Submission to the Productivity Commission Inquiry - Caring for Older Australians

August 2010

About National Seniors Australia

National Seniors Australia (NSA) is the largest organisation representing Australians aged 50 and over with some 280,000 individual members.

Our members are from metropolitan, regional and rural areas across all states and territories, and are broadly representative of the three key ageing cohorts: those aged 50-65; those aged 65-75; and those aged 75 +.

NSA works to provide a voice and address the needs of this diverse membership:

- **We represent** – to governments, business and the community on the issues of concern to the over 50s;
- **We inform** – by providing news and information through our website, forums and meetings, our bi-monthly award winning magazine, a weekly E-newsletter and our Australia-wide branch network;
- **We provide opportunity** – to those who want to use their expertise, skills and life experience to make a difference in indigenous communities and on our environmental legacy;
- **We support those in need** – our Charitable Foundation raises funds to provide comfort and support for our most vulnerable older citizens;
- **We provide savings** – through quality insurance, affordable travel and tours, and discounts on goods and services.

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Contents

1. Executive Summary 4
   1.1 Summary of Recommendations 5
2. Introduction 7
3. Objectives of an aged care system from a consumer perspective 8
   3.1 Purpose of the aged care system 8
   3.2 Consumers' changing needs and expectations 9
4. Improving the aged care system 11
   4.1 Aged care workforce 11
   4.2 Funding 13
      4.2.1 Alternative Funding Options 13
      4.2.2 Accommodation Bonds 14
   4.3 A regulatory system that enables competition and best quality of care 16
   4.4 Integrating aged care with health and community care 18
5. Conclusion 20
6. References 21

1. Executive Summary

Providing for quality care in later life is a key concern of Australians as they age. The ability to access aged care services, from home assistance through to residential care, is an *essential* service to protect older Australians when they become more vulnerable. In a survey of 801 Australians aged 50 and over conducted earlier this year, 74% of respondents said aged care was an extremely important issue and 14% said aged care policies would influence who they voted for in the 2010 federal election (National Seniors Australia, 2010).

As noted in the Productivity Commission Issues Paper, five substantial inquiries have been undertaken in as many years, with a view to improving the quality of care provided by Australia's aged care system. From the 2004 Hogan Review of Pricing Arrangements in Residential Aged Care to the release earlier this year of the Henry Tax Review report, they all recognised that without swift and systemic action the aged care system will not be able to cope with the rapidly growing demand for aged care services as a result of Australia's ageing population.

All of these inquiries made recommendations for substantial reform in the areas of funding, regulation, sustainability, access, and choice. However, to date, all governments over the last five years have chosen to apply 'band-aid' solutions rather than implement these recommendations.

Earlier inquiries also indicated that the concept of a high level of care provided to the consumer has taken the 'back seat' to the dominant service delivery model as defined by the service providers, and the funding as defined by the funding bodies. However, the National Health and Hospital Reform Commission (NHHRC) in its final report concluded that a consumer-centred approach was needed. "The underlying premise of our recommendations…is that we need to redesign health services around people, making sure that people can access the right care in the right setting" (NHHRC 2009, p.102). National Seniors Australia (NSA) strongly agrees with this point of view.

While NSA acknowledges that 'sustainability' is important, it also believes that "quality of life" standards in the provision of aged care are paramount and that reforms to the aged care system should be designed with the consumer at the centre, ensuring that access, flexibility, choice, and best quality of care are guiding principles in the provision of aged care services.

By adopting this perspective, NSA believes the Productivity Commission's current inquiry has potential to identify new approaches to aged care that will better equip the aged care sector to deal with future challenges derived from a new generation of aged care consumers.

1.1 Summary of Recommendations

Objectives of the aged care system

- Enhance structure and performance of the aged care system by adopting a consumer – centred approach when considering reform options.
- Ensure that 'quality of life' access, flexibility, choice, and highest quality of care for the consumer, as well as 'sustainability', are guiding principles in reform of the aged care system.
- Effectively engage consumers in the aged care reform process and its ongoing operation.

