

# Australian Government Response to the Productivity Commission's Caring for Older Australians Report

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## Overview

May 2012

The Productivity Commission found that Australia's aged care system has many weaknesses and is not well placed to meet the future challenges associated with an ageing population. In particular, the Commission argued the aged care system is difficult to navigate; provides limited services and consumer choice; supplies services of variable quality; suffers from workforce shortages that are exacerbated by low wages and some workers having insufficient skills; and is characterised by marked inequities and inconsistencies in the availability of services, pricing arrangements and user cocontributions.

In response, the Commission proposed an integrated reform package, which would fundamentally change the structure and dynamics of Australia's aged care system.

The Productivity Commission's report has been widely acknowledged as a ground-breaking piece of work. The Commission's analysis has substantially informed the development of the Government's **Living Longer Living Better** aged care reform package.

While the Commission projected that its proposals would achieve savings over the forward estimates, this projection was based on a number of problematic assumptions. Firstly, there are errors in the modelling which means that the business as usual scenario the Commission modelled did not accurately reflect likely future expenditure in the absence of reforms; and secondly, the modelling of their proposal was not consistent with the timing of how it could be implemented.

The Department of Health and Ageing estimates that fully implementing the Commission's proposals would involve a significant cost to the Budget. In the current fiscal environment, these costs could not be absorbed in the Budget without significant reductions in other government policy areas and programs.

The Government's aged care reform package, **Living Longer Living Better**, seeks to address the problems identified by the Commission but gives greater weight to the potential difficulties the sector would face in absorbing and responding to significant structural change in the short to medium term.

Further, the threshold issue of how strong means testing arrangements for aged care services should be, is a key factor in determining the affordability of responding to the Commission's broader suite of proposed reforms. While the proposed reform package moves in the same direction as that proposed by the Commission, it adopts a more graduated approach that seeks to significantly enhance the wellbeing of older Australians and their carers and better position the aged care sector for the possibility of further reforms in the future.

The following table outlines the Government's response to the Productivity Commission report **Caring for Older Australians** and provides an analysis of how the **Living Longer Living Better** reform package addresses the recommendations of this report.

## **Glossary of acronyms**

- ACHA – Assistance with Care and Housing for the Aged
- AIHW – Australian Institute of Health and Welfare
- HACC – Home and Community Care
- LGBTI – lesbian, gay, bisexual, transgender and intersex
- NDIS – National Disability Insurance Scheme
- NRCP – National Respite for Carers Program
- PEPA – Program of Experience in the Palliative Approach
- QI – quality indicators
- VET – vocational education and training

This document was released under the Freedom of Information Act 1982 by the Department of Health

## Assessing the current system

Chapter	Productivity Commission ('the Commission') Recommendation	Australian Government ('the Government') Response
4.1	<p>To guide future policy change, the aged care system should aim to:</p> <ul style="list-style-type: none"> <li>• promote the independence and wellness of older Australians and their continuing contribution to society</li> <li>• ensure that all older Australians needing care and support have access to person-centred services that can change as their needs change</li> <li>• be consumer-directed, allowing older Australians to have choice and control over their lives and to die well</li> <li>• treat older Australians receiving care and support with dignity and respect</li> <li>• be easy to navigate, with older Australians knowing what care and support is available and how to access those services</li> <li>• assist informal carers to perform their caring role</li> <li>• be affordable for those requiring care and for society more generally</li> <li>• provide incentives to ensure the efficient use of resources devoted to caring for older Australians and broadly equitable contributions between generations.</li> </ul>	<p>Supported.</p> <p>The <b>Living Longer Living Better</b> aged care reform package is designed to:</p> <ul style="list-style-type: none"> <li>• promote the independence and wellness of older Australians and their continuing contribution to society</li> <li>• ensure that all older Australians needing care and support have access to person-centred services that can change as their needs change</li> <li>• be consumer-directed, allowing older Australians to have choice and control over their lives and to die well</li> <li>• treat older Australians receiving care and support with dignity and respect</li> <li>• be easy to navigate, with older Australians knowing what care and support is available and how to access those services</li> <li>• assist informal carers to perform their caring role</li> <li>• be affordable for those requiring care and for society more generally</li> <li>• provide incentives to ensure the efficient use of resources devoted to caring for older Australians and broadly equitable contributions between generations.</li> </ul>

## Principles of funding

Chapter	Productivity Commission ('the Commission') Recommendation	Australian Government ('the Government') Response
6.1	The Australian Government should adopt separate policy settings (including for subsidies and co-contributions) for the major cost components of aged care, namely care (including personal and nursing care), everyday living expenses and accommodation.	<p>Supported.</p> <p>The new financing arrangements introduced as part of the aged care reform package provides for separate treatment of the major cost components of aged care, and give effect to the principles that:</p> <ul style="list-style-type: none"><li>• accommodation and everyday living expenses should be the responsibility of individuals, with a safety net for those of limited means; and</li><li>• individuals should contribute to the cost of their personal care according to their capacity to pay.</li></ul>

