

Caring for Older Australians

Productivity Commission Inquiry into Aged Care

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The Productivity Commission

- The Productivity Commission is the Australian Government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians.
- The Commission has three core design features:
 - Independence
 - Transparency
 - A community-wide perspective

The Commission's interests

- The Commission has a well established interest in issues relating to ageing and aged care
- Publications by the Commission in this area include:
 - Inquiry into Nursing Home Subsidies
 - PC Submission to the (Hogan) Review of Pricing Arrangements in Residential Aged Care
 - Economic Implications of an Ageing Australia
 - Trends in Aged Care Services
 - Annual Review of Regulatory Burdens – Social and Economic Infrastructure

What has the PC been asked to do?

- Propose significant reform options to meet an older and increasingly diverse population
- Examine the social, clinical and institutional aspects of aged care in Australia
 - Consider the requirements of special needs groups
- Investigate aged care workforce requirements
 - Develop options to improve access to a sufficient and appropriately trained workforce

What has the PC been asked to do? (cont.)

- Consider the impact of regulation relating to aged specific living options, such as retirement villages
- Assess the medium and long-term fiscal implications of any change in roles and responsibilities
- Develop options for the reform of regulatory and funding arrangements across aged care
- Recommend a path for transitioning to a new system

The PC Inquiry process – key dates

- Terms of reference received – April 2010
- Issues paper released – May 2010
- **Initial submissions due – 30 July 2010**
- Draft report released – December 2010
- Public hearings – January/February 2011
- **Draft report submissions due – February 2011**
- Final Report to government – April 2011
- Report released by Government – within 25 sitting days of receiving report

Why an (other) inquiry into aged care?

- Ageing population, increased demand for services
- Government a regulator and funder of aged care services
- Problems with current system well documented
 - Hogan Review into Pricing Arrangements
 - PC Trends in Aged Care Services
 - PC Annual Review of Regulatory Burdens
 - Senate Inquiry into Aged Care
 - National Health and Hospitals Reform Commission
- Ensure aged care is integrated with health reform

Ageing population

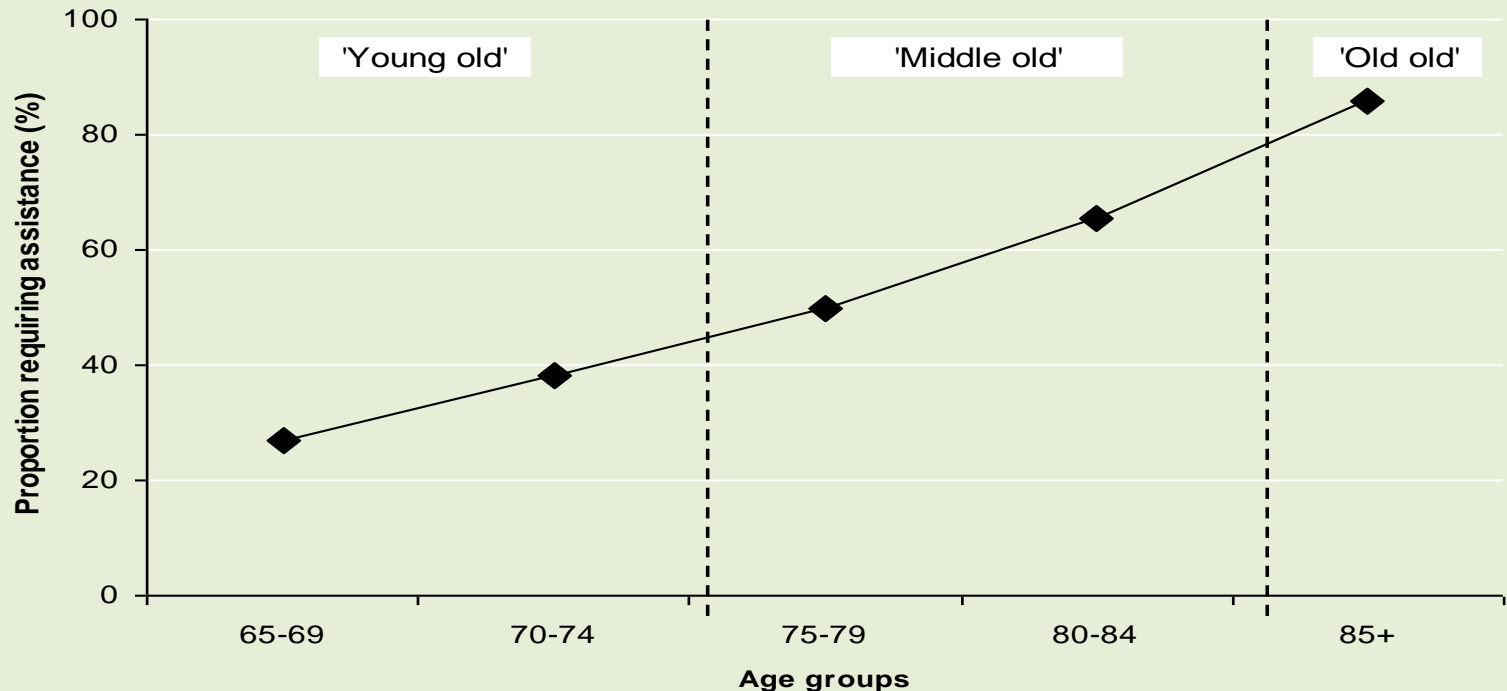
- Large expected increase in demand for aged care services through population ageing and increased longevity

	2010	2050
Population 65+	3 million	8.1 million
Population 85+	0.4 million	1.8 million

Source: Intergenerational Report 2010.

