

**FINAL RESPONSE TO THE
REVIEW OF PRICING ARRANGEMENTS IN RESIDENTIAL AGED CARE**

8 MAY 2007

This table provides a comprehensive summary of the Government's initial and final responses to the Hogan Review. It also provides updates (*in italics*) on key initiatives including additional initiatives already put in place by the Australian Government that relate to the issues identified in the Hogan recommendations.

The Government's final response follows extensive consultations with sector and community representatives through the Minister for Ageing's advisory committee and the many representations made directly to the Minister for Ageing.

The Minister for Ageing will continue to consult with the sector on the implementation details of the initiatives in this final response.

Australian Government's Final Response to the Review of Pricing Arrangements in Residential Aged Care

Recommendations for immediate change

What did the Review recommend?

1. The planning arrangements

The Australian Government's 2001 commitment to provide 108 places for every 1,000 people aged 70 or older should be confirmed as ongoing.

The Review also considers that the planning arrangements should be more flexible so that they can:

- adjust responsively to the development of new care approaches;
- encourage innovation in service delivery;
- take account of current utilisation in high care and low care; and
- take account of the needs of older people with special needs, including those of Indigenous people, older people in rural and remote areas, older people from culturally and linguistically diverse backgrounds, older people with disabilities, older people with dementia, homeless older people and veterans.

There should be a review of the Australian Government's needs based planning arrangements after 2008.

Australian Government's initial response

More aged care places

- The Australian Government will provide \$468.3 million over the next four years to increase the aged care provision ratio to 108 operational places for every 1,000 people aged 70 or over from the current 100 operational places for every 1,000 people aged 70 or over.
- This includes \$58.4 million provided by this package and \$409.9 million already budgeted for the next four years for places above the planning ratio.
- The balance within the provision ratio will be reweighted to double the number of places offered in the community to 20 places for every 1,000 people aged 70 or over, in line with the preference of older Australians to receive care in their own homes for as long as possible.
- The proportion of places offered in aged care homes will be adjusted to 88 places for every 1,000 people aged 70 or over. Two low-level residential care places will be replaced by ten community care places.
- There will be no change in the proportion of places offered as high-level residential care. Currently 62 per cent of all residential places are used for high-level residential care.
- About 27,900 new places will be allocated over the next three years, including 13,030 in 2004.
- This includes up to 2,000 new transition care places to help older people move from hospital to aged care, under a new cost shared model with the states and territories.
- Planning arrangements will be improved to take better account of the needs of older people with special needs.
- The effectiveness of the new planning arrangements will be reviewed in 2007-08.

Australian Government's final response

More community care packages

- Following completion of the review of planning arrangements, the Australian Government will provide \$298.6 million over five years to increase the aged care provision ratio to 113 operational places for every 1,000 people aged 70 or over by 2010-11.
- The balance within the provision ratio will be further reweighted to increase the number of places offered in the community to 25 places for every 1,000 people aged 70 or over.
- Within this overall provision ratio for community care there will be four high level care packages for every 1,000 people aged 70 or over.
- There will continue to be 88 residential care places for every 1,000 people aged 70 or over.
- Within this overall provision there will be 44 high level care and 44 low level care places.
- By June 2011 this measure will provide an additional 7,200 community care packages, including 1,600 high level care packages, on top of growth already provided for in the forward estimates.

Additional support for community based respite care

- The Australian Government will provide \$26.5 million over the next four years to fund an additional 100,000 days of community based respite care.
- Approximately 1,000 people will benefit in the first year, which will increase to approximately 4,000 people in the fourth year and thereafter.

Australian Government's Final Response to the Review of Pricing Arrangements in Residential Aged Care

What did the Review recommend?

2. Greater flexibility in allocations

The Australian Government should create a strategic pool of up to 3,000 additional places each year for the next four to meet structural and regional distortions, especially in the transition period up to the end of 2008.

The places should be able to be used flexibly for any form of care – residential or community care or for such allocations as multi-purpose services and allocations to support innovative care models.

The Australian Government should establish a 'Ready List' of providers with plans and approvals to start within three months of allocation of places to secure the rapid implementation of projects so as to diminish the gap between allocation and implementation. Those on the list should be accorded priority for any general offer about bed allocation. Failure to perform as required by status on the Ready List will mean loss of any standing for allocation of places until the specific Ready List project is completed.

3. Increased support for aged care assessment

The additional funding provided in the 2003–04 Budget for the Aged Care Assessment Program should be confirmed as ongoing and indexed each year in line with the base funding for the Program.

The Review would also endorse the Australian Government funding an expanded role for Aged Care Assessment Teams to provide a single assessment service for community and residential care services with a stronger focus on supporting consumers in making informed care choices.