## Paying for aged care

Chapter	Productivity Commission ('the Commission') Recommendation	Australian Government ('the Government') Response
7.1	<p>The Australian Government should remove regulatory restrictions on the number of community care packages and residential bed licences. It should also remove the distinction between residential high care and low care places.</p>	<p>Partially supported.</p> <p>The aged care reform package provides for a substantial but controlled expansion in aged care places, including a significant relaxation of supply controls.</p> <p>A premature removal of all supply restrictions would create significant risks both for consumers and the aged care sector, which would find it difficult to adjust to a fully competitive market environment in the short to medium term, with the potential for significant financial dislocation and closure of services.</p> <p>The aged care reform package focuses initially on expanding access to Home Care packages, improving the viability and sustainability of the aged care sector and attracting new investment and allowing the industry to plan and adjust. This will ensure an orderly transition towards the possibility of a more market oriented system and minimise disruption for clients.</p> <p>From July 2014, the high/low distinction in residential care will be removed, following a review of the Schedule of Specified Care and Services.</p> <p>Over the next five years a further 39,793 Home Care packages will become operational, some 31,637 more than if the current arrangements had continued. By 2021-22, an additional 64,184 people will be able to receive care through a Home Care package than if the current arrangements had continued.</p> <p>By 2021-22, there will be 144,413 operational Home Care packages and 256,735 operational residential aged care places. That is, the numbers of Home Care packages and residential aged care places will increase by 141 per cent and 34 per cent respectively over the next decade.</p> <p>The aged care reform package provides for a substantial review to be conducted five years into the ten year plan. This will allow the Government and the sector to consider further relaxation of supply arrangements taking into account the development of a mature market and supply issues such as workforce.</p>

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7.2	<p>The Australian Government should remove regulatory restrictions on accommodation payments, including the cap on accommodation charges in high care. It should also abolish the charging of regulated retention amounts on accommodation bonds. The Government should mandate that residential aged care providers:</p> <ul style="list-style-type: none"> <li>offer and publish periodic accommodation charges</li> <li>where offered, publish accommodation bonds and any combinations of periodic charges and bonds.</li> </ul> <p>The Australian Government should require that, when a provider offers an accommodation bond, the bond does not exceed the equivalent of the relevant periodic accommodation charge. The paying of interest on accommodation bonds should be prohibited.</p>	<p>Partially supported.</p> <p>The aged care reform package provides for the introduction of a single accommodation payment system for residential care. All residents will have the choice of paying for their accommodation through a fully refundable accommodation lump sum payment; a periodic payment; or a combination of the two. The charging of retention amounts on accommodation bonds will be abolished.</p> <p>To ensure that residents receive value for their accommodation payments, aged care providers will be required to seek approval from the Aged Care Financing Authority for the level of the accommodation payment that they charge. Aged care providers will be required to publish the level of accommodation payment they charge (both as a daily accommodation charge or bond) and there will be a range of other additional support and protections for consumers.</p> <p>A 'cooling off period' will ensure that care recipients will not have to decide how they want to pay for their accommodation until they have entered care and are protected by the security of tenure provisions.</p>
7.3	<p>The Australian Government should establish an Australian Age Pensioners Savings Account scheme to allow recipients of the age and service-related pensions to establish an account with the Government (or its agent) with some or all of the proceeds of the sale of their principal residence.</p> <ul style="list-style-type: none"> <li>The account would be exempt from both the Age Pension assets and income tests and would pay interest equal to the prevailing consumer price index to maintain its real value. All accounts would be free of entry, exit and management fees.</li> <li>Apart from the proceeds from the sale of a principal residence (including the sale of any subsequent principal residences), no other amounts should be able to be deposited into the account.</li> <li>Account holders would be able to flexibly draw upon the balance in the account.</li> </ul>	<p>Not supported.</p> <p>This recommendation was designed to support the much stronger and more comprehensive means test recommended by the Commission, which would have included the family home in the means test for care services.</p> <p>The establishment of an Australian Age Pensioners Savings Account would lead to increased pension outlays and would involve significant establishment and administration costs. Given that the new means testing arrangements in the aged care reform package does not change the treatment of the family home from current arrangements, it is not justified to introduce a Pensioner Savings Account with the additional costs that this would entail.</p>