Aged care workforce

- Adopt a holistic view of the aged care workforce in both the residential and community-based aged care sectors.
- Re-align training and improve conditions for the Australian aged care workforce to upgrade skills of current employees and facilitate career path developments to attract new staff.
- Develop a marketing campaign to portray the benefits of working in aged care to enable the workforce to grow, and ensure highest quality of care.

Funding

- Explore new funding options for aged care, beyond the current limited focus on introducing bonds for high care residents.
- Maintain a safety-net for those lacking the ability to contribute to the cost of their care.
- Investigate aged care funding models that distinguish between the funding of accommodation/amenity and the funding of care.
- Implement an aged care funding model which encourages competition among providers.

Regulation

- Encourage competition in the provision of aged care services by relaxing restrictions on places and price controls.
- Provide consumers with up-to-date, accurate and comparable information on facilities.

- Develop a national framework for evaluating quality of aged care based on measurable quality indicators relating to consumer satisfaction with aged care services.

Integrating aged care with health and community care

- Ensure the Commonwealth has sole funding responsibility for the aged care system to ensure a more efficient and coordinated health care system.

- Provide a holistic ‘health care service’ by integrating aged care with health and community care.

- Support the expansion of models of consumer directed care in residential aged care, community aged care and respite care.

- Introduce a ‘health plan’ for every person in aged care (residential and community) including but not limited to dental, mental and allied health care.

2. Introduction

"The consumer's voice is rarely heard in aged care service evaluation" [1]

As people age and develop age-related conditions, they need an increasing amount of assistance with personal and domestic activities. NSA believes that an aged care system should deliver the best quality of care to meet consumer needs. It should not just "facilitate access to care" or "guarantee an acceptable or even a minimum standard of care", rather it should customise care and meet individual care needs as identified in a personal care assessment. In other words as people age and develop age-related conditions they deserve to be provided with the best quality of care instead of just an acceptable standard of care.

The Australian aged care system comprises two broad types of care, community care and residential aged care. Most high level care is provided in residential aged care facilities while lower levels of care are provided at home (DOHA 2009a). An Aged Care Assessment Team approval is required before services can be obtained (DOHA, 2009b). The Henry Tax Review identifies the assessment teams as the 'gatekeepers to subsidised care' (Treasury, 2010 p.633).

NSA is strongly of the view that consumer involvement in aged care is the key to improving quality outcomes. From NSA's point of view, the term "consumer" encompasses a range of stakeholders who come into contact with the aged care system. These include residents of aged care facilities and users of other aged care services and their representatives. Representatives are often family members who engage with the aged care system because the resident or other user is unable to voice their own concerns.

Earlier this year, NSA commissioned a report from Access Economics on *The Future of Aged Care in Australia*. The research approach included both a summary of evidence from the literature as well as results of an extensive quantitative survey to assess consumer preferences and needs for aged care in coming decades. The findings suggest there is a pressing need to reform the current system of aged care financing and instigate more sustainable options that provide Australians with greater choice and quality for their future aged care.

NSA agrees with that view and has used the report to inform this submission. NSA intends to release the full report after the Federal election on 21 August 2010 to help stimulate public debate about alternatives to the current funding model of aged care. An advance copy has been provided to the Productivity Commission.

[1] *Walton, 2009*

3. Objectives of an aged care system from a consumer perspective

"A country that does not look after its older people does not have a soul." [2]

Australia's ageing population will place substantial pressure on the aged care system in the future. Not only will there be a greater number of people needing aged care, but they will represent a greater proportion of the population. Shifting social preferences and changing demographics are also expected to alter the relative demand for different types of aged care.

3.1 Purpose of the aged care system

The Australian Government states in the *Aged Care Act 1997* that the main aim of aged care policies and programs is "to ensure that all frail older Australians have timely access to appropriate care and support services as they age by providing: information assessment and referral mechanisms; needs-based planning arrangements; support for special needs groups and for carers; a choice of service types and high quality, accessible and affordable care through a safe and secure aged care system" (DOHA 2009a, p.xi).

