

2020 A VISION FOR AGED CARE IN AUSTRALIA

THE MYER FOUNDATION

Contents

Foreword

The Myer Foundation works to build a fair, just, creative and caring society by supporting initiatives that promote positive change in Australia, and in relation to its regional setting.

Aged care in Australia at the start of the 21st century compares well with most other countries, but there are problems with the availability of community and residential care and with understanding what is available. In public hospitals, older people are often seen as unwanted customers. As the number of people needing care increases in the years ahead, these challenges will intensify.

However, the gap between the aged care services we have now and the services we want in 2020 can be closed. If we act now we can help to create a fair, just and caring society that values and supports older Australians. To achieve this, our whole community will need to be involved. Together, governments, families and service providers must understand the scale of the challenges we are facing in the aged care sector and commit to strategies for action. Nothing less than a wholesale shift of attitudes is required if we are to develop an 'aged friendly society', rather than purely an 'aged care system'.

The 2020 Vision project set out to imagine what aged care services would best support the journey Australians take into very old age, 20 years from now. In these pages, we paint a picture of the robust, flexible and accessible range of services we hope will be in place by then. Painting that picture was the easy part, as there has been remarkable consistency of opinion about the aged care services we want for Australia by 2020. Consequently, there has been broad agreement about the core issues identified in our five - point plan.

However, there is no one way to make this Vision a reality. Instead of prescribing a single path forward, we identify a range of options that we hope will trigger an informed and constructive discussion about the future of aged care in Australia.

The Myer Foundation has set out on its own journey, inspired by a Vision that the best possible care should be provided for ageing Australians who need it. Initiated by Mr Baillieu Myer AC and his Co-Patron, Sir Arvi Parbo AC, that Vision has been supported by a framework developed by the Foundation.

The unique independence and connections we enjoy as a philanthropic foundation has enabled us to fearlessly explore new ground and bring all sectors to the discussion table.

We thank Project Director, Professor Len Gray, Co-Chairman of The Allen Consulting Group, Dr Vince FitzGerald, Project Manager Jean Elder, Communications Consultant Nicole Newton and their colleagues on the Reference Group. We also thank the many experts and practitioners of aged care who contributed their advice. Not everyone will agree with the conclusions of the report, but we hope it stimulates vigorous and constructive discussion and leads to timely decisions on how to meet the future needs of aged care in Australia.

Lady Southey AM
President
The Myer Foundation

Patrons' Message

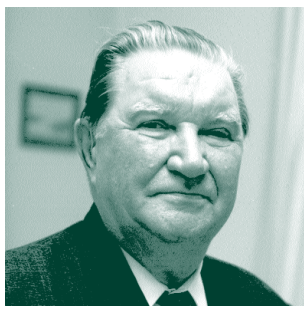
Older people are valued and respected in Australia. This respect must translate into sensitive care and support for those who are frail and unwell. Rather than waiting for a crisis when the number of people needing care increases, now is the time to make plans for the future and to base these firmly on fair and just policies. *2020 A Vision for Aged Care in Australia* looks at what is being achieved now, the issues we are likely to face over the next 20 years, considers what needs to be done, and presents options for marshalling the necessary resources to move forward.

This project report and the detailed research papers available on The Myer Foundation website (www.myerfoundation.org.au) present an informed account of current aged care issues and we hope it will help drive policy changes for the years ahead. Difficult decisions spanning all levels of government, the commercial and not-for-profit sectors will need to be made to ensure a positive future for frail older Australians.

The Myer Foundation and the philanthropic sector in general are uniquely placed to make a difference to the future of aged care. We hope that community response to this project draws on the humanity and compassion common to us all, regardless of our background.

As Patrons, we are committed to helping achieve this Vision and hope that our community works together to create the necessary changes.

Mr Baillieu Myer AC
Project Patron



Sir Arvi Parbo AC
Project Patron

The Vision

Reform of Australia's aged care system is the key to meeting the care needs of a growing population of older Australians in 2020. By then, we want older Australians to be confident they can access the care and support they need, when they need it.

Aged care services will reflect the fundamental changes in the nature of the Australian population, in which one in four older Australians will be from culturally diverse backgrounds.

From 2020, we hope older Australians will find it easy to access care. Effectively coordinated services by all levels of government will make it simpler for older people to know what services are available and how to access them.

More Australians will be living in their own homes as they age, supported by dramatically improved community care services and more 'age-friendly' housing.

There will be more housing options for older people. Modification to building design and advances in new technology will ensure that the physical environment accommodates people with disabilities. Cluster housing arrangements, often close to amenities, will enable people to have safe, manageable environments within the general community.

The coordination of care will be fundamentally reformed, with clear responsibilities for each tier of government within a national framework. Resources will be distributed equitably across regions, with local flexibility to adjust the mix of community, hospital and residential services. This will be made possible by unprecedented co-operation between governments and among providers across the private (for profit), charitable and public aged care sectors.

Extensive reforms will have been achieved in community care. This well resourced and vibrant sector will be a cornerstone of Australia's aged care services and will provide a viable, flexible and robust network of care that enables older people to live independently in their own homes as they age. The value and importance of voluntary care for older Australians will be acknowledged and built into the way services are developed.

An integrated network of services that meets the changing needs of individuals will have replaced the existing funding divisions and classifications that separate residential from community care, and high from low-level care. Accessible respite care will be a key feature of aged care services and will complement an expanded community care network. This will prolong the ability of older Australians to care for themselves in their own homes and delay permanent entry to high-level residential care wherever possible. Acute hospital and community-based services will work closely together and a range of post-discharge services will ensure safe transition from hospital to home.

Funding for aged care services will have been reformed, with additional revenue streams financing a robust and integrated range of aged care services. Financial reform within a framework of social equity will provide clear provisions for quality services for older Australians without adequate financial resources. Access to care will be determined by assessed need and level of dependency, not by ability to pay or service availability.

People working in the aged care sector will not be financially disadvantaged and will enjoy wage parity with Australia's broader health and welfare system workforce.There will be more investment in aged care education, which will be seen as an attractive field in which to work as part of a committed, enthusiastic and well-trained workforce. Many older people, who in previous decades might have retired, will participate in care-giving in both voluntary and paid roles, often part time.

The 2020 Vision for Aged Care will be achieved through targeted research, policy coordination, political goodwill and sector development that will ensure the viability, effectiveness and continuous improvement of Australia's aged care system beyond 2020.

This Vision can be achieved through reforms in the following five areas: community care, housing, administration, funding and industry planning.

