includes Community Aged Care Packages, Extended Aged Care at Home and Extended Aged Care at Home Dementia packages**

Stage Two will provide the remaining $150 million in loans and the balance of the places, and will be conducted in 2009-10 in combination with the annual Aged Care Approval Round.

Multi-purpose Services

Multi-purpose Services are a joint initiative between the Australian Government and those states and territories that need such services. They operate under the Act and deliver a mix of aged care, health and community services in rural and remote communities, many of which cannot sustain separate services. Some health, aged and community care services may not be viable in a small community if provided separately. By bringing the services together, economies of scale are achieved to support the services. Each Multi-purpose Service is financed by a flexible funding pool to which the Australian Government and state and territory governments contribute. This is reviewed regularly. A Multi-purpose Service can use the money to provide a mix of services, including aged care, best suited to its community's needs.

Table 4-4 shows that around 86 per cent of all aged care places provided by Multi-purpose Services are for residential care. Multi-purpose Services located in outer regional areas, such as Broken Hill, provided just over half of all places for this program.

Table 4-4: Number of residential and community care places available from Multi-purpose Service by remoteness area, June 2008

Places	All Residential	Community	Total
Major Cities	-	-	-
Inner Regional	390	24	414
Outer Regional	1,294	220	1,514
Remote	525	102	627
Very Remote	220	42	262
Total	**2,429**	**388**	**2,817**

Expenditure for the Multi-purpose Services program has grown from $46.3 million in 2003-04 to $78.2 million in 2007-08. The 2006-07 Budget provided Multi-purpose Services with an additional $9.3 million over four years for respite care in rural areas (Table 4-5).

Table 4-5: Australian Government expenditure for Multi-purpose Services, from 2003-04 to 2007-08, by state and territory

($ millions)

State / Territory	2003-04	2004-05	2005-06	2006-07	2007-08
NSW	13.6	16	18.9	20.9	24.2
VIC	7.3	7.9	8.3	8.6	9.2
QLD	5.9	7.1	8.8	10.1	12
SA	5.2	5.9	6.6	7.1	8.9
WA	12	13.2	16.6	19.9	20.7
TAS	2.2	2.3	3.1	2.7	3
NT	0	0	0	0	0.2
ACT	-	-	-	-	-
AUST	**46.3**	**52.4**	**62.3**	**69.2**	**78.2**

National Aboriginal and Torres Strait Islander Flexible Aged Care Program

There are 30 services funded under the National Aboriginal and Torres Strait Islander Flexible Aged Care Program providing aged care services to approximately 600 older Aboriginal and Torres Strait Islander people. In 2006-07, an additional 150 places and funding of $15.1 million over 4 years was provided for the National Aboriginal and Torres Strait Islander Flexible Aged Care Program. Of these 150 places, 108 places have been allocated with the remainder to be allocated in 2009-10. The additional places will bring the total number of places under this program to approximately 750 places. These flexible care places assist older Aboriginal and Torres Strait Islander people to access culturally appropriate care services as close as possible to their communities, which are mainly in rural and remote locations.

Similar to the Multi-purpose Services program the National Aboriginal and Torres Strait Islander Flexible Aged Care Program provides a mix of residential and community places, however the mix has a higher proportion of community places (38% compared with 14%). Over half of all places in this program are provided in remote areas (Table 4-6).

Table 4-6. Number of residential and community care places available under the National Aboriginal and Torres Strait Islander Flexible Aged Care Program by remoteness area, June 2008

Places	Residential	Community	Total
Major Cities	87	78	165
Inner Regional	0	33	33
Outer Regional	68	10	78
Remote	83	37	120
Very Remote	148	96	244
Total	**386**	**254**	**640**

Also in 2006-07, $42.6 million was made available over five years to establish the Remote and Indigenous Support Services Program. This program is targeted to aged care services provided by Aboriginal and Torres Strait Islander owned or operated organisations anywhere in Australia and by services located in remote and very remote locations providing community, flexible and/or residential care. The additional assistance provided under this program includes peer and professional support services, emergency support services and capital funding.

5 Aged care planning framework

During the 2007 election period, the Government announced that it will review aged care planning ratios and the regular aged care allocation process. The current aged care planning ratios have not been comprehensively reviewed since they were first introduced in 1985. Since the ratios were established, there have been significant demographic changes and changing patterns of use in aged care services.