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7.4	<p>The Australian Government should charge residential providers a fee to reflect the costs of providing the Government guarantee on accommodation bonds.</p>	<p>Supported in principle but addressed through an alternative approach.</p> <p>From 1 July 2014, all aged care providers will be required to insure any new accommodation bonds that they are paid by residents for entry to care.</p> <p>This approach is more efficient and involves lower administration costs than the Commission's approach.</p> <p>It will also complement other recent changes that the Government has made to strengthen prudential arrangements for accommodation bonds, including amendments to the <b>Aged Care Act 1997</b>, from 1 July 2011, to:</p> <ul style="list-style-type: none"> <li>• clarify that the purpose of bonds is a source of capital for investment in aged care infrastructure;</li> <li>• improve governance arrangements for bonds; and</li> <li>• provide greater transparency and accountability for bonds.</li> </ul>



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7.5	<p>To ensure sufficient provision of the approved basic standard of residential aged care accommodation for those with limited financial means, providers should continue to be obliged to make available a proportion of their accommodation to supported residents.</p> <p>The Australian Government should set the level of the obligation on a regional basis.</p> <p>Where providers do not meet the supported resident ratio obligation in their region, a sliding scale of penalties should be levied, where the size of the penalty would depend on the severity of the non-compliance. The current pricing arrangements (which apply a 25 per cent discount to the full rate of the accommodation supplement when facilities do not have more than 40 per cent supported residents) should be abolished.</p>	<p>Supported in principle but addressed through an alternative approach.</p> <p>Arrangements to ensure older Australians with limited financial means can access residential care will be strengthened.</p> <p>The Aged Care Financing Authority will review current measures to protect access for these care recipients, including the supported resident ratios that apply in each planning region to ensure equitable access to aged care for socially and financially disadvantaged older people.</p> <p>The Authority will also examine the ongoing appropriateness of the current supported resident arrangements, whereby the level of the accommodation supplement payable in respect of residents in an aged care home is higher if more than 40 per cent of the residents in the home are supported residents, and will be asked to advise on cost neutral alternatives to the current arrangements.</p> <p>The Authority will have an ongoing role in monitoring access for different groups across regions and in reviewing and advising the Minister for Mental Health and Ageing on aged care financing issues including prices for aged care subsidies and supplements.</p> <p>In addition, the aged care reform package includes a number of other measures to improve the access of older Australians with limited financial means to aged care:</p> <ul style="list-style-type: none"> <li>From 1 July 2014, the maximum level of the accommodation supplement that the Government pays in respect of care recipients who cannot meet their own accommodation costs will be significantly increased, for aged care homes that are built or significantly refurbished after the announcement of the aged care reform package.</li> <li>Ongoing funding will be provided to continue enhancements to the aged care viability supplement for homes providing services in rural and remote areas, to Indigenous Australians and to people who are homeless or at risk of homelessness, a significant proportion of whom are financially and socially disadvantaged.</li> <li>The Capital Grants and Zero Real Interest Loan programs, which support the construction of aged care homes providing services to rural and remote communities and financially disadvantaged populations will be reformed so that funding can be more flexibly targeted to services in priority areas.</li> </ul>

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7.6	<p>For supported residents, the Australian Government should set a subsidy level for the approved basic accommodation standard of residential care which reflects the average cost of providing such accommodation. The subsidy should be set regionally and on the basis of the July 1999 building standard (an average of 1.5 beds per room). A lower subsidy level should be paid to those facilities which do not meet the July 1999 building standard. The Australian Aged Care Commission should be empowered to consider exceptional circumstances for those facilities which do not meet the July 1999 building standard and make an appropriate recommendation to the Australian Government to increase the level of the supported resident accommodation subsidy for these facilities.</p>	<p>Partially supported.</p> <p>From 1 July 2014, the maximum level of the accommodation supplement that the Australian Government pays in respect of post-2008 residents who are post-2014 residents who cannot meet their own accommodation costs will be increased from \$32.58 to around \$50 per day (in current prices) or around \$52.84 a day (based upon expected 2014 prices).</p> <p>Analysis by the Department of Health and Ageing and independent experts suggests that this level of supplement is sufficient to provide a reasonable return on investment for a basic standard of accommodation consistent with the current Aged Care Building Certification Standards.</p> <p>The higher supplement will be restricted to aged care homes that are built or significantly refurbished after the aged care reform package was announced (provided that the home complies with the 1999 fire safety and 2008 space and privacy building certification requirements).</p> <p>The Government will establish a new Aged Care Financing Authority, which will provide transparent advice to the Government on aged care prices for subsidies and supplements.</p> <p>This introduces a mechanism for regularly reviewing and updating these prices based on an analysis of efficient prices.</p> <p>While the Authority will monitor and review the effectiveness of these arrangements and have scope to explore alternative approaches, payment of differential rates of accommodation supplement to different regions is not supported at this time. Such an approach could lead to higher subsidies being directed to wealthy areas, where land prices are higher and where there is greater scope for aged care homes to charge higher charges for wealthier residents.</p>