Increasing care needs

- Greater prevalence of frailty, dementia and complex health care needs as people live longer
 - Results in increased need for assistance



Increasing diversity

- More diverse care needs
 - Increasing prevalence of multiple chronic illness
 - Culturally and linguistically diverse backgrounds
- Changing preferences and expectations
 - Strong preference for independent living
 - Expectation of greater choice
- Trends in income and wealth
 - Average wealth to increase – mainly own home
 - Asset rich but income poor – continued reliance on income support in future

Government funding for aged care services

- Large proportion of aged care services funded by government
 - Over 750,000 aged clients receiving subsidised aged care services
 - Commonwealth contributes over \$9 billion
 - States and Territories contribute around \$1 billion
 - Local governments contribute much less
- Expected to increase substantially in future (IGR 2010)
 - 2010: 0.8% of GDP
 - 2050: 1.8% of GDP

Why is this inquiry different?

- Broad remit from government
 - Opportunity to think 'outside the box'
- Prior acknowledgement of current shortcomings
 - Recommendations of previous reviews
- Consideration of structural reform options
 - Not constrained by existing system/programs
 - Blueprint for reform over the next 20 years

The Commission's approach

- Evidence based policy
- Focus on the services the aged need at different points in their life – increasing multiplicity of pathways
- Enable choice in service providers and accommodation settings
- Facilitate continuity in service provision
 - Within aged care
 - With other health and welfare support
- Government subsidies where warranted

What will older Australians need?

- Services
 - Personal care
 - Health care
 - Assistance with everyday living
- Accommodation
 - Community (home and day care)
 - Institutional settings (residential and respite)
- Financial assistance
 - Support where warranted – which people and what services?

What should government provide?

- Policy settings
 - Articulate a vision for aged care
 - Plan to enable supply to meet demand
- Regulations
 - Quality and safety
 - Access
 - Prudential assurance
- Funding and subsidies
 - Fiscal sustainability

Where do providers fit in?

- Respond to demand
 - Meet client needs
- Adhere to government regulations
- Generate profit/surplus to be sustainable
- Operate in a market where possible
 - Competition promotes efficiency and productivity improvement

Regulation

- Some regulation is important
 - Ensure delivery of quality services
 - Ensure vulnerable consumers are not taken advantage of
 - Limit fiscal exposure
- But excessive regulatory burden may be detrimental
 - Reduce choice, flexibility and competition
 - Disincentive for investment
 - Lack of continuity in care
 - Inefficiency in service provision

Funding

- Which services should be subsidised?
 - Personal care and health services?
 - Accommodation?
 - Everyday living expenses?
- What should government subsidies cover?
 - A safety net?
 - Majority of future aged will be pensioners

Interfaces

- Need for a 'whole-of-government' evaluation of service provision to reduce 'cost shifting'
 - Between levels of government
 - Between areas of government including health, aged care, housing and income support
- Remove program boundaries
 - Focus on services, quality and subsidies

Workforce

- Who is best placed and willing to provide the services?
 - Family and other informal carers
 - Volunteers
 - Accredited aged care workers
 - Workers not providing aged care specific services
- Workforce sustainability
 - Remuneration and conditions
 - Appropriate scope of practice, training and planning
 - Incentives for carers and formal workers

Community care – key issues

- HACCC/VHC, CACP, EACH(-D),
 - Funding currently from different programs
 - Limits on number of packages
- Discontinuity when moving between programs
 - Large differences in service entitlements
 - Change in service provider
 - Loss of some services
 - No longer eligible/funded

Community care – key issues (cont.)

- Limited choice under current system
 - Especially with formal aged care programs
 - Regulatory barriers impede choice
 - Almost no opportunity to change providers
 - Limited competition in formal programs
- Sustainability
 - Relative decline in proportion of tax payers
 - Relative efficiency of community care

Community care – improving continuity

- Consider dissolving rigid program boundaries
 - ACFI has 65 different funding levels
 - Community care only has 3 – CACP, EACH, EACH-D
 - Other service interfaces – TCP, MPS
- Remove barriers to providers offering a range of services
 - Consistency in service delivery
- Better align services with needs of users and carers
 - Greater client (and carer) satisfaction
 - Reduce carer burden
 - Provide for special needs

Community care – enhancing choice

- User preferences for choice
 - Information availability
 - Decision making capacity
 - Scope of eligible services
- Regulatory considerations
 - Accreditation for quality and safety
 - Relaxation of planning mechanisms
 - Broader policy objectives – equity and sustainability
- Flexibility of providers to facilitate choice
 - Some markets are not conducive to competition

[www.pc.gov.au/projects
/inquiry/aged-care](http://www.pc.gov.au/projects/inquiry/aged-care)