Australian Government's initial response

More aged care places

- Places will be set aside in each annual allocation round to meet structural and regional distortions, especially in the transition period up to the end of 2008. These places will be delivered in aged care homes, in the community, and through multi-purpose and innovative care services, and will allow more older Australians to receive the care they need.
- The Australian Government does not consider it necessary to release additional places on top of the already large allocations planned for the next few years (27,900 new places over the next three years) and the large allocations in recent years (35,371 places in the last four approval rounds).
- The allocation process will be improved by announcing places three years in advance. This will improve the rate at which new places become operational by allowing existing and new providers more time to plan for expansion and become 'bed ready'.
- The Australian Government considers that the Review's recommendation for a 'Ready List' is administratively complex and unnecessary, and that announcing places three years in advance will have a similar effect.

Providing the right care in the right place

- The Australian Government will provide \$47.9 million over the next four years to:
 - Improve the timeliness of Aged Care Assessment Team assessments;
 - Expand the role of Aged Care Assessment Teams in case management;
 - Strengthen the role of Aged Care Assessment Teams in community care, and improve links between community and residential care; and
 - Develop and apply common assessment and entry processes for community and residential care.

Australian Government's final response

- *The number of Australian Government subsidised aged care places continues to increase and the Government has met its commitment to provide 200,000 places by June 2006. There were 208,698 operational aged care places at 31 December 2006, equating to a ratio of 107.8 places per 1,000 people aged 70 years or older. There were 236,762 places allocated at 31 December 2006.*
- *In the 2006 Aged Care Approvals Round, 7,928 new places were allocated including, 4,735 residential places, 1,976 Community Care Packages and 1,217 flexible care packages. A further 10,734 new places have been made available for allocation in 2007-08, including 6,841 residential places, 2,327 Community Care Packages and 1,566 flexible care packages.*
- *In each of these Aged Care Approval Rounds, the Minister for Ageing has announced both the number of places for allocation in the Round and indicative numbers for release in the following two years.*
- *In the 2006-07 Budget, further funding of \$24.2 million over five years was provided for Aged Care Assessment Teams under the Council of Australian Governments' initiative, 'Improving Arrangements for Aged Care Assessments and Access to Home and Community Care Services'. This funding is assisting Aged Care Assessment Teams to ensure more timely, consistent and accountable assessments for frail older people.*

Australian Government's Final Response to the Review of Pricing Arrangements in Residential Aged Care

What did the Review recommend?

4. ACAT role in reassessment of existing residents

Aged Care Assessment Teams should no longer be required to assess residents whose care needs have increased to a higher Resident Classification Scale category. However, Aged Care Assessment Teams must still be required to undertake an assessment where a resident moves to another facility as a result of increased care needs.

5. Resident Classification Scale

Basic subsidies should be paid at three levels: high care, medium care and low care, replacing the existing Resident Classification Scale categories in the following way:

- Low care to consolidate current RCS levels 5 to 7;
- Medium care to replace RCS levels 3 and 4; and
- High care to replace RCS levels 1 and 2.

Australian Government's initial response

Streamlining administration for better care

- The requirement for an Aged Care Assessment Team to reassess a resident before they can move from low to high level care in the same aged care home will be removed from 1 July 2004.
- The Australian Government will provide \$29.2 million over the next four years to strengthen the classification review arrangements. This will limit the risk of inaccurate assessments of care needs.

Streamlining administration for better care

- A new funding model with simplified resident categories will be introduced in 2006.
- The new model will be developed and introduced in consultation with the community and aged care providers.

Australian Government's final response

- *The Aged Care Act 1997 was amended to give effect to this change from 1 July 2004.*

Introduction of the Aged Care Funding Instrument

- The Australian Government will provide additional funding of \$393.5 million over four years from 2007-08 to support the introduction of the new Aged Care Funding Instrument (ACFI) on 20 March 2008.
- The ACFI will deliver more money for those with the highest care needs. The maximum care subsidy will increase from \$123 per day to more than \$160 by 2011.
- The ACFI will also significantly reduce the paperwork burden for providers. It measures a resident's basic dependency (need for care) rather than the care provided by an aged care home as under the RCS and therefore does not require the maintenance of ongoing documentation for funding purposes.
- New arrangements associated with the introduction of the ACFI will also reduce red tape.
 - Resident classifications will no longer expire, so reappraisals will only be needed when the resident's needs have changed. However, the classification of a resident who enters directly from a hospital will expire after six months.
 - When a resident is discharged from one home and enters another within 28 days, the new home may choose to accept the existing classification, rather than being required to submit a new claim.
 - The type and form of funding records that providers must keep for evidence will be better defined to reduce incentives for over-documentation.

What did the Review recommend?