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7.7	<p>To better target the supported resident accommodation subsidy, the relevant share of a person's former principal residence should be included in the total assets test and the exemption of the principal residence when there is a 'protected person' remaining in the former principal residence should be abolished. To allow an existing 'protected person' to continue to remain in the former principal residence, there should be guaranteed access of the resident to the Government-backed Australian Aged Care Home Credit scheme and the existing option of deferred payments. Further research and modelling should be undertaken to consider the scope for assessing the total assets test thresholds for supported resident accommodation payments.</p>	<p>Not supported.</p> <p>The Government is concerned that such a change could lead to unnecessary hardship for spouses and close relatives of care recipients.</p> <p>Under the aged care reform package, an older person's former principal residence will continue to be exempt from the means testing arrangements where this residence continues to be occupied by a protected person. Given the continuation of this exemption, a government backed Australian Aged Care Home Credit scheme is not needed.</p>
7.8	<p>The Australian Government should remove the regulatory restrictions on supplying additional services in all residential aged care facilities, discontinue the issuing of extra service bed licences and remove the distinction between ordinary and extra service bed licences.</p>	<p>Largely supported.</p> <p>While the aged care reform package includes changes of this nature, it will be important to retain some regulatory restrictions at this time to ensure equity of access is maintained and prevent providers favouring residents who are able to pay higher charges.</p> <p>Under the aged care reform package, all aged care homes will be given the capacity to charge for additional services and amenities over and above the minimum standard required by the Schedule of Specified Care and Services, on an optin/optout basis, with consumers able to optin or out any time after they enter care.</p> <p>Where homes want to seek to dedicate facilities or rooms or wings to providing additional services, and require all residents to agree to higher charges as a condition of entry to these services, they will need to seek approval from the Aged Care Financing Authority.</p> <p>The Authority will take into account regional access as part of considering these applications.</p> <p>To contribute to more affordable charges in these homes, the current additional extra services subsidy reduction (applied at a rate of 25 per cent of the higher extra services fee charged by these homes) will be discontinued for new residents or transfers after 1 July 2014.</p>

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7.9	<p>The Australian Government should:</p> <ul style="list-style-type: none"> <li>• prescribe the scale of care recipients' co-contributions for approved aged care services which would be applied through the Australian Seniors Gateway Agency</li> <li>• set a comprehensive means test for care recipients' co-contributions for approved aged care services. This test should apply the Age Pension income test. The test should also apply an assets test to the relevant share of a person's assets which are excluded from the age pension means test (such as the principal residence, accommodation bonds and the proposed Australian Age Pensioners Savings Account).</li> </ul> <p>To facilitate greater consistency in co-contributions across community and residential care, comprehensive aged care means testing to determine care recipient co-contributions to care costs in both settings should be undertaken through the Australian Seniors Gateway Agency by Centrelink.</p> <p>The care recipients' co-contributions scale should be regularly reviewed by the Australian Government based on transparent recommendations from the Australian Aged Care Commission.</p>	<p>Largely supported.</p> <p>The Government will continue to regulate care recipients' co-contributions for approved aged care services to ensure fees are fair and reasonable and to ensure that no-one pays more than they can afford.</p> <p>New, fairer and more equitable means-testing arrangements will apply for home support services, Home Care packages and residential care. A range of additional consumer protections will be introduced, including annual and lifetime caps on care fees and arrangements to ensure that no care recipient can be required to contribute more than the cost of their care and, in the case of residential care, their accommodation.</p> <p>The new arrangements will provide for more consistent fees for home support services and Home Care packages, and for greater consistency of approach across residential and community care.</p> <p>Currently, fees for home support services vary significantly within and across jurisdictions. A review of fees will be undertaken to inform the establishment of a national fees policy for home support services, which will be phased in between July 2014 and July 2016.</p> <p>A consistent means testing arrangements will also be introduced for Home Care packages</p> <ul style="list-style-type: none"> <li>• Currently, providers can ask Home Care package recipients to pay a Basic Fee and an additional fee up to half of any income over the maximum pension. Few providers ask care recipients to pay this additional fee and it does not reduce the level of care subsidy payable by the Government.</li> <li>• From 1 July 2014, income testing will be extended to Home Care packages, consistent with the means test for care subsidies in residential care. Providers will be permitted to ask Home Care package recipients to pay a Basic Fee (as currently) and a Care Fee. The level of the Government care subsidy will be reduced by the level of the Care Fee, <ul style="list-style-type: none"> <li>○ No full pensioner will be required to pay a care fee.</li> <li>○ No part pensioner will pay a care fee greater than \$5,000 per annum.</li> <li>○ income above \$150 for a single person per fortnight and \$264 for a couple per fortnight will begin to pay care fees.</li> </ul> </li> </ul>