1. Community care

*Mr Adams is cared for by his wife after suffering a series of strokes. Mrs Adams is helped with day care, nursing visits, occasional respite care and housekeeping. But they had to wait a long time to get this care and Mr Adams was assessed at least five times by different teams and visited by more people than Mrs Adams can remember.**

Australia will need expanded, robust and effective community care to assist the vast majority of older people who need care and want to receive it in their own homes. Substantial reform is required, including:

- Increasing funding to the community care sector to ensure older people needing support in their daily lives get access to a range of services that meet their changing needs
- Establishing a national program integrating the full range of required community care services
- Ensuring equity of access to similar services based on assessed need across all regions of Australia
- Expanding and improving the efficiency of community based care by supporting the development of comprehensive care providers
- Recognising the key role of hospitals in a care system designed to support frail older people in the community
- Supporting the central role of informal carers in providing community care

2. Housing

*Until the age of 83, Mr Banh has lived alone in his family home with 10 steps at both entrances. After fracturing his hip, even with hospital-based rehabilitation, he can no longer get in and out of his home and his family is concerned about his safety. Mr Banh and his family must decide if he can move back home or if he needs to move to a low care residential facility when he is discharged from hospital.**

**These names and case studies are fictitious*

Innovative, accessible housing arrangements and community infrastructure need to be developed so older Australians can live in their own homes and communities as they age. This can be achieved by:

- Ensuring that a significant percentage of new housing is built to meet the Australian standard for adaptable housing by 2020
- Establishing national guidelines and standards for 'aids & appliances' and 'home modification/home maintenance' programs that are funded and administered as part of a comprehensive community care scheme
- Developing a range of new community housing options for frail older people
- Using effective urban design to create more age and disability friendly built environments

3. Administration

*Mrs Costos is a very frail 79 year old who suffers moderate dementia. Her husband, who has heart problems and osteoarthritis, cares for her at home. Mrs Costos was admitted to hospital after a fall. Now back home, she needs more assistance than she did previously. Mr Costos learnt he would have to wait for six months before receiving additional community services to help him care for his wife. The staff at the hospital have advised him to arrange residential care for her. Even though Mr Costos is not comfortable about this, he doesn't see what else he can do.**

Responsibilities for policy development, planning and provision of Australia's aged care and health services need to be clarified and redistributed across all levels of government, under a national policy framework. This can be achieved by:

- Ensuring the Commonwealth Government, with the states, sets and benchmarks national standards and performance measures and provides appropriate levels of funding
- Commonwealth and state governments agreeing on an administrative framework that aligns responsibilities across all aged care and health services

- Implementing strategies to streamline the administration of care over the short to medium term, including better coordination and regional pooling of funds
- In the longer term, working towards the Commonwealth being responsible for national policy development with the states having direct administrative responsibility for health and aged care programs

4. Funding

*Mrs Donaldson managed to live alone with constant support from her daughter. As she became more frail, her daughter worried about her nutrition and safety. After a fall, Mrs Donaldson became incontinent. As a pensioner, she has no assets other than her home. She is not able to afford any more help and with her daughter, decided to apply for residential care. Even though this arrangement is more secure, Mrs Donaldson's daughter is not happy about the standard of care her mother now receives.**

A funding model needs to be developed that will deliver the significantly greater resources needed over the next 20 years to increase and broaden the range of available services and improve service standards. This can be achieved by:

- Separating funding for the accommodation, hotel (or living) and care components of aged care services
- Increasing public resources to fund high-quality care services
- Identifying new short and long-term sources of funding for aged care services which could include:
  - Mechanisms to enable people to access resources within their own home - such as 'reverse mortgage' products – so they can contribute to accommodation costs if they are not being cared for at home
  - A form of pre-funding, such as an individual-based compulsory savings schemes or a universal social insurance scheme, to provide additional funds to underpin the 'care' component of services

5. Industry planning

*Mr Edwards suffered a serious stroke and is now being cared for by his wife and daughter at home. His behaviour is sometimes difficult and with grandchildren also living at home, the family would like to use respite care frequently. However, only one agency, based a long way from their home, can provide three weeks of respite care each year. Mr Edwards can access day care one day a week, but he uses no other services.**

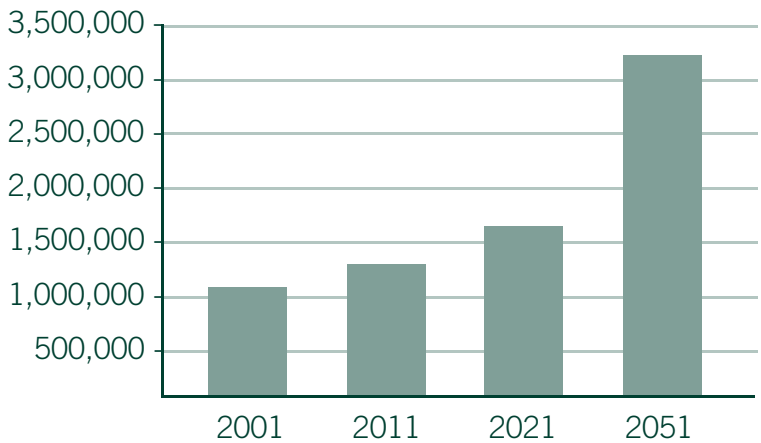
Successfully providing excellent aged care depends on a vibrant, strong and efficient industry. This can be achieved by:

- Developing an aged care industry plan that shapes:
  - Appropriate roles for private and public, for-profit and not-for-profit providers
  - The range of service types delivered by any one provider and the links to acute care and other services
  - The concentration or amalgamation needed to achieve economies of scale and efficiencies in operation
  - The expanded role of the community care sector in the scope of the plan
  - Integration across the community, residential and hospital sectors
- Ensuring there are enough, well remunerated and qualified workers to deliver future aged care, through workforce planning, education and training
- Developing a national aged care research agenda
- Developing and harnessing new technologies

Existing aged care services will not be able to deliver the quantity and quality of services we will need over the next two decades. Modelling work done by The Allen Consulting Group estimates that by 2020 it will cost an extra $4.8 billion (60%) per year in today's terms to provide the current level of services (an estimated $12.1 billion in total aged care costs in today's terms compared with the current $7.3 billion). These costs will increase as we create solutions to the significant problems we already face.

The first of the 'baby-boomers' will start to enter very old age from 2020. From this time on, demand for aged care services will accelerate. In 2020, the number of older people will have increased but the number of working age people will not change. From 2001 to 2021, the proportion of Australians aged over 65 years will increase from 2.4 million (12.5% of the total population) to 4.2 million (18%). By 2021, there will be close to 1.7 million people aged over 75 years, and 480,000 over the age of 85.

Number of people aged 75 years and older 2001 to 2051



Source: ABS 1998

Without significant adjustment to taxation and identifying new funding streams, governments alone will not be able to meet these costs. As a community, we need to debate the difficult issues about funding for aged care and identify new funding streams that are equitable yet meet the care needs of all older Australians.

We need to fundamentally rethink the funding and organisation of aged care services to meet future needs. The ageing of the population will affect every Australian over the next 20 years as every family faces the challenge of arranging care and providing support for their ageing relatives.

In 2002, it is difficult for older Australians to find their way through the wide range of formal services and assistance available to people needing some form of direct care. Services are provided through a diverse number of separately funded programs and range from hospital, medical and pharmaceutical care through to services and assistance designed to care for frail and disabled older people in their own homes. Some programs also specifically support carers (such as spouses and family members).

Aged care services

Aged care services are currently provided through at least 30 different funded programs with a range of eligibility criteria and access points. Community and residential care, together with primary care and hospital services are the main elements of aged care services.