The Productivity Commission Issues Paper identified five key themes running through the *Aged Care Act 1997,* the accompanying *Aged Care Principles,* and the *Home and Community Care Act 1985* (Productivity Commission, 2010 p.15) as being the need to:

- Guarantee an acceptable standard of care
- Provide accountability and transparency
- Facilitate access to care regardless of economic and other circumstances
- Target services and funding to those with the greatest need
- Encourage diverse, flexible, efficient and responsive services that facilitate independence and choice.

NSA wishes to point out that these key themes are largely informed by and reflect a system and services point of view, without taking the consumer perspective into account. NSA believes that our aged care system should not arbitrarily guarantee an "acceptable" or even a "minimum standard of care" but should deliver the best quality of care to meet consumer needs. It should not just "facilitate access to care" but customise care and meet individual care needs as identified by both a structured personal care assessment and further face-to-face consultation with the individual.

[2] *Minister Paulo Vannuchi, Special Secretary of Human Rights of Brazil quoting President Luca on International Day of Older Persons, 2 October 2008.*

NSA further suggests also that quality of life should be a fundamental goal of the aged care system. At present, however, the aged care system is more heavily focused on technical constraints, such as risk management, economic imperatives, and rigid timetabling.

Accreditation processes aim to ensure “minimum standards” in aged care. This level of care is determined by the funding body and the service provider with little or no involvement by the consumer or the consumer’s representatives. Minimum standards, however, may not reflect consumer expectations or preferences. Quality assurance becomes more problematic as costs burgeon, with a growing imperative to control costs given the highly regulated market and price caps on government subsidies and on what individuals can be charged.

NSA believes the aged care system as currently conceived needs to be re-aligned to shift the focus from a system-centred approach to a consumer-centred approach. This can be achieved by focusing the key themes or guiding principles of the aged care system on the consumer and his/her needs, ensuring the best quality of care, access, choice, and flexibility.

The adoption of a broader consumer-centred conception of aged care has implications not just for aged care but for the wider health care system, which is discussed later in section 4.4 of this submission.

3.2 Consumers’ changing needs and expectations

All indications are that the next wave of aged care participants will have significantly different expectations to those of earlier generations, and this could exert significant additional pressure on the aged care system. The challenge for aged care service providers as well as government is to meet these expectations. NSA believes this will require new approaches to aged care in Australia.

An important aspect of quality in the aged care system in the future will be the ability of providers to meet the changing needs and expectations of consumers. The type of aged care demanded is expected to be profoundly influenced by changing social constructs and preferences. The reality of aged care in Australia at the moment is that it is too closely tied to program and funding criteria and not responsive enough to peoples’ changing needs.

A primary determinant of residential aged care admission is living alone. Spouses are an important source of informal care, so higher divorce rates have reduced accessibility of informal care for many people as has the increasingly popular trend of people to actively choose to remain single. On continuation of current trends, there will be a 90% rise in 65+ single person households from 1996 to 2021 (Australian Bureau of Statistics, 2006).

Smaller family size and dispersed families have also reduced the pool of informal care available. This effect may be amplified by a change in social attitudes towards caring for the elderly. There is evidence that suggests that generation X and Y feel less obligated to provide informal care for their parents’ generation (Access Economics, 2009b) The additional need for care was met by other, older, Australians.

With less informal care available, there will be a much greater need for formal care, particularly through community care programs. McCallum (2003) cites evidence suggesting that almost 60% of Australians aged 70 years or over would prefer to receive formal care in their own home in the event that they are unable to care for themselves, compared to 28% who would prefer to receive residential care. The remainder would prefer to receive care from family.

Anecdotally from member feedback, NSA understands that demand pressures for community based (high-care) are already starting to show. Given the demographic trends outlined above, this represents a considerable concern. We have been told by one NSA member, whose wife was assessed by the Aged Care Assessment Team (ACAT) and found to be entitled to an EACH (Extended Aged Care at Home) Package, that he was subsequently informed by his local ACAT office that there were upwards of forty patients on the waiting list for EACH Packages in his area alone and that only one package has become available in the last twelve months.