Similarly, since the introduction of open competitive arrangements for allocation as a result of the *Aged Care Act 1997* (the Act), there has been no discussion between the Commonwealth, states and territories of the effects of the structure of the arrangements on the delivery of new aged care places in a manner that is timely and best meets aged care needs. The Australian Government uses a comprehensive planning framework to achieve an even distribution of care services across the country and to reduce overlap and duplication of services. The cornerstones of this framework, which have been in place since 1985, include:

- A *provision ratio* that allows the number of subsidised operational aged care places to grow with the older population. In 1985, this benchmark was 100 operational places for every 1,000 persons aged 70 years and over. The current benchmark is 113 operational places for every 1,000 persons aged 70 years and over, to be achieved by June 2011.
- A *balance of care type ratio* within the overall provision ratio that specifies the proportion of operational aged care places that should be provided for residential as opposed to community care. In 1985, all aged care places were delivered in a residential setting. The current benchmark (to be achieved by June 2011) is that 88 out of every 113 operational places should be delivered in a residential setting and that 25 out of every 113 operational places should be delivered in the community.
- A *balance of care level ratio* within the *balance of care type ratio* that specifies the proportion of operational residential and community aged care places that should be available for care recipients to enter as high level care as opposed to low level care. In 1985, the balance of care level ratio specified that 40 in every 100 operational places should be available for care recipients to enter at high level care. The current benchmark (to be achieved by June 2011) is that 44 out of every 88 operational residential care places should be available for care recipients to enter at high level care and 4 out of every 25 community care places should be available for care recipients to enter at high level care. In total, the benchmark requires 48 in every 113 operational aged are places to be available for care recipients to enter at high level care[7]

[7] Note, under the policy of ageing in place a care recipient who enters an aged care home because they require low level care can remain the same place when their care needs progress so that they need high level care. As a result the number of care recipients who are receiving high level residential care is significantly higher than 50 per cent. In fact, as at 30 June 2008, 69 per cent of residents in aged care homes were receiving high level care.

- A c*onsultative planning process* for the distribution of new residential, community and flexible aged care places. The broad objectives of the process are to provide an open and clear planning mechanism; identify community needs, including those of people living with special needs; and to allocate places in a way that best meets the identified needs of the community. Aged Care Planning Advisory Committees established in each state and territory provide advice to the Secretary of the Department on how the new places should be distributed to best meet the aged care needs of an identified region. In addition to a range of qualitative and quantitative data on supply and demand provided by the Department, the Committees also consider information provided by other government representatives (for example, the Department of Veterans' Affairs or local government organisations), community groups and individuals on the aged care needs of the local area or community. The distribution of the new places across aged care planning regions seeks to achieve a balance in the provision of services between metropolitan, regional, rural and remote areas, as well as between people needing differing levels of care.
- An annual *competitive allocation process* whereby available places are then publicly advertised, and existing approved providers and prospective providers have the opportunity to apply for the places and associated grants, including Capital Grants, Community Care and Flexible Care Grants. In line with the provisions of the Act, places are allocated to those applicants who demonstrate they are able to best meet the needs of the aged care community within a specified region. The final allocation of places is determined by the delegate of the Secretary of the Department of Health and Ageing following the conduct of a competitive assessment process undertaken by the state and territory offices using a nationally consistent assessment framework.

Current provision levels

As at 30 June 2008, there were 223,107 operational aged care places across Australia. This included 174,669 residential places, 46,475 community care places and 1,963 transition care places. The resulting national aged care provision ratio at 30 June 2008 was 111.5 operational places per 1,000 people aged 70 years or older.

Table 5.1 shows both the allocated and operational aged care places by State and Territory as at 30 June 2008. The allocated places include those that are not yet operational, such as where the residence itself is not yet built. This ranges from 106.9 operational places in the Australian Capital Territory to 225.0 operational places in the Northern Territory. Aboriginal and Torres Strait Islander people are a prescribed special needs group under the Act. This provision results in the Northern Territory's significantly higher allocated and operational places when compared to the rest of Australia.