Community Care:
- **Funded** by Commonwealth and state/territory governments, either separately or combined with local government contributions and modest consumer co-payments
- **Services** include district nursing, home help, day care, respite care, food services and more. Some case management or service coordination is provided for people with complex needs

Hospital Care:
- **Funded** through Commonwealth-state agreements and managed by the states
- **Services** acute health care, geriatric assessment units, rehabilitation and a range of specialist community and ambulatory services including clinics and day hospitals

Medical Care:
- **Funded** by the Commonwealth on a fee for service basis
- **Services** include general practice and specialist medical services

Residential Care:
- **Funded** by the Commonwealth to provide both accommodation and care. Includes co-payments from recipients for both care and accommodation
- **Services** include residential care covering both high and low care

In 2002, 33.5% of people aged 70 years and over use any form of formal government-funded aged care services: the majority (26.2%) use community care services and 7.3% live in residential care services. (These community care figures include people who may have only used one service in the year.) Many people will face the prospect of leaving their home to enter residential care towards the end of their lives. From the age of 65, 28% of men and 46% of women will at some time in the future be admitted to residential care. The majority are admitted after the age of 80 years. On average, people admitted to residential care live there for 2.7 years. However, more than 30% of people permanently admitted to high care die in the first six months and 50% die within 12 months.

Almost 20% of those people aged 65 or more (0.5 million people in this age group) report having a profound or severe disability – so they require assistance with self-care, mobility and communication. Many more people need low levels of support to help them cope with their daily lives - indicating a considerable gap between people needing formal assistance and those currently able to access services.

Older Australians also access the full range of health services available to the general population, from general practitioners to acute hospital services. Hospitals provide older people with a range of services including acute care, geriatric medicine and rehabilitation and convalescent services. The 12% of the population aged over 65 years account for about one third of hospital admissions and half of the total bed occupancies.

However, family members provide most direct personal care to older people. More than 125,000 primary carers, usually partners or other family members, provide informal care to people aged 65 and over. Nearly half of these informal primary carers spend 40 hours or more each week providing care, and this proportion increases with the age of the carer.

Formal care is provided in the private, not-for-profit and government sectors. There are a large number of small providers of care: 2984 certified residential aged care providers and about 4000 community care service providers. The community care service providers are almost entirely not-for-profit and many rely on volunteers to provide services.

Despite this plethora of services, there is considerable unmet need recorded by older people. The 1998 ABS Survey of Disability, Ageing and Carers reported that 40% of people of all ages with a major disability, who live independently and need assistance, felt that their needs were only partly being met. People aged 65 and over make up around one third of all people in this group.

In June 2002, an older person had to wait much longer for residential care than they did in June 1999. Nearly 20% of people wait more than three months for high-care facilities and around 34% must wait three months to enter low-care facilities. In its report: *Australia's Welfare 2001*, the Australian Institute of Health and Welfare noted that home and community care services had failed to expand in line with population growth and that levels of care in some types of service had declined.

The Commonwealth rations access to high-cost residential care (and equivalent high-level care) through Aged Care Assessment Teams. These teams assess older people who are seeking access to residential care and community aged care packages. Individual service providers usually determine who is eligible for home support such as home nursing or home help.

There are fundamental gaps in the current range of services, including a lack of rehabilitative care, hospital assessment services and high-level residential care, and a serious shortfall in community care and wide variation from region to region. Services are not evenly distributed across Australia and most have specific eligibility criteria and assessment processes.

Bluntly, it is very difficult for many older Australians who need care to get access to the advice, support and care services they need. Our aged care system is fragmented, with no easy points of access and in many regions, too few resources to meet needs. The same older person might need community and residential care at different stages of their life, but to get it they have to negotiate with different organisations and tiers of government, with different rules and protocols. Where and how each older person lives has a significant impact on their health and the level of care they need – but there is no systemic coordination of health and housing policy and planning which would address the varying needs of older people. These issues underpin the changes required to Australia's current aged care system and are detailed in the Vision's five-point plan.

In 2020...

The health of older people influences the number of people needing care and the kind of care and support they need. But healthier old age and increased longevity does not uniformly reduce demand for aged care services. Demand for residential care is currently concentrated in the two years before death and improving health status may only delay this demand.

Disability rates among older people are unlikely to be significantly reduced in 2020, although better illness prevention and disease management may improve the general health status of older people. This will come through better management of cardiovascular and cerebrovascular conditions and cancer and smoking related diseases, as well as diabetes, arthritis, injuries from falls and depression.

Dementia is now a major cause of older people losing years of their life to disability. Moderate to severe dementia becomes much more common with age and the number of Australians with dementia is expected to more than double over the next 30 years. In spite of some small gains in treatment, there is now no clear evidence of any treatment that will substantially prevent or slow the progression of Alzheimer's disease or any other common form of dementia, which would significantly alter the associated demand for care.

Investing more in preventative health measures offers the promise of gains that would vastly improve the health and quality of life of older people. Better management of conditions such as incontinence and investment in health technology (such as hearing aid technology) could enable radical improvements in the way many older people live. Preventive strategies that compress the average period of dependency before death are important in improving the individual wellbeing of older people and in reducing the overall cost of care.

In 2020, we expect more older people will live alone as a result of increasing divorce rates, smaller families and fewer old people living with their children. As current generations of immigrants age, more older Australians will be from diverse cultural and linguistic backgrounds. By 2011, an expected 40% of older people (65 and over) living in Melbourne, 36% in Sydney and 34% in Perth, will be from non-English speaking backgrounds.

By 2026, one in every four people over the age of 80 will be from non-English speaking backgrounds. These populations will be unevenly distributed and concentrated in Australia's capital cities.

This rich cultural and linguistic diversity has major implications for both the range and type of services we provide. In 2002, older people born overseas who are from non-English speaking backgrounds use residential care less and community aged care more than people born in Australia and those born overseas from English-speaking backgrounds. If this pattern continues, Australia will need more intensive and flexibly provided community care services.

Older peoples' needs will shape future demand for services. Older people today prefer to live in their own homes – provided they have adequate and appropriate housing and support services. However, the primary carers who support and care for older people living at home may not share this preference. There is no indication that older people in 2020 will have different preferences, so this has significant implications for the scope and accessibility of community based services our community will need.

It is difficult to predict the likely levels of informal and family support that will be available in 2020. Given that support from family care givers is the major form of support for older people in 2002, we must learn more about the directions of future intergenerational relationships and explore innovative ways of integrating formal community care with this informal support.

Where older people will be living in 2020 – their spatial distribution – will also shape the range and type of aged care services. Current demographic patterns are changing. The older population is now concentrated in major urban areas, but is growing fast in outer urban areas with populations of less than 100,000 people. In metropolitan areas, the aged population is becoming decentralised. In non-metropolitan areas, many older people are choosing to live in coastal resorts and country towns.

These trends have implications for the future location of services and facilities and the size of facilities. We will need to develop alternative care options to meet the needs of geographically diverse communities of older Australians.