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		<ul style="list-style-type: none"> <li>• People receiving Home Care packages during periods of severe financial hardship will be entitled to subsidised care fees, in line with current income tested fees in residential care.</li> <li>• For the first time there will be a lifetime cap of \$60,000 on care fees, so that no person will pay more than this amount during their lifetime.</li> <li>• Means testing will be undertaken on behalf of the Department of Health and Ageing by the Department of Human Services and the Department of Veterans' Affairs.</li> <li>• Care recipients as at 30 June 2014 will not be affected while their current episode of care continues.</li> </ul> <p>In residential care, the income and assets test will be strengthened but there will continue to be strong protections around the level of income and assets residents retain. Current protections for a resident's former principal residence where it continues to be occupied by a protected person will also continue.</p> <p>The aged care reform package includes measures to build a new Gateway to aged care services (see the response to recommendation 9.1). Over time it is envisaged means testing will be undertaken through the Gateway, together with the Departments of Human Services and Veterans' Affairs.</p>
7.10	<p>The Australian Government should set a lifetime stop-loss limit comprising the care recipients' co-contributions towards the cost of approved aged care services (excluding accommodation and everyday living expenses). Once the limit has been reached, no further care recipients' co-contributions would be required for those services.</p> <p>With a stop-loss limit in place, the Australian Government should exclude aged care costs from the net medical expenses tax offset.</p>	<p>Largely supported.</p> <p>The Government will introduce annual caps on care fees for Home Care packages and residential care to protect care recipients with higher than average care needs. For Home Care packages there will be an annual cap on care fees of \$5,000 for part pensioners and \$10,000 for self-funded retirees. For residential care there will be an annual cap on care fees of \$25,000.</p> <p>In addition, there will be a lifetime cap of \$60,000 on care fees.</p> <p>The annual and life time caps on care fees will be indexed in line with movements in the basic Age Pension commencing from September 2014.</p>

## Broadening the funding base

Chapter	Productivity Commission ('the Commission') Recommendation	Australian Government ('the Government') Response
8.1	<p>The Australian Government should establish a Government-backed Australian Aged Care Home Credit scheme to assist older Australians to make a co-contribution to the costs of their aged care and support.</p> <p>Under the scheme, eligible individuals would receive a Government-backed line of credit secured against their principal residence, or their share of that residence.</p> <p>In establishing the line of credit, the Australian Seniors Gateway Agency would arrange a valuation of the principal residence and specify a minimum level of equity for the person's share of the home. The individual could draw progressively down to that minimum to fund their aged care costs. The drawdown on the line of credit would be subject to interest charged at the consumer price index. If the outstanding balance and accumulated interest reached the minimum limit set by the Australian Seniors Gateway Agency, the interest rate would fall to zero, and no further draw down would be permitted under the scheme.</p> <p>The outstanding balance of the line of credit would become repayable upon the disposition of the former principal residence including upon the death of the individual, except where there is a protected person permanently residing in the former principal residence.</p> <p>In the latter circumstances, the outstanding balance of the line of credit would be repayable when the protected person ceases to permanently reside in that former principal residence, or ceases to be a protected person. (Protected person is defined in the <b>Aged Care Act 1997</b> and includes, for example, a partner, dependent child or a carer.)</p>	<p>Not supported at this time.</p> <p>A Government backed Australian Aged Care Home Credit scheme is not needed because means-testing arrangements are not being extended to include a person's principal residence for either the Home Care packages they receive whilst remaining in their home; or residential care where their former home is still occupied by a protected person.</p>

## Access to aged care

Chapter	Productivity Commission ('the Commission') Recommendation	Australian Government ('the Government') Response
9.1	<p>The Australian Government should establish an Australian Seniors Gateway Agency to provide information, needs assessment, care coordination and carer referral services. The Gateway would deliver services via a regional structure.</p> <ul style="list-style-type: none"> <li>• A platform within the Gateway would provide information on healthy ageing, social inclusion and participation, age-friendly accommodation, and information on the availability, quality and costs of care services from approved providers, and how to access those services.</li> <li>• Assessments of the needs of older people would be undertaken for their potential entitlement to approved care services. The level of assessment resourcing would vary according to anticipated need.</li> <li>• Assessments of financial capacity to make care co-contributions toward the cost of services would be undertaken by Centrelink on behalf of the Gateway.</li> <li>• The assessment of the individual could lead to an entitlement to a set of aged care services which the older person and their carer may access from approved aged care providers of their choice.</li> <li>• The assessment could lead to a referral or an entitlement to community support services and carer support services where such services form an essential part of a set of services to meet complex needs.</li> <li>• Initial care coordination services would be provided, where appropriate and requested, as part</li> </ul>	<p>Largely supported.</p> <p>The aged care reform package includes additional funding to establish an Aged Care Gateway, which will create a clear pathway into, and through, the aged care system. The Gateway will encompass and be complemented by a number of elements:</p> <ul style="list-style-type: none"> <li>• A My Aged Care website in 2013 that will provide clear and reliable information allowing people to better navigate their way through the aged care system. For example, information about services available in a region, what services are provided in particular Home Care packages, fees payable and, once developed, quality indicators about particular providers. From 2015-16 website capabilities will be extended to include self-service functions for consumers and service providers and service availability data.</li> <li>• A new national call centre, to be established in 2013 that, in addition to providing information, will allow consumers to discuss their options in more detail with call centre staff. National call centre staff will be able to provide referrals to local service providers.</li> <li>• Development of a national assessment framework for aged care, in consultation with consumers, health professionals and aged care providers. This work will include developing and testing standardised assessment processes for entry into the new Commonwealth home support program and comprehensive assessments for entry into Home Care packages or residential care. This will position the Gateway to</li> </ul>