There is considerable commentary about the impact of the baby boomer generation on Australia's aged care system. The findings of one report suggests that the aged care industry in Australia needs to undergo a major transformation if it is to meet the growing demands of the next wave of retirees – the so-called baby boomer generation (Fujitsu, 2007). The baby boomer generation has much higher expectations for choice, responsiveness and flexibility in how they access aged care services than previous generations (NHHRC, 2009 p. 108), and will demand more varied and flexible aged care services in the future and expect a high quality of life (Treasury, 2010 p. 630).

Similarly, as Australia becomes more culturally diverse, the need for culturally appropriate care increases. Access Economics (2006) projected that over the period 2001 to 2050 there would be a fall in the proportion of Australians speaking English (83.8% to 82.4%) and other European languages (7.6% to 6.0%), and a greater proportion speaking Asian (6.0% to 8.3%) and Middle Eastern (1.8% to 2.3%) languages.

Culturally appropriate care is particularly important for people with dementia because the language most recently acquired is lost first. As patients deteriorate, it is necessary for carers to be able to communicate with the patient in their first language and to understand their cultural context in order to better manage needs (Access Economics, 2009b).

In the decade ahead, older Australians will be more demanding and better informed consumers. It is essential that the aged care system responds to this changing pattern and more effectively engages this group in the reform process.

Recommendations:

- Enhance structure and performance of the aged care system by adopting a consumer –centred approach when considering reform options.
- Ensure that 'quality of life' access, flexibility, choice, and highest quality of care for the

consumer, as well as ‘sustainability’, are guiding principles in reform of the aged care system.

- Effectively engage consumers in the aged care reform process and its ongoing operation.

4. Improving the aged care system

“Policies should focus on maintaining quality of life for the last twenty five years of life.” [3]

Demand for aged care will keep on expanding, driven by an ageing population with greater expectations. Convenient and reliable access to services is of foremost importance. We must plan now to develop the infrastructure capable of coping with such growing demand. Managing the cost of aged care is also crucial.

4.1 Aged care workforce

An effective and highly skilled aged care workforce is crucial for providing high quality care in Australia. Workforce investments are critical to quality care, given the labour intensity of the aged care sector, with shortages already being apparent.

The aged care workforce is made up of a large number of different types of workers. The workforce in residential aged care facilities includes direct care workers (nurses, personal care staff and nurses assistants) as well as other staff (managers, cleaners, cooks, gardeners etc). Doctors and allied health professionals (such as occupational therapists, dentists, physiotherapists, podiatrists and pharmacists) also contribute to the care of residents.

The vast majority of community care workers are ‘aged or disabled person carers (home support workers)’ who provide ‘general household assistance, emotional support, care and companionship for aged and disabled in their homes’.[4] However, in community care there is still reliance on many other categories of workers who provide assistance with the provision of services.

The workforce in residential aged care homes increased from about 157,000 in 2003 to about 175,000 in 2007, with direct care employees increasing from about 116,000 to about 133,000. This is roughly twice the number of the workforce in community care, with about 87,500 people providing aged care under Commonwealth supported program of which about 74,000 are direct or community care workers (Martin and King, 2008; Australian Institute of Health and Welfare 2009).

[3] *Brink, 2002*
[4] *This terminology is drawn from the Australian Standard Classification of Occupations used by the ABS.*

While there has been growth in overall numbers of the aged care workforce, "there has been something of a rebalancing of the residential aged care workforce towards greater use of Personal Carers, and reduced reliance on Registered Nurses" (Martin and King 2008). In fact, an increase in the number of personal carers has effectively masked a decrease in the rest of the direct care residential aged care workforce (registered nurses, enrolled nurses and allied health staff), where the greatest shortages occur. The outlook for the future is not encouraging either. For instance, the number of residential aged care staff is projected to increase by around 14.1% by 2020 in contrast to a 56.8% increase in demand (Access Economics, 2010).

NSA is concerned that a decrease in skilled staff will result in a decrease in the quality of care provided. High quality care is a function of skills and training associated with those providing care, and the amount of care provided.