1. Community Care

In 2002, there are many community care programs provided by a diverse range of about 4000 service providers, through a complex mix of administrative arrangements. The two main government-funded community care programs providing practical support to enable frail older people to continue living in the community are:

- The Home and Community Care (HACC) program jointly funded by Commonwealth and state governments and administered by the states. HACC providers range from 12 large agencies with budgets of over $5 million, to many hundreds of small agencies with budgets of less than $50,000 per annum. About 25% of HACC funded services are provided to people with disabilities, who are younger than 65 years
- Community Aged Care Packages (CACPs), which are intended to provide the equivalent of low-level residential care at home, funded by the Commonwealth

Smaller programs include:

- Extended Aged Care at Home (EACH), which provides the equivalent of high-level care at home and has recently been funded by the Commonwealth as an ongoing program
- A range of community care services provided by the Commonwealth Department of Veteran Affairs under its Veterans' Home Care scheme
- A number of programs such as Carer's Allowance and Carer's Pensions, provided to carers through direct Commonwealth support

Fragmentation of the current system

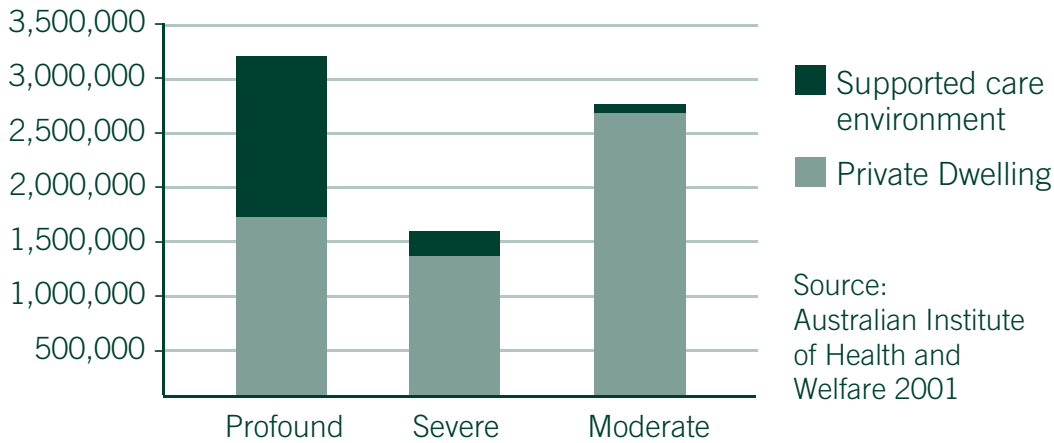
It is difficult for older people who are trying to plan their own care. Most community care programs do not have agreed national targeting criteria or benchmarked standards of care. Availability varies widely across regions and there are no joint planning arrangements for providing community and residential care. There is little coordination between the formal parts of the system and informal support networks.

As a result of this fragmentation, which is made worse by the rigid boundaries around particular kinds of care, there is a lack of flexibility and limits on choice of care for individuals and high administrative costs for providers. Combined with an overall lack of funding, this leads to inadequate levels of service for many people who need care.

Service Usage

Community care programs provide services to meet the very diverse needs of older people living at home in more varied and less controlled settings than people living in residential care environments. This complexity of need makes it more difficult to decide how community care services are targeted and allocated.

Living arrangements of older people by severity of disability



Source: Australian Institute of Health and Welfare 2001

By far the greatest volume of home care services is currently provided though the HACC program. However, this care tends to be spread rather thinly. Victorian figures for 2001-02 show most older people (90%) using HACC services received less than 14 hours of assistance per month, with many people getting less than one hour a week. Most HACC users receive only one or two types of service, such as home help or personal care. The minority of people who get more intensive levels of care have similar needs to people receiving CACPs and EACH care packages.

There is evidence of considerable unmet need for basic home support services - and a small but significant proportion of highly dependent people use only low levels of HACC service. Therefore low levels of service use do not necessarily imply low levels of need. It has also been demonstrated that access to the most basic support service increases the chance that people with all levels of dependency can remain living in the community.

The current sharp demarcation of funding and services between residential and community care reduces care options for older people with high dependency. Evaluation of the EACH pilot program demonstrates that for the same investment, it is possible to provide the equivalent quality high level care in the community as is currently provided in residential care. The pilot program also supports the expansion of more comprehensive service providers. This contrasts with the existing trend towards funding agents who then broker and 'case manage' packages of care from many single service providers, incurring greater administrative and overhead costs. Australian and international reviews of case studies conclude there is little evidence that case management is cost effective for people without chronic conditions requiring multiple services. However, ongoing monitoring and coordination of people needing low level care remains important.

Goals for 2020

It is likely in 2020 that more older people will be living in less densely populated areas of capital cities (with populations of 100,000 or less) and some non-metropolitan areas. They will have had the benefit of substantial innovation in housing options, better access to adaptable housing and the encouragement of more supportive communities, and many older people needing care will be able to continue living in their own homes for longer.

Their needs for community-based care will vary widely with some people requiring low levels of help to maintain or improve their independence and others needing much more intensive care. This care will range from one or two basic support services (such as help with meals or housework) through to an individually tailored, intensive and coordinated care program that includes medical and nursing care, personal care, access to aids and appliances, as well as respite for informal carers. The following list outlines a possible range of future community based care services.

Comprehensive community-based care of the future will encompass a range of services:

- Nursing care
- Acute health care
- General practice medical care
- Community pharmacy
- Home help/housework
- Personal care, e.g. assistance with showering, dressing
- Home maintenance and/or home modification
- Aids and Appliance
- Food services, either home delivered, assistance with meal preparation, shopping or centre-based meals
- Respite care, e.g. in day centres, in-home or residential care
- Transport
- Allied health e.g. physiotherapy, occupational therapy
- Day centre/activity programs
- Rehabilitation
- Carer support
- Education or training for service providers and/or users
- Information
- Coordination (where needed)
- Case management (for people with complex care needs)

The nearly 0.5 million people who are aged 85 and over in 2020 will need to be able to confidently access a full range of affordable, appropriate and high quality services that meet their changing needs. Assessment of peoples' care needs must be comprehensive, because of the complexity of care required and the costs involved. Providing care to more older people with high dependency needs at home will demand new approaches. The current trend to simply expand the number of agents who broker packages of services will not be sustainable.

We will need a new national framework that brings together the funding and administrative functions of the current range of community care programs, including aids and appliances and home modification services, together with the other services listed above. This will involve radical changes to the way these services are structured, provided and integrated with other health services and residential care. Reform will be most effective if it is underpinned by financial reforms that lead to the introduction of a consolidated funding system for residential and community care.