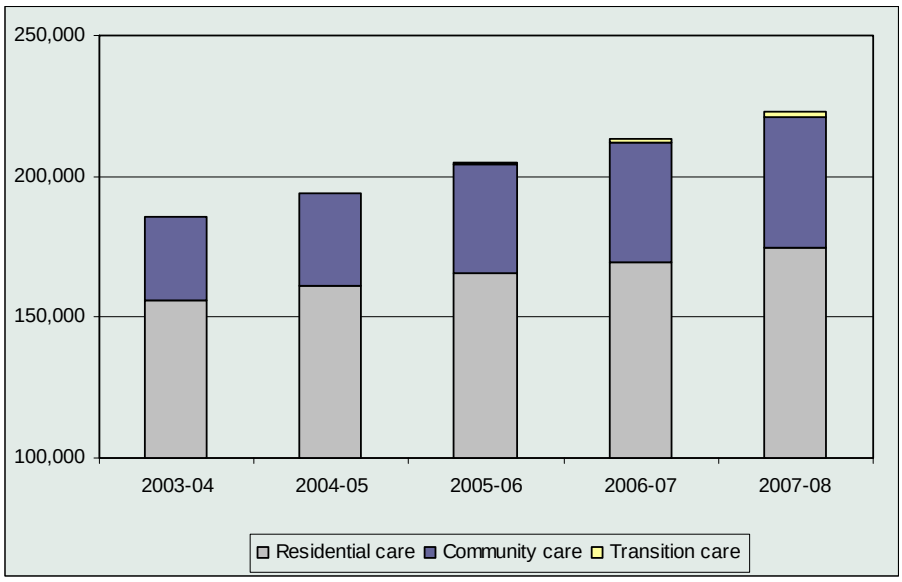
Table 5-1: Allocated and operational residential, community and transition care places per 1,000 people, aged 70 years or older, at 30 June 2008, by state and territory

	Residential care	Community care	Transition care	Total places
Allocated places				
New South Wales	99.9	22.9	1.1	124.0
Victoria	99.5	23.1	1.1	123.6
Queensland	98.0	22.3	1.1	121.4
South Australia	100.9	23.1	1.1	125.1
Western Australia	97.0	23.5	1.0	121.5
Tasmania	93.1	24.0	1.3	118.4
Northern Territory	111.4	127.4	3.6	242.4
Australian Capital Territory	105.9	28.7	1.6	136.2
National	**99.2**	**23.3**	**1.1**	**123.6**
Operational places				
New South Wales	87.2	22.8	1.0	111.0
Victoria	88.0	23.0	1.0	112.0
Queensland	85.4	22.2	0.9	108.5
South Australia	95.2	22.9	1.0	119.1
Western Australia	83.4	23.4	0.9	107.7
Tasmania	85.9	23.7	1.1	110.7
Northern Territory	95.0	127.4	2.6	225.0
Australian Capital Territory	76.8	28.6	1.5	106.9
National	**87.3**	**23.2**	**1.0**	**111.5**

Note: The ratios in this table are based on population projections derived from the 2006 Census provided by the Australian Bureau of Statistics. The table includes flexible care places, such as EACH packages, EACH-D packages, Multi-purpose Services places and places under the National Aboriginal and Torres Strait Islander Flexible Program attributed to residential or community care as appropriate.

Over the five years from 1 July 2003 to 30 June 2008 there was a steady increase in the total number of operational aged care places nationally (see Figure 5-1 below). Over this period there was a total increase of 37,272 places, or 20 per cent.

Figure 5-1: Operational aged care places from 2003-04 to 2007-08



Recent allocations

The allocation process outlined in the Act is intended to provide for open and clear planning, to identify community needs and to allocate places in a way that best meets those needs. Under this process the Australian Government determines the type/s and regional distribution of aged care places to be made available and may specify a proportion of places that must be provided to certain groups of people specified in the Act, such as people with special needs, people needing a particular level of care, or for respite.

The planning framework ensures that the growth in the number of aged care places matches growth in the aged population. It also ensures balance in the provision of services between metropolitan, regional, rural and remote areas. Each year, the Australian Government makes available new residential and community care places for allocation in each state and territory. The number of new places relates to a comparison of the planning benchmarks with the number of people aged 70 years or over in the general population, and current levels of service provision, including newly allocated places that have not yet become operational.