Overall, NSA believes that the issue of workforce shortages in the aged care sector should not be reduced to discussing insufficient numbers of registered nurses. Instead, it needs to be pointed out that there is a shortage across all types of staff, and a problem to retain and attract staff across all categories, but particularly nurses who provide direct care.

There have been numerous reports emphasising the need to provide competitive working conditions for all sectors comprising the community and health care system in order to attract and retain highly qualified workforces (for example, House of Representatives Standing Committee on Health and Ageing, 2005; Preston, 2006; National Institute of Labour Studies, 2008; Productivity Commission, 2008; Spoehr and Barnett, 2008; Access Economics 2009a; Senate Standing Committee on Finance and Public Administration, 2009). These provide a rich starting point for identifying a range of strategies that have to be implemented to achieve short, medium and long term gains in the aged care workforce.

NSA recognises several initiatives undertaken by the government over the last few years to bring nurses back into the workforce and invest in training for aged care workers. However, NSA believes more needs to be done, and quickly, particularly in the areas of attraction and retention.

With growing overall aged care demand and increased preference for community-based aged care service provision, NSA believes it is unacceptable that financial pressures are leading to reductions in staff and care for our oldest and most vulnerable citizens.

Recommendations:

- Adopt a holistic view of the aged care workforce in both the residential and community-based aged care sectors.
- Re-align training and improve conditions for the Australian aged care workforce to upgrade skills of current employees and facilitate career path developments to attract new staff.

- Develop a marketing campaign to portray the benefits of working in aged care to enable the workforce to grow, and ensure highest quality of care.

4.2 Funding

Older Australians want to know that they will be able to have affordable quality care in later life. Many of the difficulties faced by the aged care system are intrinsically linked to funding. The inadequacy of existing funding models is related to the highly regulated nature of aged care and the complexity and highly regulated nature of funding (NHHRC, 2009 p. 108).

In order to meet increased demand, enable the best quality of care, and ensure capacity for and efficiency in meeting consumer needs, substantially reforming the funding arrangements of the Australian aged care system seems inevitable.

4.2.1 Alternative Funding Options

Earlier this year, NSA commissioned Access Economics to conduct a survey on Australians' preferences for paying for aged care in the future. Five options were presented, comprising current arrangements through general tax revenue and four alternative models that have been canvassed by the government at various points in time. These models are similar to those used or under consideration in other developed countries.

Briefly, the four alternative models were:

1. *Long-term aged care insurance (LTCI)* - would allow people to insure against the risk of requiring high cost aged care services. The concept is similar to home and contents insurance, life insurance, or income protection insurance where people take out insurance policies to cover unpredictable and catastrophic events. Mandatory LTCI schemes exist in Germany and Japan; while in France, the UK and the USA they are voluntary and privately provided.
2. *Healthy Ageing Savings Accounts (HASA)* – a system where individuals contribute income throughout their life to a savings fund in their own name, which is used to cover their own aged care costs. While HASAs are based on the same principles as superannuation, a HASA scheme would not be identical to increasing the Superannuation Guarantee, and would need to be additional to superannuation. Voluntary HASA schemes exist in South Africa and in the USA, where they have proven quite popular with lower income groups.
3. *Reverse mortgages* – allow people to borrow money against the equity in their home (i.e. the difference between what the home is worth and what is owed on it) which then would be used to fund their aged care needs. The difference between a reverse mortgage and a regular mortgage is that the borrower does not need to make any repayments until they sell the home. The idea of a reverse mortgage is that it allows borrowers that could not service a regular mortgage (such as retirees who do not earn income) to release the equity held in their house without selling it.

4. *Vouchers* – consumers are provided with vouchers that they could use to pay for the aged care services of their choice. Payments could be means-tested and still subject to eligibility criteria, based on the level of care need. A voucher system would give consumers greater choice in the provision of their aged care and generate competition in the market. However, a voucher system is only a method of provision of services; it does not address financing, efficiency or sustainability issues. Revenue for the voucher system would still be raised through taxation. Vouchers have been trialled in a number of countries, including Germany, France and the Netherlands.