Achieving these goals – some options:

Some key principles that might support a new national community care program include:

- A national policy and planning framework defining national objectives, strategies and outcomes to be delivered at state and regional level
- Equity of access to similar services based on assessed need across all regions of Australia
- Standardised levels of an individual's co-payments for services across all regions
- Access to services to be broadly based on the assessed need of older people regardless of their income, with the comprehensiveness of the assessment process being matched to the level and complexity of the services sought
- Targeting strategies to ensure that an appropriate balance of funding (based on population benchmarks) is available for both low level care services and more intensive high level care
- Strong and effective links with a responsive hospital system which is an integral component of an effective community care system
- Consolidate care provided locally or regionally and encourage providers to deliver a comprehensive range of services so older people deal with as few individual providers as possible
- Quality assurance frameworks, accreditation and standards established for all providers of services

Some key issues to be resolved in developing a national comprehensive community care program include:

- Whether individuals receive an actual benefit or service, or an entitlement to receive these benefits or services. This entitlement would mean that people who qualify for assistance on the basis of their care needs receive specific funding which they can choose how and where to allocate
- Whether or not these services or entitlements are capped in some way
- Whether to combine these options, so only people with high dependency needs receive an entitlement, while people with lower care support needs have more universal access to basic services with these providers receiving block grants
- What links or interfaces are made with other related services such as acute health, housing and disability
- Whether providing community-based treatment and support for people discharged from hospital or who receive other acute episodic treatment, warrants a separately funded program

2. Housing

Many older Australians want to continue living in their own homes in familiar local communities, but most Australian houses are not designed to meet the needs of people as they age or develop severe disabilities. Most houses are built with entrance steps or with doorways too narrow to accommodate wheelchairs. At the moment there are very few options available for providing practical home maintenance or home modification to support people who become increasingly frail, but who want to remain at home.

A range of funded services (such as HACC Home Maintenance Service and various state government administered schemes) currently provide limited assistance for home maintenance, home modifications, and aids and appliances to enable older people with some degree of disability to live in their own homes. But more than 90% of people of all ages with a core activity restriction have not had home modifications and only 40% have access to aids and equipment.

Home modifications and aids and appliances can improve the quality of life as well as reduce injuries amongst older people. Falls are responsible for much pain and suffering of older people (as well as being the cause of a significant number of deaths) with more than 45,000 episodes of hospital care in 1997-98 resulting from falls in people over age 65.

Affordable housing is a real issue for many older people living alone in the large family home, with only the pension as income. They are 'asset rich but income poor' and increasingly unable to maintain their home. Some older people in this group are able to sell their home and move to a retirement village, but this usually involves moving to a new locality away from friends and neighbours. There are a limited number of new models being trialled to explore the viability of older people finding someone to help them in their own home for a fixed number of hours per week in return for free board and lodging.

A small but significant group of older people (12% of all people aged over 65 years) rent privately or live in public housing. These people are particularly vulnerable, as they have a low income and no other assets, and often suffer poorer health. The Abbeyfield House model provides supported housing in which groups of ten people live with a live-in paid housekeeper. Creative solutions like this can provide a form of housing for more independent low-income older people.

For very frail low-income people and/or homeless people, there are other forms of supported housing available. For example, in Victoria, licensed supported residential services accommodate around 4000 older people. However, there are real concerns about the continuing viability of these residences and the standards of care they can provide.

Goals for 2020

Enabling older people to live safely in their own homes as long as possible as they age will involve radical changes to Australia's approach to housing and associated support services. Minimum standards of accessibility will need to be introduced so that adaptable housing becomes the norm. A greater range of housing and accommodation options will be developed. These will be supported by more robust community care services, including well resourced aid and appliance programs and home maintenance or modification programs.

Achieving these goals: some options

A wide range of initiatives could make this possible. Options we need to consider include:

A: Accommodation with 24-hour care facilities
Integrating independent accommodation options with access to 24-hour care facilities. This could include both retirement village style accommodation or the construction of independent units linked with residential care facilities to improve access to care. Housing of this sort could be available for purchase and rental to accommodate the needs of the minority of older people (primarily women) who have limited resources or do not own their own home.

A broader range of supported housing options will reduce the need for older people to prematurely enter expensive residential care. Frail, older Australians who need significant support will be able to live in their own home in the community, but have easy access to care services when they need them.

B: New Housing
Ensuring a significant percentage of new housing is built to meet the Australian standard for adaptable housing by 2020.

Accessible housing is fundamental to improving both the safety and the possibility of older people remaining in their own homes.

C: Home aids and home modification/maintenance
Establishing national guidelines and standards for an aids and appliance program, and a home modification and maintenance program, leading to their funding as part of a comprehensive community care scheme.

D: Age and disability friendly community environments
Encouraging good urban design, to create more age and disability friendly, local community environments which help to develop a more inclusive society where all members can contribute and older people enjoy better physical access to all services/facilities.

Some immediate and medium term goals that would achieve these outcomes include:

- Government and industry agree to a target date by which a significant percentage of new residential dwellings are adaptable to the Australian Standard (Level C of AS 4299)
- Commonwealth Government to establish national guidelines and standards for aids and appliances, and home modification and maintenance programs, to ensure these programs become funded as part of a comprehensive community care scheme
- State and local governments to encourage urban design that provides accessible transport and access to shopping centres and other community facilities
- Fund projects promoting the development of new housing models for congregate housing. This could involve joint initiatives from philanthropic organisations, government, the building industry and the not-for-profit sector
- Monitor the implementation of the adaptable housing building codes and report regularly on progress

3. Administration

The mix of Commonwealth and state government responsibilities for health and aged care has led to service fragmentation and consequent attempts to shift costs between programs and jurisdictions. As a result, there is disagreement about which level of government should fund the care of people waiting to be placed in residential care from hospitals, or the care of people requiring community services after they have been discharged from hospital.

The 'compartmental' approach to the organisation of the aged care and health systems has created gaps in care for older people. A lack of rehabilitation and convalescent care triggers premature or inappropriate decisions to transfer people from acute hospitals to permanent residential care. In 2002, hospital-based rehabilitation and geriatric assessment is primarily administered by the states, while one of the benefits – reduced demand for permanent residential care – falls to the Commonwealth.

Although efforts are being made to address some of the these problems – for example the Commonwealth and state governments are currently jointly funding transitional care pilot programs that may fill particular gaps - there is a risk such arrangements will increase the complexity of the system further. Importantly, they do not resolve the fundamental problem of two systems operating independently, with little focus on the often complex and changing needs and preferences of individuals.

A further lack of integration occurs within the aged care system itself. There is inadequate coordination of the planning of residential and community care, essentially because of the lack of coordination between Commonwealth and state levels of government, different funding and client contribution arrangements for various parts of the system and a lack of coherence in community care arrangements.

This results in a high degree of fragmentation, often with rigid boundaries at the edges of particular types of care, a consequent lack of flexibility and effective choice of care for individuals, and high administrative costs for providers.

Goals for 2020

The clearest option to improve current arrangements is to clarify and redistribute responsibilities for aged care across the various levels of government. Without this we may achieve benefits and change at the margin, but services and funding arrangements will remain fragmented, complex and inflexible. Too little attention will also continue to be paid to areas that invest in keeping older people healthier and more independent over time and which keep costs down only in the long term. This includes preventative medicine, low level community care support and support for carers.

The importance of coordinating the planning and provision of a range of services for older people, and the nature of Commonwealth-state responsibilities in other areas, strongly suggests that the states are best placed to plan aged care services, with regions or local communities arranging to provide them.

In this scenario, the role of the Commonwealth would be to work with the states to establish a national framework for aged care, including setting and benchmarking standards, and providing appropriate funding to the states that reflects the shift of responsibilities.

These administrative reforms would be underpinned by financial reforms that would see the introduction of a consolidated funding system for residential and community care.

Achieving these goals – some options

A: Minimalist option — better coordination

At a very basic level, much better communication and co-operation between the two levels of government in planning for aged care (and other policy issues), including the establishment of Commonwealth-state working groups, would improve current arrangements.