6. Funding supplements

The arrangements through which supplements are paid for the provision of oxygen and enteral feeding should be extended to other specific care needs or medical conditions.

These specific care needs could include:

- short-term medical needs, such as IV therapy, wound management, intensive pain management and tracheostomy;
- specific care needs, such as for dementia sufferers exhibiting challenging behaviours or for residents requiring palliative care; and
- care needs of people from diverse or disadvantaged backgrounds such as the homeless elderly and indigenous Australians.

The rate of payment for any new supplements should reflect the incremental increase in the cost of providing the appropriate treatment and/or level of care.

Australian Government's initial response

Providing the right care in the right place

- New supplements will be introduced in 2006 to better target assistance to residents with higher care needs by supporting the provision of care to residents with dementia exhibiting challenging behaviours and residents requiring complex palliative nursing care.
- The new supplements will be developed and introduced in consultation with the community and aged care providers.
- The Australian Government considers that extending supplements to other conditions or circumstances would add unnecessary complexity to the payment system and administration.
- The care needs of people from diverse or disadvantaged backgrounds are supported by a number of Australian Government programs.
- The Australian Government will provide an additional \$11.6 million over the next four years to strengthen culturally appropriate aged care.
- The Australian Government will provide an additional \$10.3 million over four years to extend the conditional adjustment payment and the increase in the concessional resident supplement to Aboriginal and Torres Strait Islander Flexible Services from 1 July 2004. A viability supplement will also be paid for the first time to these services from 1 January 2005.

Australian Government's final response

- Safeguards will be put in place to allow the Secretary of the Department of Health and Ageing to take action against approved providers who fail to meet their obligations in a proper manner.

Introduction of the Aged Care Funding Instrument

- The Australian Government will provide additional funding of \$81.8 million over four years from 2007-08 to provide additional funding for residents who have complex care needs, including challenging behaviour associated with dementia, and palliative care needs.

Additional support for remote and very remote aged care homes supporting people with special needs

- The Australian Government will provide \$42.6 million over five years for additional support for remote and very remote aged care services and for aged care services supporting people with special needs to:
 - provide practical support to providers delivering care to difficult-to-service populations through access to skilled aged care professionals
 - assist services funded under the National Aboriginal and Torres Strait Islander Aged Care Strategy to move over time to operate as flexibly funded services under the *Aged Care Act 1997*.
 - research the care provided to people in difficult-to-service circumstances and strategies to effectively deliver quality aged care services that meet the needs of these people.
 - develop and implement a culturally appropriate quality of care model
 - provide capital grants to improve and maintain the quality of buildings in which services for difficult-to-service populations are provided
 - provide emergency funding to ensure continuity of care in the event of unforeseen circumstances.

What did the Review recommend?

Increased support for the Assistance with Care and Housing for the Aged Program

7. Aged Care Standards and Accreditation Agency

The role of the Aged Care Standards and Accreditation Agency should be directed mainly to the accreditation of services and the dissemination of accreditation results.

The Agency should significantly improve its focus on supporting informed consumer choice and consumer input to monitoring standards by:

- improving direct communication with consumers, including those with special needs, and by better informing other organisations of the level of quality provided by specific services; and
- exploring, with consumers and the industry, a star rating system to assist consumers to more readily compare services and to provide incentives for providers to become more competitive in providing quality services.

The costs of accreditation should continue to be shared by Government and providers:

- Providers should bear the total cost of accreditation audits after 2008; and
- Government funding for the Agency should be increased, based on the robust assessment of the costs of current and projected workload. This funding should be governed by an agreement with the Department of Health and Ageing, which specifies the services required of the Agency and their unit costs.

Australian Government's initial response

Providing the right care in the right place

- The Australian Government will provide \$36.3 million over the next four years to increase the funding for the Aged Care Standards and Accreditation Agency, which has responsibility for accrediting and monitoring aged care homes to ensure that providers are complying with their responsibilities.
- This is in addition to the \$27.7 million over the next four years already budgeted as base funding for the Agency.
- Accreditation fees will be indexed from 1 July 2004, so providers continue to make an appropriate contribution to the cost of accreditation.
- The Australian Government will continue to provide \$1.8 million over the next four years to subsidise the accreditation fees of small homes.
- The Australian Government will provide \$2.1 million over the next four years to develop, in consultation with the community and aged care providers, a web-based information system to provide information on aged care homes.
- This includes exploring, in consultation with the community and aged care providers, the development of a standards rating system for aged care homes.