HASAs were the most popular alternative option overall for funding aged care in the future, with 29.6% of respondents selecting this as their most preferred option. The second most popular option was the current system (23.8%), while a combination of HASAs and LTCI ranked third (13.4%). Of all respondents, 41% preferred an option that included a HASA, and 25% or 1,104 persons preferred an LTCI option, compared to 18% preferring current arrangements alone. Reverse mortgages were relatively unpopular. HASAs were not only the most popular option with respondents when asked for an overall choice but also received the greatest amount of support when assessed individually (Access Economics 2010).

The survey results demonstrate a general willingness by Australians to pay for their own aged care in a more direct way than occurs in current arrangements through general tax revenue. People seem to accept the necessity for alternative and more direct funding options to finance the provision of aged care services and to be willing to do so if it results in greater choice of services, programs, and facilities for the individual.

NSA believes that aged care funding options where the individual makes direct contributions towards his/ her own aged care costs should be further investigated and seriously considered.

4.2.2 Accommodation Bonds

The issue of aged care accommodation bonds was outside the scope of the review commissioned from Access Economics which primarily focused on alternative funding options.

An accommodation bond is paid when a resident permanently enters a low care or 'extra services' high care residential aged care facility. The 'Extra Services' criterion of care, which is sometimes called 'hotel services' as it only applies to services delivery and not care delivery, provides the resident with such things as a different menu, access to pay TV and perhaps a larger room. This is a choice made by the resident but attracts the need to pay the accommodation bond. If the resident does not choose the 'extra services' criterion on the financial liability stays in the form of a charge against the pension received.

An accommodation bond is an interest free loan made by the resident to the aged care provider with the interest earned from the deposited monies used by the provider to maintain or erect new buildings used for aged care. An accommodation bond is usually derived from the sale of the prospective resident's existing real estate or the refinancing of that property to raise the required surety. This is done at the property owner/prospective resident's own expense.

Anecdotally from member feedback, NSA understands that there is a degree of consumer resistance to accommodation bonds. Some of this resistance occurs because of bad experiences with the current system. For instance, we have been requested by one NSA member to relay his experiences in this submission.

This member's wife had to be admitted to a high-care aged care facility because of dementia nearly ten years ago. An accommodation bond of $200,000 was required before she could be admitted. The jointly owned family home was mortgaged to raise the required amount and the bond was paid out of a joint account established prior to his wife's onset of dementia. According to the member, the aged care facility invested the bond money, kept the interest derived from that investment, and the facility took 5% off the $200,000 capital each year. When his wife died at the beginning of this year, the member asked the aged care facility to return the residual of the bond. The facility refused to do so until he gained probate, in accordance with the *Aged Care Act 1997*.

The member's complaint is that this appears to contradict ACT based legislation, determined in the Property Law Act and the Real Property Act, that property owned jointly, either as 'tenants in common' or 'joint tenancy' is exempt from Probate on the death of one of the partners. He considers this to be unfair, especially when he was required to pay additional costs in establishing probate on what he considered to be joint property.

Some NSA members have raised concerns about the 'uncertainties' in the way the current operation of the bond system works. For example, that in the absence of a fixed value for a bond, the amount is negotiated between the resident and the aged care provider without government intervention, other than the resident must be left with a minimum permissible asset value, which currently sits at $37,500 (calculated at 2.5 times the annual single rate age pension). Others have questioned the lack of a relationship between the level of accommodation bond that a resident pays to the level of care received once they have been admitted to the residential aged care facility.

In this regard, NSA notes that there are suggestions for a distinct separation between the funding processes for care services and funding processes for accommodation/amenity in aged care. It is argued this provides greater opportunity to identify where the funding is going so that it can be better assessed and evaluated and would provide opportunity to remove the anomalies that currently exist between the allocation of funds to care and the allocation of funds to accommodation (Eldercare, 2010). NSA considers this suggestion has merit and should be seriously considered, particularly given that 'unbundling' provides scope for more targeted delivery of the funding; enables increased scrutiny of where funding is directed; and reduces the risk of cross subsidisation (Treasury, 2010)

Meeting future costs of aged care requires thinking outside the historical square of policy responses and departing from traditional models. Government and industry have raised the possibility of requiring bonds from high care residents. NSA believes this is a short-sighted

approach to a bigger issue which requires planning ahead to meet increasing costs in aged care generally.