Figure 5-2 below shows allocations of new places over the five years to 30 June 2008. The number of places allocated per year peaked in 2004-05 when the Australian Government increased the target ratio from 100 to 108 places per 1,000 people aged 70 or over. Following subsequent Aged Care Approvals Rounds, the allocation of places returned to more usual growth levels until 2007-08 which shows the effect of a further increase in the target ratio. This effect is likely to continue over the next few years as allocations are increased to achieve the new target ratio of 113 places per 1,000 people aged 70 years or over by June 2011.

Figure 5-2: New places allocated in annual rounds from 2003-04 to 2007-08

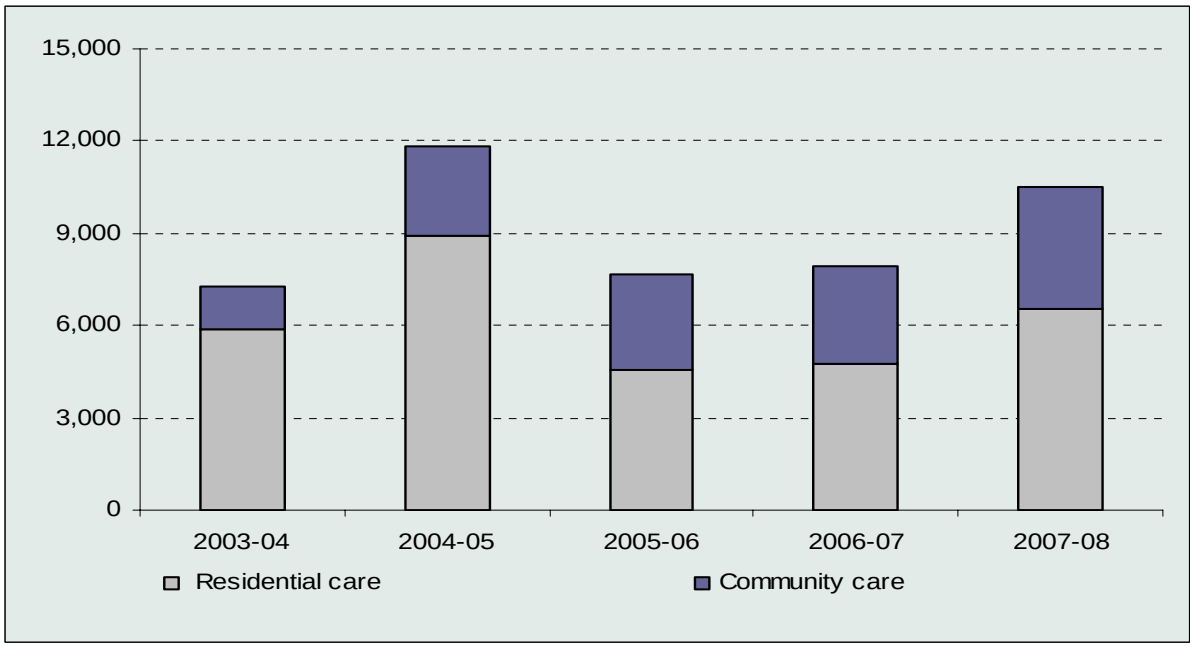


Table 5-2 shows that there were a total 10,447 aged care places allocated under the 2008-09 Aged Care Approvals Round, of which 73 per cent were residential places. Queensland was allocated the highest number of residential places, with New South Wales being allocated highest number of community care places (CACP, EACH and EACH-D).

Table 5-2: 2008-2009 ACAR State-by-State breakdown

State or Territory	Residential	Community Aged Care Packages	Extended Aged Care at Home	EACH Dementia	Total
New South Wales	2,106	578	205	105	2,994
Victoria	1,486	392	146	72	2,096
Queensland	2,416	450	105	55	3,026
South Australia	1,208	166	120	50	1,544
Western Australia	123	101	44	20	288
Tasmania	131	52	15	8	206
Northern Territory	169	30	10	5	214
Australian Capital Territory	24	40	7	8	79
National	**7,663**	**1,809**	**652**	**323**	**10,447**