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	<p>of the Gateway. Further care coordination and case management, which may form part of the entitlement, would be provided in the community or in residential aged care facilities by an individual's approved provider of choice.</p> <ul style="list-style-type: none"> <li>• The Gateway would:</li> <li>• have a separate Australian Government Budget appropriation for the entitlement-based services that it approves</li> <li>• be a Prescribed Agency under the <b><i>Financial Management and Accountability Act 1997</i></b>.</li> </ul> <p>The Gateway would operate via a network of regional centres to enhance local responsiveness, with operational regions defined with reference to those for Medicare Locals and/or Local Hospital Networks. These regional centres would offer the full range of information, needs assessment and care coordination services and their operation may be subcontracted to third party operators including other government agencies or non government or private entities.</p>	<p>assess people more consistently so that people with similar needs are able to access similar aged care services across the country.</p> <ul style="list-style-type: none"> <li>• A new linking service, provided through the Gateway, will commence in early 2014, and will assist vulnerable people with multiple needs to access health, housing, disability, financial and aged care services</li> <li>• The Aged Care Funding Instrument will be revised to enable it to be more easily applied by independent assessors and outside residential settings, so that it can determine funding levels for both residential and Home Care packages, with this function moving to the Gateway over time. This building block is fundamental to moving towards giving consumers greater flexibility and choice in how they spend their subsidy and is in line with the Commission's recommendation that entitlements be attached to care recipients instead of providers.</li> <li>• The Government agrees that the Gateway will need to be responsive to local needs and, in doing so, will need to work closely with Medicare Locals and Local Hospital Networks. The Government considers that there is considerable scope for the Gateway to be based around the new website and call-centre, which could arrange for local teams of health professionals to assess people in their own homes as necessary. In view of this potential, it would be premature to invest in new local physical infrastructure, given the significant start-up costs and the potential for the Department of Human Services</li> </ul>



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		(Medicare and Centrelink offices) to contribute to facilitating access to the Gateway. The need for such arrangements will be carefully monitored over time.
9.2	An intensive reablement service should be introduced to give greater focus on independence, rehabilitation and restorative care. Eligibility and entitlement for this service should be assessed by the Australian Seniors Gateway Agency.	<p>Supported.</p> <p>The Government supports the need for a strong focus on independence, rehabilitation and restorative care. An integrated Commonwealth home support program will be established from 1 July 2015 (see the response to recommendation 9.4). This program will seek to maximise preventative and restorative care to optimise outcomes for care recipients and avoid their unnecessary progression to more intensive, higher cost services.</p> <p>At the same time, the Government notes it will be important to build on and avoid duplicating existing services, including the Transition Care Program and other services provided through the public and private sectors. The aged care reform package therefore includes a range of initiatives to promote greater innovation within the aged care sector and better links with public and private hospitals and medical insurers. As well as improving the capacity for older people to receive restorative care through the aged care system, these initiatives also aim to improve access to services provided through the wider health system.</p>
9.3	A trial of more flexible arrangements for respite care, such as cashing out for respite services and extending the range of registered individuals who can be approved to provide respite, should be conducted as part of a broader introduction of an entitlement based approach to care services.	<p>Largely supported.</p> <p>While further work is necessary before a more entitlement-based approach to care services can be considered, the aged care reform package will support better access to care and promote greater choice for carers of older people by streamlining arrangements for respite care, expanding access to services and giving carers more choice and flexibility in the services they use. These improvements will be delivered through four elements:</p> <ul style="list-style-type: none"> <li>• providing increased funding and growth for services supported under the National Respite for Carers Program (NRCP) from 1 July 2012;</li> <li>• consolidating funding for respite</li> </ul>