Australian Government's final response

- The Australian Government will also provide additional support for the homeless and people in insecure housing by increasing the base funding for the Assistance with Care and Housing for the Aged Program by \$5.7 million over five years.
- *In the 2006-07 Budget the Australian Government strengthened the monitoring role of the Aged Care Standards and Accreditation Agency by providing additional funding of \$8.6 million over four years for increasing the number of unannounced visits to aged care homes. Around 5,200 visits will be made each year compared to 563 unannounced visits in 2004-05. This will include 3,000 unannounced visits, and all homes will receive at least one unannounced visit each year.*
- *Communication with consumers has been significantly improved through the development of a new web site, agedcareaustralia.gov.au that will help reduce the time it takes and the confusion out of searching for aged care services. The web site's interactive capabilities include an 'Aged Care Home Finder', 'Community Care Service Finder' which allow consumers to find all the relevant details on approved homes and community care services in their local area and compare their services. There is also a 'My Page feature' which allows users to store and share material from the site.*
- *The Aged Care Standards and Accreditation Agency has also redesigned its Website to improve communication with consumers and to provide smooth links to the new agedcareaustralia.gov.au web site.*

Ensuring quality in community care

- The Australian Government will provide \$26.8 million to strengthen existing community care quality arrangements and to develop appropriate standards and quality monitoring for flexible services

What did the Review recommend?

8. Aged care workforce

The Australian Government should refocus and expand its support for the education and training of aged care nurses and aged care workers.

The Australian Government should increase the number of registered nurse places at Australian universities by 2,700 over the next three years, with 1,000 first-year places commencing in the 2005 academic year. These additional places should only be available to universities that offer specialist training for aged care nurses, including preceptor programs for newly graduated nurses and aged care placements for students.

The Australian Government should support aged care providers to assist at least 12,000 enrolled nurses to complete medication management training, 6,000 aged care workers to complete a Certificate Level IV qualification and 24,000 aged care workers to complete a Certificate Level III qualification by 2007–08. This training support should only be available to providers who are compliant with the education and staff development accreditation requirements, maintain their training expenditure at a minimum of their 2003–04 level and also provide in addition at least half of the cost of the additional training supported by this measure.

The Australian Government should work with state and territory governments to expand the number of aged care training places available in the Vocational Education and Training Sector.

Australian Government's initial response

Better skills for better care

- The Australian Government will provide \$101.4 million over the next four years to assist the development of a well trained aged care workforce.
- 4,500 additional vocational training places will be created each year for aged care workers, to improve the quality of care and to provide better career pathways for aged care workers. These places will assist 15,750 aged care workers undertake vocational education and training over the next four years.
- 1,500 additional 'certificates of attainment' in medication management will be supported each year to allow enrolled nurses to expand their skills and improve the quality of care and efficiency of aged care homes. These places will assist 5,250 enrolled nurses obtain medication management qualifications over the next four years.
- 400 additional higher education places will be created in 2004-05, rising to 1,094 over four years, to increase the supply of registered nurses. These places will allow 1,600 students to commence nursing education over the next four years.
- 2,000 additional places will be created in the Workplace English Language and Literacy (WELL) program each year, to assist aged care workers from culturally and linguistically diverse backgrounds to improve their qualifications and provide higher quality care. These places will support 8,000 aged care workers undertake the WELL program over the next four years.
- The Australian Government will also work with state and territory governments to expand the number of aged care training places available in the Vocational Education and Training Sector.

Australian Government's final response

Community care workforce development

- The Australian Government will provide \$32.1 million over five years for initiatives to improve skills and capacity of the community care workforce including:
 - a four year targeted recruitment campaign from 2007-08 will encourage people to work in community care; and
 - provide up to 6000 workers with training opportunities, including up to 2000 CALD and ATSI workers and up to 410 nursing scholarships to support more nurses to take up aged care study, especially in the field of community aged care service provision and management.
- *This initiative will build on the 'Community care workforce – additional training' initiative in the 2006-07 Budget which provided \$13.4 million over four years to support training for around 2,700 direct care workers involved in providing Extended Aged Care at Home (EACH) packages and EACH Dementia packages. The training will enable the workers to gain up to Certificate IV qualifications.*

Assistive technology in community care

- The Government will also provide \$21.4 million over five years for initiatives to support the uptake of innovative technology by aged care providers including initiatives to:
 - educate and build knowledge and awareness among community care providers of the benefits of assistive technology for cost effectiveness and quality of care;
 - support the establishment of an industry funded coordinating body to coordinate demand and achieve maximum value for money through purchasing power; and
 - provide grants, on a cost shared basis, to community care providers to stimulate the adoption of assistive technologies.

What did the Review recommend?

9. Guarantee fund

The Government should establish a guarantee fund:

- managed by an Authority established for the purpose;
- funded by an industry levy, the amount of which is determined on actuarial advice; and
- in the event of a defined 'default event', people with entitlements are able to recover accommodation bond amounts from the Fund.