A mechanism to allocate administrative responsibilities between jurisdictions is required. This will involve deliberation and negotiation at the highest levels of government. It is not simply a matter of whether the Commonwealth or states hold overall administrative responsibility for aged care, health, or housing, but an issue of how these responsibilities are aligned and coordinated.

B: Regional management and fund pooling
As a medium term goal, Commonwealth and state funding for aged care services to be pooled into a single fund and managed at regional level through an advisory board of stakeholders, with clear responsibilities for decision-making. This system could later be expanded to include a broad range of services, including health.

Giving regions responsibility for providing a range of services:

- Helps break down barriers between various types of services, resulting in more flexible services focussed on local needs
- Provides incentives for investment in preventative and low level care
- Possibly, reduces administrative and compliance costs

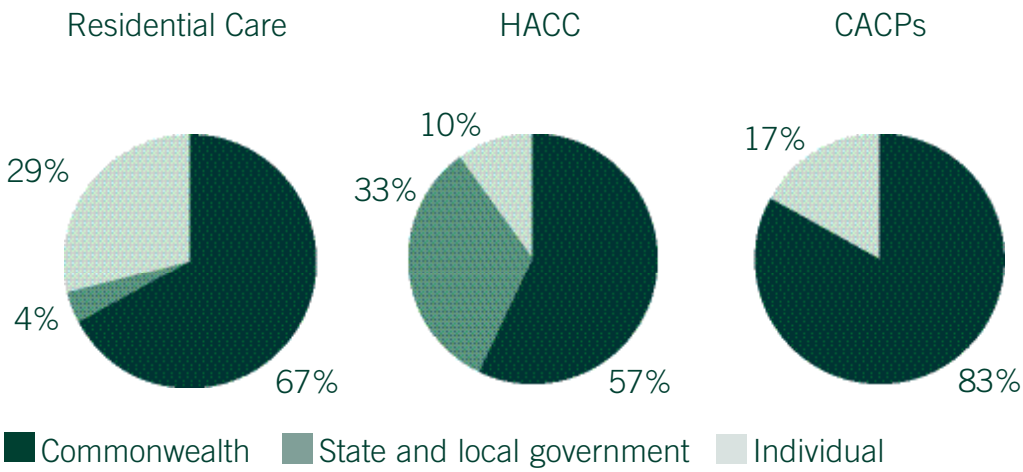
Sharper focus on the needs and preferences of individual communities would help to make providers more responsive to the needs of their clients and improve the choices available to the people using the system. Ensuring people using and providing services are located close together increases the incentive for providers to operate efficiently.

C: Fundamental Administrative Reform
In the longer term fundamental administrative reform will be required to achieve significant policy and program planning integration across health and aged care. In this option the Commonwealth would be responsible for national policy development with the states having direct administrative responsibility for health and aged care programs.

4. Funding

The formal aged care service system is currently funded from a range of sources, including all levels of government and individuals. Most current funding is from the Commonwealth Government, although both the private and not-for-profit sectors invest significant capital funds from private sources. In addition, family members, other carers and community organisations contribute substantially to the care of older people.

Main Funding Sources for Residential care, HACC & CACPs



Source: Estimated by The Allen Consulting Group

Concerns about current funding arrangements centre on:

- The adequacy of funding, with the community expressing concern about the nature, quality and amount of care available in some parts of the aged care sector and providers arguing that subsidies and client contributions do not cover costs
- The complexity of the current arrangements

Residential care

The Commonwealth Government provides most funding for residential aged care services: $3.9 billion in 2000–01, or about 70% of the total cost of residential care. Permanent residents of these facilities contribute most of the remainder, with some income from charitable sources, donations and state governments.

All residents make a Standard Resident Contribution towards the cost of care, with the maximum set at 85 per cent of the age pension. There are also income-tested fees for part-pensioners and non-pensioners and the subsidies paid to providers are reduced by the amount of the income-tested fee.

New residents also contribute to the cost of their accommodation, subject to an assets test. Residents entering low-level care may be charged an upfront accommodation bond, while residents entering high-level care may pay a daily accommodation charge. The difference in capital funding arrangements for high and low care means that less capital funding is available from residents for high care than for low care. Small facilities in rural and more remote areas, together with facilities in less wealthy metropolitan areas, face limited access to capital. It is widely recognised that current arrangements for capital contributions to high care residential places are not sustainable.

Recently, the Commonwealth Government announced a review of pricing arrangements in residential aged care, which will examine current and alternative funding arrangements and financing options for the sector.

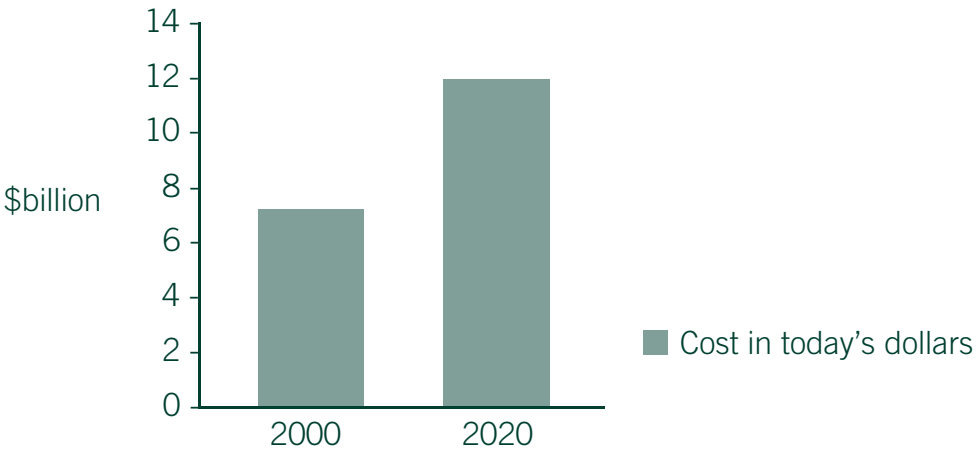
Community care

Total government expenditure on HACC was $932 million in 2000–01, with around 60% contributed by the Commonwealth and 40% by state and territory governments. In some regions, local government also contributes through its rate base to the provision of aged care. Expenditure by the Commonwealth Government on its CACP program totalled $195 million in 2000–01. The contributions of individuals to the cost of community care vary, usually between 10 and 20 per cent of the service cost.

Future needs and resources

Projected growth in the number of older Australians means that the cost of providing aged care will grow over coming decades. Modelling work by The Allen Consulting Group projects the total cost of providing aged care could rise by almost 60% by 2020 if the current aged care system was to continue broadly unchanged – from 1.17% of GDP in 2000 to 1.84% of GDP ($7.3 billion to $12.1 billion in today's terms). Existing cost pressures in the system (nurse wages and capital costs) suggest that the rise could be even sharper, although a continuing shift from residential care to community care may limit total cost increases to some extent.

Projected costs of aged care 2000 to 2020



There are always uncertainties associated with projecting the future and the precise magnitude of future costs is a matter of debate. However, it seems likely that future funding for aged care will be a challenge, both because of rising costs as the population ages and because of dissatisfaction with various aspects of the current system, including unmet demand and current funding of capital costs in residential high care.