NSA believes that accommodation bonds may be part of a suite of funding choices for consumers, but are not the only option. In fact, such bonds can be disadvantageous to some consumers, particularly those entering residential aged care for very short periods of time.

Recommendations:

- Explore new funding options for aged care, beyond the current limited focus on introducing bonds for high care residents.
- Maintain a safety-net for those lacking the ability to contribute to the cost of their care.
- Investigate aged care funding models that distinguish between the funding of accommodation/amenity and the funding of care.
- Implement an aged care funding model which encourages competition among providers.

4.3 A regulatory system that enables competition and best quality of care

Despite improvements to the quality of care driven by the regulatory framework developed under the *Aged Care Act 1997* (in particular the accreditation process), NSA believes that the current system is over-regulated, contains too much red tape and impediments for consumers to exercise proper choice and flexibility.

Anecdotal evidence suggests that aged care providers feel compelled to divert resources from clinical care and quality of care in order to ensure compliance with regulatory requirements, such as those relating to having in place certain management systems. This view is confirmed in a report stating that meeting regulatory requirements in the aged care system can come at the expense of providing better quality of care as staff is directed to paperwork (Productivity Commission, 2009).

NSA has previously provided comments on regulation of the aged care system to the Productivity Commission and recommended a reduction in duplicate regulations between Commonwealth and States/ Territories departments/ agencies and a more efficient delineation of responsibilities (NSA, 2008). NSA is of the view that the focus of the regulatory framework should be targeted to improving quality of life and quality of care for residents. It needs to be

robust enough to ensure appropriate check of quality and standard of care but, at the same time, it should not hamper innovation and competition.

The Henry Tax Review states that 'given the diverse preferences of retirees, a single product is unlikely to satisfy all people who wish to manage their 'longevity risk' (Treasury, 2010 p.119). This suggests a need for product innovation within the Australian market Yet innovation in aged care is constrained by funding and regulatory criteria.

NSA advocates for greater competition and more streamlined regulation in the aged care system in order to ensure that consumers are provided with choice and flexibility when deciding on aged care service options and facilities. In an aged care system that focuses on consumer needs, the consumer should be able to shop around and compare different aged care facilities and practices without too much red tape and regulatory burdens preventing him/her from doing so. This would involve the removal of restrictions on places and price controls, and providing consumers with comprehensive information.

NSA is of the view that there is significant scope for streamlining regulations and removing duplication. Regulation in the aged care system is unarguably important, however 'regulation overload' needs to be avoided as it invariably leads to adverse outcomes for consumers. NSA is also mindful that reducing regulations may inadvertently lead to standards not being maintained. Anecdotal evidence from NSA members suggests that even those providers who are fully compliant are not necessarily meeting the expectations of consumers and their families for 'high standards of care'. The focus of the regulatory framework needs to be targeted to improving quality of life and quality of care for consumers.

In relation to quality of care, it should be noted that quality indicators are often developed from a provider perspective and focus on the process of care delivery rather than from the consumer's perspective (Australian Institute of Health and Welfare, 2008). There is currently a movement towards more user-centric measures of quality which involves supplementing the more traditional measures of quality with measures of patient satisfaction with their living environment and health outcomes (Access Economics 2010). NSA endorses this approach and urges that the consumer experience and point of view is of vital importance in informing aged care reform options.

Recommendations:

- Encourage competition in the provision of aged care services by relaxing restrictions on places and price controls.
- Provide consumers with up-to-date, accurate and comparable information on facilities.
- Develop a national framework for evaluating quality of aged care based on measurable quality indicators relating to consumer satisfaction with aged care services.

4.4 Integrating aged care with health and community care

Aged care is a key component of the health system. All Australians should be confident that they, their parents or extended family will have access to affordable, world class aged care. However, aged care is the poor relation of the healthcare sector and it is reaching crisis point.