A default event in relation to an approved provider, happens when:

- the approved provider becomes bankrupt or insolvent;
- the approved provider if it is a corporation, is being wound up or ceases to exist and there are insufficient funds to repay the accommodation bond entitlements; and
- the approved provider is otherwise unable to meet the approved provider's liabilities under the enabling legislation.

As well as management of the Fund, the Fund Authority is to have prudential oversighting authority of approved providers. The powers of the Authority should include but not be limited to:

- the ability to examine the financial affairs of an approved provider, by means of inspection and analysis of the records, books and accounts;
- the ability to review the value of the assets of each approved provider's corporate entity;
- the ability to appoint an administrator of the corporate entity;
- the ability to apply to court for the winding up of insolvent approved providers; and
- the ability to require an approved provider to enter into negotiations for the disposal of assets and if that fails, to secure an outcome to avoid where possible a claim on the Fund.

Australian Government's initial response

Building better aged care homes –strengthened prudential arrangements

- The Australian Government will provide \$0.8 million to support the establishment, in consultation with the community and aged care providers, of a provider funded guarantee fund to strengthen the security of residents' bonds.
- The current financial protections provided to residents will be strengthened by:
 - Making the conditional adjustment payment (see Recommendation 13) subject to approved providers making their audited financial statements publicly available; and
 - Collecting better information about companies and other entities that own services, and their key personnel.
- The Australian Government considers that the high degree of regulation recommended by the Review cannot be justified. The provider funded guarantee fund offers a similar degree of security to residents without the high cost of additional regulation and administrative burden to providers.

Australian Government's final response

- *Since 1 July 2006, new prudential arrangements have been in place to better protect residents' accommodation bonds. Three new prudential standards are designed to promote sound financial management by approved providers in order to reduce the risk of default on repayment of bonds: the liquidity standard, records standard, and disclosure standard.*
- *In addition, the Accommodation Bond Guarantee Scheme provides residents with certainty that their accommodation bonds will be repaid by the Australian Government if an approved provider becomes insolvent or bankrupt and cannot meet their refund obligations.*
- *All approved providers holding accommodation bonds have been required to comply with them since 1 July 2006.*

What did the Review recommend?

10. Financial assessment on entry

Assessment of residents' or prospective residents' income and assets should be the responsibility of the Australian Government and carried out by Centrelink and not the aged care provider, preferably prior to entry into care.

11. Viability supplement

The Australian Government should increase the total amount available for the viability supplement for rural and remote services.

The Australian Government should also review the viability supplement's rates and eligibility requirements to ensure that they do not create perverse incentives against consolidation. At the very least the eligibility requirement should be raised to include facilities with 30 beds or fewer.

12. Targeted capital assistance

The Australian Government should maintain a small targeted capital assistance program to assist those services experiencing exceptional circumstances.

Australian Government's initial response

Streamlining administration for better care

- The Australian Government will provide \$19.7 million over the next four years to transfer responsibility for asset testing new residents from aged care providers to Centrelink (and the Department of Veterans' Affairs) from 1 July 2005.

Investing in better care

- The Australian Government will provide \$14.8 million over the next four years to increase the viability supplement paid to rural and remote providers.
- This is in addition to current viability supplements worth about \$13 million a year.
- The eligibility criteria for, and rates of, the viability supplement will be reviewed in 2004-05 with the new funding flowing from 1 January 2005.
- For the first time a viability supplement will also be paid to Aboriginal and Torres Strait Islander Flexible Services (see Recommendation 6).

Building better aged care homes

- The current targeted capital assistance program of capital grants to rural and remote providers will continue.

Australian Government's final response

Simplified income tested care fees

- The Australian Government will provide \$89.8 million over five years to simplify the aged care income test.
- Under the new arrangements, all new residents with the same total income will pay the same income tested fee.
- The amount of the income tested reduction (and hence the maximum income tested fee) for a resident will equal 41.67 per cent of the resident's total assessable income above the maximum total income for a full pensioner (\$658.90 per fortnight as at 20 March 2007).
- The fees of means-tested pensioners will not increase because of this measure. The fees of non-pensioners with incomes less than the maximum income for a part-pensioner (\$1455.25 per fortnight as at 20 March 2007) will be lower as a result of this measure.
- Existing residents will not be adversely affected.
- *In the 2006-07 Budget the Australian Government made available \$19.4 million over four years for a community care viability supplement in rural and remote areas.*
- *The initiative assists providers of Community Aged Care packages, Extended Aged Care at Home (EACH) and EACH Dementia programs to deliver care more comparable to the services offered in capital and regional cities.*

Additional support for remote and very remote aged care homes supporting people with special needs

- The Government will simplify arrangements for existing aged care capital programs and provide additional ongoing resources to allow providers that meet the needs of special needs groups, including those that meet the needs of the homeless, easier access to capital grants in the future.