The current system of funding aged care relies heavily on contributions from the Commonwealth Government and therefore on inter-generational transfers between people of working age (taxpayers) and older people. Relatively rapid growth of the older population, combined with trends such as beneficial but more expensive medical treatments, means that the Commonwealth will face pressure to spend more in a number of areas, particularly health. Slower growth in the working population suggests that revenue growth may not keep pace. Our community may be left with the difficult choice of accepting taxation rises or reduced subsidies unless alternative sources of funds can be found. Clearly, there will be a need for additional revenue sources to sustain, let alone expand, aged care programs over the next 20 years.

Goals for 2020

Recent studies of trends in Australians' assets and income by the National Centre for Social and Economic Modelling suggest that people moving into older age groups will be considerably wealthier than previous generations, while people of working age are likely to be less wealthy. This suggests that there is scope for asking older Australians to shoulder a larger share of the cost of their care in the future. There is also a case for this change on inter-generational equity grounds.

The accumulation of wealth by older people is not evenly distributed and there will be a continuing need for a good quality system of aged care for those who cannot afford to pay much for care themselves. There is also a strong argument for the community to share both the risk and costs for the most expensive forms of aged care.

We believe that there are three priority components in the future reform of funding:

1. Recognise that different principles should govern funding arrangements for the various components of aged care. It is important to separate clearly the funding of the care component of aged care services from accommodation and 'hotel' (living) services provided in residential care.

   Individuals who use community care services (and older people who do not use aged care services at all) generally meet their own accommodation and 'hotel' expenses. This principle should be extended to the funding of these services in residential care. Housing assets – for people who have them – are a logical source of some of the necessary funds. Reverse mortgage products are one way of assisting older people tap this wealth while satisfying their wishes to retain some equity in the family home, including for bequest to family members. Subsidised accommodation in residential care needs to continue to be available for people with few resources.

   In the very short term, changes are needed to current arrangements to increase capital funding for residential high care if we are to avoid the risk of severe undersupply in this sector. Higher contributions from individuals will be needed from those who are able to pay, and there may also be a case for re-examining the extent of government assistance to nursing homes with relatively low access to resident contributions.

In doing this, consideration must be given to ensuring equitable standards of accommodation are achieved throughout the nation.

Putting the funding of this sector on a more sustainable footing would help to open up more options for financing capital requirements for residential aged care through, for example, investment by superannuation funds and property trusts.

However, care services need to be subsidised by the public purse, as there is a case for the community to share the risk (and cost) of an individual needing expensive care in older age, whether that care is provided in a residential facility or in the community.

These changes would ensure that residential and community care are funded on a similar basis and this would help to ensure that people who needed care are able to receive it in the way that suits them best.

2. Gain public support for an increase of public resources to fund high quality base care services for people without financial means and to contribute to the additional funding needed over coming decades to provide aged care services for growing numbers of older people.
3. Identify new sources of funding for aged care services in the longer term. In particular, we support an equitable system in which individuals contribute more to the costs of their care, when they can afford to, and are primarily responsible for their accommodation and living expenses. Shoring up the funding of the system will help to maintain the availability of care for people who need it. There is a case for this on intergenerational equity grounds

Achieving these goals – some options

A range of options exists for achieving increased individual contributions to the cost of aged care. Two options that involve some element of pre-funding are:

A: Requiring individuals to build up funds

A compulsory savings vehicle could be introduced to help individuals who can afford to meet at least some of their contribution to any aged care costs:

- This requirement could be attached to the Superannuation Guarantee arrangements to minimise administration costs

- If the individual did not need to draw on the fund for aged care during their lifetime, their contribution could be returned to their estate

There are numerous design options for a compulsory savings vehicle. Public debate would need to address a range of issues, including:

- Whether the requirement needs to be applied to people of all ages or only people over a certain age
- Whether the requirement needs to apply to everyone who is employed or only people earning more than a certain threshold
- How people who are out of the work force or are in casual employment could contribute to this scheme or how individuals could 'catch up' with contributions after a return to permanent employment

B: Compulsory pre-funded social insurance scheme

A long-term aged care social insurance scheme could be introduced, funded by a compulsory premium on national wages similar to the Medicare Levy. The scheme would fund aged care costs up to a certain level, with general taxation or direct individual contributions (or a combination) funding the remainder. Unused contributions would not be returned to individuals but would remain in the scheme.

Again, there is a range of possible tools and design options, together with a number of overseas models to learn from. Some key issues for the community to consider include:

- Whether the levy would be imposed on the whole population or only those over a certain age
- The levy rate – what type of aged care costs would be met by the scheme (e.g. capital and/or care)
- What proportion of costs would be met by the scheme and other funding sources

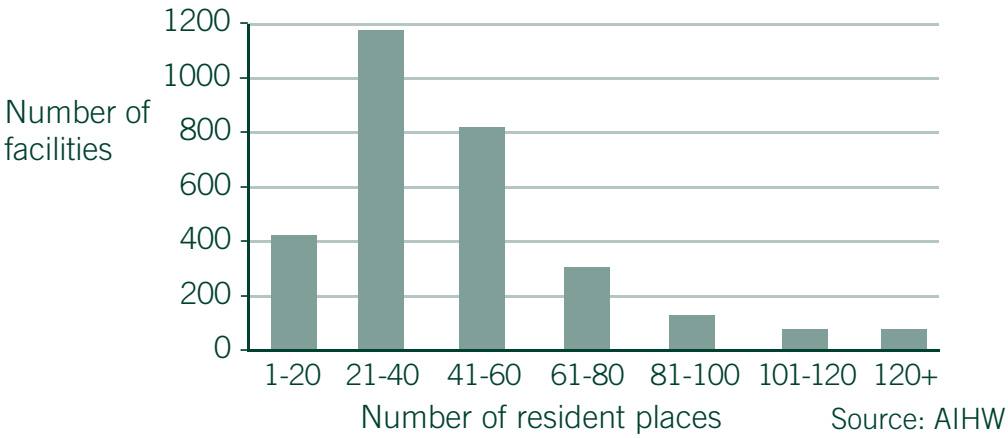
Some immediate and medium term targets to achieve the longer-term goals include:

- The Commonwealth to closely examine residential high care funding arrangements as part of the announced review of residential care funding and financing
- The Commonwealth to undertake detailed work towards the development of a compulsory aged care pre-funding scheme

Service providers

Aged care providers currently operate in the private, not-for-profit and government sectors. There are many small providers of care: 2984 certified residential aged care providers and about 4000 community care service providers. More than half of the residential providers operate facilities with less than 50 residents. Two-thirds of residential aged care services are provided by the religious/charitable sector, including around 90% of facilities previously known as hostels and 48% of nursing homes. Management infrastructure for residential aged care is spread thinly across a large number of small to medium sized service providers, typically with less than 40 residents.