Chapter	Productivity Commission ('the Commission') Recommendation	Australian Government ('the Government') Response
		<p>programs into one program from 1 July 2014;</p> <ul style="list-style-type: none"> <li>• establishing a regional network of carer support centres; and</li> <li>• further work to trial and explore innovative models for carers to exercise greater choice in how they use their service entitlements and the interaction with disability services, including in the proposed National Disability Insurance Scheme (NDIS).</li> </ul> <p>As well as providing immediate improvements in services for carers and care recipients, these initiatives will provide a platform to gradually increase the flexibility of respite care service delivery arrangements as part of future reforms to the aged and disability care systems.</p>
9.4	<p>The Australian Government should replace the current system of discrete care packages across community and residential care with a single integrated, and flexible, system of care entitlements (the Aged Care System).</p> <p>The System would have the following features:</p> <ul style="list-style-type: none"> <li>• it would cover services including residential care, community care (domestic, personal, nursing), reablement, planned respite, home modification, palliative care, high level aids and equipment, and care coordination</li> <li>• the Australian Government should approve a schedule of aged care services to be provided to individuals on an entitlement basis, according to the Gateway's assessment of their need. Individuals should be given an option to choose an approved provider or providers</li> <li>• the entitlement provided to consumers as part of the Gateway assessment process should include</li> </ul>	<p>Largely supported.</p> <p>The aged care reform package will create a better integrated aged care system, which will give consumers greater choice and more flexibility. For the first time older Australians will be able to move seamlessly from relatively low levels of basic home support through to complex care for the very frail. Central to the reforms is a significant but controlled expansion in care available in the home, complemented by reforms to break down program structures that create anomalies for consumers, including boundaries and overlaps between current Home and Community Care (HACC) services and Home Care packages, funding gaps and inflexibility in Home Care packages and the High/Low distinction in residential care. The key reforms include the following:</p> <ul style="list-style-type: none"> <li>• An integrated Commonwealth home support program will be established from 1 July 2015, which will allow better coordination of appropriate and timely care for older people. It will consolidate the existing HACC program for older people with the NRCP, the Assistance with Care and Housing for the Aged Program (ACHA) and</li> </ul>

Chapter	Productivity Commission ('the Commission') Recommendation	Australian Government ('the Government') Response
	<p>a detailed statement of the care assessment, the care objectives, the type and intensity of services to meet those objectives, the total value of the entitlement, and the period of the entitlement. In addition the consumer would receive a statement of their co-contribution obligation</p> <ul style="list-style-type: none"> <li>the Australian Government would set the scheduled price of approved services based on a transparent recommendation by the Australian Aged Care Commission</li> <li>the Australian Government should fund an expanded system of aged care individual advocacy by initially expanding funding and access to advocacy under the National Aged Care Advocacy Program. The Australian Government should also support a range of community support services which would be directly accessible by older Australians and their carers and through the Gateway. Such community support services would include funding from the Australian Government (including, for example, block funding for infrastructure and overheads) as well as user charges and financial and in-kind support from state, territory and local governments and the community. For some community services, where a person requires long term support, an assessment from the Gateway may be required.</li> </ul>	<p>the Day Therapy Centres program.</p> <ul style="list-style-type: none"> <li>The reforms also provide for significant improvements in access to information and assessment services while laying the foundation for the Gateway, which will contribute to simplifying access and create an integrated aged care program (see the response to recommendation 9.1).</li> <li>To support more responsiveness and a more seamless transition for recipients of Home Care packages as their needs increase, two new Home Care package levels will be introduced to enable clients to make a smoother transition to increased levels of care as their needs change. This will mean that there are four levels of home care ranging in value from around \$7,500 to \$45,000 a year, better able to accommodate the changing needs of older Australians for care in their home.</li> <li>More generally, the reforms support a range of initiatives to provide greater opportunities for consumer-directed care and greater access to advocacy services.</li> </ul> <p>Government decisions on prices and subsidies for services will draw on the advice of the Aged Care Financing Authority (see the response to recommendation 7.5), creating a more transparent process for setting funding rates.</p> <p>Over time these initiatives will create a basis for moving towards a system where consumers have more choice in how they use the subsidies they are entitled to, with some community support services, such as information and counselling or advocacy services for example, continuing to be block-funded.</p>
9.5	The Australian, state and territory governments should promote the expanded	<p>Supported.</p> <p>The aged care reform package includes a</p>