What did the Review recommend?

13. Conditional incentive supplement

The Australian Government should introduce an incentive supplement, payable in addition to all existing subsidies and supplements, with the value of the supplement for each resident to be set at 1.75 per cent on an annual basis. The need for, and value of the supplement, should be reviewed in 2007–08. Continued eligibility of providers for the supplement should be linked to gains in efficiency, productivity and workforce training.

14. Comprehensive data repository

As a complement to Recommendation 13, the existing aged care information infrastructure should be substantially expanded, building on the existing expertise within the Australian Institute of Health and Welfare and should include quality and financial performance data.

15. Corporate information

The names of entities and major shareholders of the companies and associate companies having ownership or part ownership of residential aged care services should be required by the Department of Health and Ageing.

The monitoring and authorisation of transfers should be extended beyond key personnel to personnel of entities owning providers, subject to review after 2008.

In the contribution to efficiency improvements, the Department of Health and Ageing should implement immediately provisions for electronic funding and information transfers for all accounting, financial and supervisory requirements relating to providers.

Australian Government's initial response

Investing in better care

- The Australian Government will provide \$877.8 million over the next four years for a conditional adjustment payment that will increase residential care subsidies by seven per cent over four years (1.75 per cent cumulative per year) on top of the increases due to the annual indexation of subsidies.
- The conditional adjustment payment will raise subsidies by an average of about \$500 per resident in 2004-05, rising to about \$2,000 per resident by 2007-08.
- The adjustment payment will be conditional on each provider giving its staff information and opportunities regarding workforce training, making audited accounts publicly available each year and taking part in a periodic workforce census.
- The need for and value of the conditional adjustment payment will be reviewed in 2007-08.

Investing in better care

- The audited financial statements of providers will be used to develop benchmarks on performance to assist providers achieve appropriate efficiencies and improve the quality of care.

Streamlining administration for better care

- The Australian Government will provide \$33.0 million over the next four years to develop and implement electronic funding and information transfers for all accounting, financial and supervisory requirements relating to providers, with the new arrangements rolled out from early 2005.
- Aged care providers will be required to supply more comprehensive information on ownership and key personnel to assist with the monitoring of the suitability of providers.

Australian Government's final response

- *The rate of the conditional adjustment payment will increase to seven per cent on 1 July 2007.*
- *The need for and value of the conditional adjustment payment will be reviewed in 2007-08.*
- *Bentleys MRI have developed financial performance benchmarks for the industry based on the 2004-05 General Purpose Financial Reports submitted by approved providers of residential aged care as part of the Conditional Adjustment Payment arrangements.*

Better regulating aged care providers

- The Australian Government will further strengthen the requirements for providers to supply comprehensive information on ownership and key personnel by requiring prior approval of sales of approved provider entities and enhancing the scrutiny of changes to people responsible for the management of providers and the delivery of care services.
- This measure will be supported by funding of \$6.7 million over five years.

Response to medium- term recommendations for a sustainable industry

What did the Review recommend?

16. Concessional, transitional and assisted residents

The Australian Government should consider modifying the concessional resident supplement arrangements by:

- increasing the maximum rate of the concessional resident supplement to \$19.00 a day, indexed annually;
- abolishing the 40 per cent threshold;
- introducing a sliding assisted resident supplement for residents with assets between 2.5 times and ten times the pension to ensure that the assisted resident supplement plus the maximum accommodation charge payable by each resident is equal to the maximum rate of the concessional resident supplement; and
- extending the concessional resident arrangements to all transitional residents remaining in the system.

Australian Government's initial response

Building better aged care homes

- The Australian Government will provide \$438.6 million over the next four years to increase its capital contribution to the cost of care.
- The maximum rate of the concessional resident supplement will be increased from \$13.49 to \$16.25 (indexed) per resident per day from 1 July 2004. The other rates of the concessional resident supplement will be increased proportionately.
- The rates of the respite supplement will be increased in line with the increase in the concessional resident supplement, that is, by \$2.75 per resident per day from 1 July 2004.
- The rates of the transitional resident supplement will be increased to match the new maximum rate of the concessional resident supplement, that is, to \$16.25 per resident per day from 1 July 2004.
- In addition, in recognition of the forward plan for improved safety and building standards for aged care homes developed and agreed with the aged care sector, and in particular improved fire safety, the Australian Government will make a one off payment to aged care providers in 2003-04 of \$513.3 million, or \$3,500 per resident.
- The Australian Government will consult with the community and aged care providers on the appropriateness of the other parts of this recommendation.