Size of Australia's residential care facilities



Source: AIHW

The Commonwealth Government's allocation of places in the CACP program has been based on a tender process. In some instances, this has caused a large number of providers to compete with each other for clients and services in a sector with limited resources. In June 2001, 859 outlets provided 24,630 packages. Of these 44% were community based, 38% were religious or charitable outlets, 12% were run by state or local governments and 6% by the private sector. Since many CACP programs 'purchase' services on behalf of clients from other agencies, double handling of funds occurs with associated high administrative costs. The same issues occur in HACC funded 'community options' programs, in which case managers purchase services from third parties.

In the community care sector in most states, there are a few large providers and many small ones. Many community care providers focus on one particular type of community care service, such as nursing, home care or food services. State and local governments provide significant levels of community care in several jurisdictions, although nationally the not-for-profit sector provides the majority of services.

Staff

In broad terms there are five major groups of staff providing aged and community care services:

- Personal care workers and support staff of various types
- Nurses
- Medical practitioners (both general practitioners and specialists)
- Allied health practitioners (e.g. physiotherapists)
- Professional coordinator staff (e.g. home care service managers, assessment officers, social workers)

The aged and community care service system has too few medical practitioners, despite efforts to address this. Like other parts of the health care system, it suffers from ongoing difficulties in recruiting and retaining nurses. The supply of other types of workers is also inhibited by relatively uncompetitive pay rates and a shortage of suitably qualified staff.

Service models and quality

There is effectively only one model currently provided in residential care: institutional congregate care. In contrast, in community care the range of services is diverse and nationally there is little consistency. Again, the core issue is fragmentation and lack of coordination. Service quality, particularly in residential care, continues to be the subject of consumer concern due to some spectacular failures in service quality. A new system of accreditation has been introduced, resulting in some improvements to these services. However, further reform is needed. Extending accreditation to the community care sector is an important next step.

Goals for 2020

Industry development

In 2020, more older people will be living in less populated urban areas and more people will be living alone than the current generation of older Australians. This has implications for both future demand for aged care, and the manner in which it might be provided. Substantial reform of the current industry structure is required if a system of more continuous care for older people that meets their changing needs is implemented. Critical issues to be resolved include:

- Achieving a balance between the concentration and amalgamation of provider organisations to increase efficiency, while ensuring the necessary geographical spread of services to meet the needs of a more spatially diverse older population
- The distribution of types of services across regional areas
- The mix of service types offered by any one provider and the cross service linkages to acute health and other health and support services
- The patterns of specialisation and focus in regional plans that will be needed to maintain, and provide access to, high-cost specialty services
- The most desirable mix and appropriate roles for public and private sector providers

Staff

There is an urgent need to address future staffing needs and training requirements, to develop an age care workforce that is equipped to work in new ways and in very different provider settings. The lack of parity of wage rates of workers in aged care compared with workers in other similar industries, such as acute health, needs to be addressed as it presents a more immediate impediment to the recruitment of suitably skilled staff.

New technology

Developing and effectively marketing a range of technologies in areas such as communication, telemedicine, personal security, aids to daily living and mobility, will improve the self-reliance of frail older people, enable them to live at home longer and reduce demand on formal services.

Better use of technical products and their development will provide major scope to reduce the physical and emotional demands on both paid and unpaid carers.

Technological developments in lifting mechanisms, skin care practices and wound management, for example, have the potential to prevent some of the stresses on the aged care workforce and reduce occupational health and safety risks. New initiatives, particularly in the area of monitoring and telecommunications, have the potential to monitor remotely the safety and security of frail older people, reducing the level of workforce involvement currently needed. Significant investment needs to be made in these technological advances if they are to fulfill their potential in providing the benefits outlined.

Achieving these goals – some options

Increased investment by government and industry is essential if we are to develop a short to medium term industry plan (say three to five years) and a longer term industry plan (six to ten years).

These plans need to address issues such as the:

- Best mix and appropriate roles for not-for-profit and private providers
- Range of service types delivered by any one provider and the links with acute health and other health and support services
- Extent of concentration or amalgamation needed to achieve economies of scale and efficiencies in operation, without compromising local service availability and
- Expanded role for the community care sector

Options to achieve these include:

A: Establishing a task force

Establish a high level task force of representatives of key industry groups, older people, relevant professional associations and government officials to:

- Identify current capacities and structural changes needed over the medium term to prepare an aged care plan for the next five years
- Subsequently, develop a longer term plan shaping industry developments over the next six to 10 years

B: Developing a workforce plan
Develop a workforce plan, spanning education and training objectives, workforce supply, retention and role delineation. This plan to include fostering an enhanced training and development capability within aged care, complemented by industry based training and development and supported by centres of excellence that would encourage universities and colleges to promote education in aged care.

Any future workforce plan needs to redress the current lack of wage parity among professionals in the health and aged care sectors.

C: Towards a national research agenda
A national aged care research agenda needs to be developed, agreed and funded.

D: New technology
More investment is needed to adapt new technology to meet the needs of older people and the aged care sector. This needs to include research and data collection on the latest technologies available in Australia and overseas, and consider offering tax incentives for research and development initiatives in this field.

E: The future role of the not-for-profit sector
A research project could examine both the current roles and potential future roles and benefits of having a robust not-for-profit sector involved in the provision of aged care services.

A Way Forward: The Myer Foundation

The Myer Foundation has steered the visioning process to this stage. It has done this by bringing interested people to the discussion table, commissioning expert papers and through preparing this report. But no vision is realised by one report alone. The Myer Foundation believes that the philanthropic sector has a critical role in advancing the proposed reforms. Some actions that could be taken include:

1. Convene independent working groups from industry, government, community and the private sector, to consider and act on proposed reforms. These groups may include independent 'round table' forums and community consultations
2. Bring together an alliance of philanthropic bodies to support and monitor the reform process and to issue a regular score-card on progress
3. Allocate funds to pilot programs that test models of reform suggested throughout the report and to seek ways to reward innovation
4. Initiate community consultation across generations to hear what Australians want for aged care in the future and what they think about new ways of accessing funding for that care
5. Commission research to build understanding of critical aspects and trends in aged care

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The following commissioned papers support the 2020: A Vision for Aged Care Project.

Population Ageing and Trends in Health and Disease
Associate Professor Julie E Byles
Professor Leon Flicker

Financial Implications of Caring for the Aged
Dr Vincent FitzGerald - Co-Chairman of The Allen Consulting Group

New Models and Approaches to Care
Dr Diane Gibson
Mr Robert Griew

Paying for Aged Care
Professor Len Gray
Professor Hal Kendig

Intergenerational Issues and the Impact of Cultural Change on the Care Needs of the Elderly
Professor Graeme Hugo
Professor Trang Thomas AM

Australia's Aged Care Service System: The Need for an Industry Strategy
Professor John McCallum
Mr Greg Mundy

Resisting the Quick Fix – Workforce Planning to Deliver Services to Older Australians
Ms Lorraine Wheeler

Technology and its capacity to assist frail older people and their carers over the next 20 years
Mr Gerry Naughtin

Additional research commissioned by The Myer Foundation:

Targeting Home and Community Care Services: A Local Government Perspective on Future Models of Care for High Needs Clients
Municipal Association of Victoria

Full Report: **Financial Implications of Caring for the Aged**
Dr Vincent Fitzgerald - Co-Chairman of the Allen Consulting Group

All these papers are published on The Myer Foundation website at www.myerfoundation.org.au

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