Australia's current aged care system is fragmented with divided responsibilities between state and federal governments (NHHRC, 2009). The complex and myriad regulatory regime results in confusion for the consumer and stifles innovation. Also, there is little coordination between the structured components of the system and the informal support networks. This makes it difficult for older Australians to plan and take responsibility for their own care, resulting in frustration and grudgingly taking 'the easy option', which is the acceptance of the status quo of service delivery determined by financial limitations.

The National Health and Hospital Reform Commission concluded that 'we need to redesign health services around people, ensuring that people can access the right care in the right setting, with clients having access to a full service menu of health and aged care services necessary to meet the individuals needs and the needs of the ageing population generally, as well as a population that has the potential to require on-going care for chronic illness. The revitalised health service must be well coordinated and integrated through 'shared pathways that provide a continuity of care and multi disciplinary collaboration based on self assessment tools, agreed communication systems with in-built protocols and new and advanced technologies (NHHRC, 2009). This concept fits with the NSA proposal that the aged care system becomes more consumer-centred, thereby fostering a stronger quality of life philosophy for service delivery to aged care clients.

Greater choice in the aged care sector could be better achieved by moving to consumer directed models of care. Such models allow consumers to make more decisions about how resources are allocated for their aged care, which in turn creates more competition in the industry and drives efficiency with quality. Models of consumer directed care are becoming increasingly supported, both internationally and nationally (Tilly and Rees, 2007).

Consumer directed care reduces the reliance on case management services and provides the consumer with the opportunity for more choice and control over the care they receive and when and where they receive it. However, in this empowering process there is also a higher level of responsibility on the user for choosing the best care, at the most affordable price and identifying and contracting the best service delivery organisation. Consequently, these models require public information about quality and other performance indicators to be available, transparent and easily accessible to consumers as they make choices.

NSA has welcomed the government's one-stop shop approach to assist people who enter the complex maze that is aged care services and regulation but believes more can be done to help consumers and their families make informed choices. Currently, the government's Aged Care

Australia website does not give information about the quality of care provided by a residential age care facility. This makes it difficult for residents and their families to compare providers.

The provision of oral health care is critical to the general health of older Australians, including consumers of aged care, because of its impact on nutrition, general health and social functioning. There remains an inadequate recognition of the importance of oral health for older people. With fewer than eight dentists per 100,000 people and 650,000 patients languishing on public waiting lists, dental services are in desperate need of reform. Australia ranks among the bottom third of OECD countries for rates of dental decay among adults, with one in 20 Australian adults having lost all their natural teeth. .

Recommendations:

- Ensure the Commonwealth has sole funding responsibility for the aged care system to ensure a more efficient and coordinated health care system.
- Provide a holistic ‘health care service’ by integrating aged care with health and community care.
- Support the expansion of models of consumer directed care in residential aged care, community aged care and respite care.
- Introduce a ‘health plan’ for every person in aged care (residential and community) including but not limited to dental, mental and allied health care.

5. Conclusion

"We need to veer away from reactive short term strategies and remedies and accept and initiate change" [5]

Demand for aged care will keep on expanding, driven by an ageing population with greater expectations. There are numerous studies and reviews that broadly draw the same conclusions, namely that

- The current aged care system is not working well with quality of care declining over the last decade. As demand is growing rapidly, further tinkering with the system is not a long-term solution.
- Significant investment in aged care is needed, particularly for new facilities and in developing a skilled workforce to deliver aged care. The current system is not sustainable under the current funding model.
- We need to find new ways of financing aged care. A survey of more than 3,200 seniors found that many people would be prepared to pay for high quality aged care, while wanting a safety net for those who cannot afford to pay.

This submission has three key messages:

1. Quality of life and quality of care standards in the provision of aged care are paramount.
2. Consumer involvement in aged care is the key to improving quality outcomes.
3. There is a pressing need to provide Australians with greater choice and quality for their future aged care.

[5] *Bentleys Report on Benchmarking Data for Financial Year 2007/2008, prepared May 2009*

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