Australian Government's final response

Increased capital funding for residential care

- The Australian Government will provide \$582.3 million over five years to further increase capital funding for residential care by:
 - increasing the maximum level of the Government's accommodation subsidy from an estimated \$23.72 per day to an estimated \$26.88 per day on 20 March 2008;
 - paying an additional Accommodation Charge Top Up Supplement in respect of all new entrants to high care (except extra service residents) whose combined Accommodation Supplement and Accommodation Charge is less than the maximum Accommodation Supplement on the day they enter care; and
 - paying an additional Transitional Accommodation Supplement in respect of all new entrants to low care whose Accommodation Supplement is less than the value of the Pensioner Supplement.
- The new maximum level of the Accommodation Supplement will only be payable in aged care homes that meet both the 1999 fire and safety and 2008 space and privacy building certification requirements.
- The maximum level of the Accommodation Supplement will stay fixed until 20 March 2010. Then it will move in concert with the maximum Accommodation Charge. It will reach an estimated \$32.38 on 20 September 2011.
- Beginning in 2012, the maximum level of the Government's Accommodation Supplement will be indexed on 20 March and 20 September each year in line with movements in the Consumer Price Index.
- The Accommodation Charge Top Up Supplement and the Transitional Accommodation Supplement will be phased out as the maximum level of the Accommodation Supplement increases.

What did the Review recommend?

Australian Government's initial response

Australian Government's final response

17. Adjusted subsidy reduction

The Australian Government should abolish the adjusted subsidy reduction so that all providers receive the same level of subsidy.

18. Pensioner supplement

Eligible pensioners should be able to gain the benefit of the rent assistance payment and the pensioner supplement should be abolished.

The maximum basic daily care fee for all residents should be set at 85 per cent of the value of the maximum rate of the basic single pension plus the full value of the maximum rate

of rent assistance.

Longer term considerations

- The Australian Government will consult with the community and aged care providers on the appropriateness of this recommendation.

Longer term considerations

- The Australian Government will consult with the community and aged care providers on the appropriateness of this recommendation.

- The Government will also improve equity of access in high and low level residential care by:
 - extending eligibility for the Government's Accommodation Supplement to all residents who cannot fund their own accommodation, including some self-funded retirees; and
 - paying the new Accommodation Supplement on a sliding scale, depending on a resident's assets, to remove complexity and the threshold effects in the current arrangements; and
- The Australian Government has decided to maintain the 40 per cent concessional threshold and will ensure that the regional concessional ratios are regularly updated to better reflect changes in regional economic profiles.
- The Australian Government will also provide \$96.0 million in 2007-08 to provide a new Interim Accommodation Supplement to aged care providers of \$3.50 per day for each high care resident (except in extra service) for the period 1 July 2007 to 19 March 2008, pending the introduction of the new accommodation payment arrangements.

Paying full subsidy to former state and territory government aged care places

- The Australian Government will provide \$25.5 million over five years to remove the adjusted subsidy reduction from residential aged care places that are subject to the reduction once they have been transferred to the non-Government sector.
- This measure will take effect from 1 July 2007.

Increased capital funding for residential care

- The Australian Government will simplify resident accommodation fees and the Government's accommodation subsidy, by replacing the Concessional Resident and Pensioner Supplements, and some of the current Hardship Supplements, with a single means tested Accommodation Supplement.

What did the Review recommend?

19. Accommodation payments

Accommodation payments for non-concessional new aged care residents should be as follows:

- Options for making capital contributions should be consistent in low care and high care, not least to remove disincentives to ageing in place;
- The notion of a 'bond' that is both a form of corporate debt (a no interest loan) and a source of fees through retention payments is confusing and should cease. Corporate debt and fees (no matter how derived) should be clearly separated;
- Subject to retaining at least the statutory level of assets, new residents to have the option of paying:
 - fully refundable lump sum bond (not subject to retention amounts) to be held for the period of the resident's stay; or
 - a daily rental charge, applicable for the duration of the resident's stay;
- The accommodation bond should be payable on entry to the service and should be repayable within a reasonable period of the resident's departure from the service, being seven days in the case of transfer to another residential care service and two months in case of death; and
- Existing residents should continue to be covered by the current accommodation payment arrangements including the five-year limit on charges and retentions from bonds.

20. Research into neuro-degenerative diseases

Attention should be given to research into neuro-degenerative diseases, with funding provided for:

- comprehensive prevalence studies; and
- further data matching studies to enable a better understanding of neuro-degenerative disease pathways and the services accessed along pathways.

The NHMRC should continue to give priority to research into the prevention of dementia and dementia related illnesses and to encourage multi-disciplinary research into

Australian Government's initial response

Building better aged care homes

- The Australian Government will increase the maximum rate of the accommodation charge that new high care residents who have the ability to make a contribution to the cost of their accommodation can be asked to contribute.
- The maximum rate of the accommodation charge for new residents entering from 1 July 2004 will increase by up to \$2.34 per day. No resident will pay more than \$16.25 for the charge.
- This is in line with the new maximum rate for the concessional resident supplement (see Recommendation 16).
- The five-year limit on paying accommodation charges will also be removed for new high care residents, so that they make a capital contribution throughout their stay.
- Current residents will not be affected by these changes.
- The existing bond arrangements remain unchanged.
- The rate of the accommodation charge that a resident can be asked to pay will continue to be means tested.
- Respite residents will continue to be exempted from paying accommodation charges.
- The Australian Government will consult with the community and aged care providers on the appropriateness of the other parts of this recommendation.

Support for research into neuro-degenerative diseases

- The Australian Government has identified research into neuro-degenerative diseases as a high priority and is committed to reducing the future burden of these diseases in the Australian community.
- In 2003, the National Health and Medical Research Council (NHMRC) awarded over \$6.4 million to fund research addressing neuro-degenerative diseases.
- Neuro-degenerative diseases are one of the research themes to be progressed through a multi-disciplinary

Australian Government's final response

Increased capital funding for residential care

- The Australian Government will increase the maximum Accommodation Charge for residents who enter high level residential care on or after 20 March 2008:
 - for pensioners, from \$17.73 per day on 1 July 2007 to an estimated \$19.56 per day on 20 March 2008 and then in seven equal steps to an estimated \$32.58 per day on 20 September 2011; and
 - for self-funded retirees, from \$25.65 per day on 1 July 2007 to an estimated \$26.88 per day on 20 March 2008. it will then remain constant until 20 March 2010, after which it moves in concert with the maximum Accommodation Charge for pensioners.
- After 20 September 2011, the maximum level of the Accommodation Charge will be indexed in line with the CPI on 20 March and 20 September each year.
- This arrangement is more in line with the daily income that low care providers derive from Accommodation Bonds.
- The rate of the Accommodation Charge that a resident can be asked to pay will continue to be means tested.
- Respite residents will continue to be exempted from paying Accommodation Charges.
- Current residents will not be affected by these changes.
- The Australian Government will not introduce Accommodation Bonds in high care.
- *NHMRC funding for nervous system/neuroscience research totalled \$117.3 million for the two years 2004 and 2005. A further \$69.0 million in funding has been provided up to 20 October 2006. Of this, funding for Alzheimer's disease and other dementias has grown from \$2.5 million in 2004 to \$10.9 million in 2006.*
- *As part of the 2005-06 Dementia – a National Health Priority package the Australian Government committed \$23.0 million for dementia research. Three Dementia*

What did the Review recommend?
the care of people with such illnesses.

Australian Government's initial response

research collaboration, *Ageing Well, Ageing Productively*, between the NHMRC and the Australian Research Council.

- A National Neuroscience Consultative Taskforce is being established to develop a *Brain and Mind Research Alliance* to increase Australia's scientific capacity to reduce the burden of brain and mind disorders.

Australian Government's final response

Collaborative Research Centres have been established and \$16 million is available to fund dementia research focusing on early intervention, risk reduction, assessment, treatment and management, care and service. A further \$11.5 million is available for research to improve the quality of life for people with dementia and their carers.

- *A further \$2.0 million over five years was awarded in July 2006 to Professor Perminder Sachdev of the University of New South Wales to investigate "Gene-environment interaction in healthy brain ageing and age related neurodegeneration".*

Response to options for further consideration

What did the Review recommend?

Options 1-6 to improve consumer choice and competition

- Vouchers
- Contracting agency
- Place allocation auction
- Means testing
- Asset transfer period
- Revised assets test arrangements

Australian Government's initial response

Longer term considerations

- The Australian Government will consult the community and aged care providers on the appropriateness of the longer term options (except option five) presented by the Review including:
 - placing the choice of provider in the hands of the prospective resident or the resident's family by granting them an authority to spend aged care monies on care and accommodation;
 - establishing a contracting agency to negotiate the prices and conditions for residents in facilities;
 - bringing the aged care means testing arrangements in line with those for the age pension;
 - extending the asset transfer period; and
 - introducing an auction/tender system for place allocations.
- The Australian Government rejects the suggestion in option five that it exempt the proceeds of sale of the family home from a tax imposition or inclusion in an asset valuation assessment. It considers this would in effect create a government deposit-taking interest-paying institution, which would represent a reversal of its current policy on the public ownership of financial institutions.

Australian Government's final response

- The Australian Government has decided not to proceed with the options relating to vouchers, a contracting agency, and a place allocation auction.
- This decision follows extensive consultations with sector and community representatives through the Minister for Ageing's advisory committee and the many representations made directly to the Minister for Ageing.
- *The Australian Government gave effect to the options relating to means testing and the asset transfer period in initiatives introduced in the 2006-07 Budget.*