Chapter	Productivity Commission ('the Commission') Recommendation	Australian Government ('the Government') Response
	<p>use of in-reach services to residential aged care facilities and the development of regionally or locally-based visiting multi-disciplinary health care teams (including from oral and mental health disciplines and dementia care specialists as appropriate).</p>	<p>strong focus on improving linkages between the aged care and health systems through the Better Health Care Connections measure, which will promote better practice and the development of partnerships across the health and aged care sectors. This measure will include support for better access to multidisciplinary care for aged care recipients, encompassing GPs, nurses and other primary health care providers, specialists and aged care providers. Key initiatives include that:</p> <ul style="list-style-type: none"> <li>• Funding is being provided for training coordination and support activities with primary care organisations to liaise with general practitioners, assist with take up of training, assist in developing appropriate referral pathways and provide support for GPs and practice nurses in implementing training into practice.</li> <li>• Funding is also being provided for a pilot trial to enable GPs to deliver consultations to aged care recipients in residential care by videoconference. This will improve older Australians access to primary health care services and facilitate GPs' involvement in multidisciplinary care.</li> <li>• Funding will also be provided for a study to explore possible improvements in access to primary health care for aged care recipients, by better harnessing the range of recent initiatives including financial incentives for GPs, Telehealth and Medicare Locals.</li> <li>• Funding is also being provided to support a range of initiatives to encourage aged care providers to enter into partnerships with public and private health care providers and medical insurers for the delivery of short term, more intensive health care services. This</li> </ul>

Chapter	Productivity Commission ('the Commission') Recommendation	Australian Government ('the Government') Response
		<p>will deliver improved access to complex health care, including palliative and psychogeriatric care for aged care recipients.</p>
9.6	<p>The Australian Government should set scheduled fees for the delivery of certain sub-acute services that are delivered in a residential aged care facility. These fees should be cost reflective and, in general, lower than the scheduled fee for the equivalent service provided in a hospital.</p>	<p>Not supported.</p> <p>The Australian Government should be responsible for setting fees and subsidies for aged care services, including complex health and sub-acute care that care recipients are eligible to receive as part of the Specified Care and Services. The aged care reform package provides for greater clarity and consistency in the fees that consumers may be charged for different aged care services.</p> <p>However more intensive sub-acute and medical care is not the direct responsibility of the aged care system. Where "in-reach" services are provided by the public hospital system, aged care recipients should be able to receive these services without any out of pocket cost, just as is the case for the general population. Where services are provided by the private sector, the usual Medicare benefits and Private Health Insurance financing and user charging arrangements should apply.</p> <p>The Government does, however, support action to improve access for aged care recipients to services provided through the wider system, including potentially supporting an expanded role for aged care providers in health care provision, financed by public hospitals or through private health insurers. The aged care reform package includes a range of initiatives to promote innovation in this area. For example, a new Very High Level of funding will be added to the Behaviour Domain of the Aged Care Funding Instrument to improve the quality of care in aged care homes for residents who have severe behavioural and psychological symptoms of dementia.</p>
9.7	<p>The Commission notes that the Australian Government has agreed to assume funding responsibilities for specialist disability services delivered under the National Disability Agreement for people over the age threshold.</p> <p>In that context, the Australian Government should ensure that:</p> <ul style="list-style-type: none"> <li>• a person with a disability eligible for</li> </ul>	<p>Supported in principle.</p> <p>The Australian Government recognises the need for reforms to the aged care and disability support systems to encourage stronger linkages between these systems.</p> <p>Further work is needed to determine how best to manage the interactions between both systems. The Department of Health and Ageing, the Department of Families,</p>

Chapter	Productivity Commission ('the Commission') Recommendation	Australian Government ('the Government') Response
	<p>and being supported within the disability care system prior to reaching the aged threshold should be able to be continue to be supported by services best able to meet their needs including through the disability care system</p> <ul style="list-style-type: none"> <li>• such a person may at any time after reaching the age threshold elect to be supported through the aged care system and be subject to that system's arrangements and shall be deemed to have done so upon permanent entry into a residential aged care facility.</li> </ul>	<p>Housing, Community Services and Indigenous Affairs and the Australian Treasury are working closely on these issues. In this context, full consideration will be given to relevant recommendations from the Productivity Commission's Caring for Older Australians and Disability Care and Support reports. A key priority as part of this work will be ensuring a seamless transition and continuity in access to services for people with a disability as they age.</p>

## Quality of aged care

Chapter	Productivity Commission ('the Commission') Recommendation	Australian Government ('the Government') Response
10.1	<p>The quality assurance framework for aged care should be expanded to include published quality indicators at the service provider level to help care recipients and their families make informed choices about care and to enhance transparency and accountability about funds spent on care. The Australian Aged Care Commission should develop a Quality and Outcomes Data Set for use by care recipients and bring together evidence on best practice care, with the information openly accessible via the Gateway.</p>	<p>Supported.</p> <p>The aged care reform package provides for the staged development of national aged care quality indicators (QIs) and a rating system. The information obtained through QI data will be the basis for establishing the rating system for aged care homes, and eventually Home Care package services, which will be published on the new My Aged Care website. The rating system will give consumers reliable information when choosing the care they require; allow consumers and providers to compare services; and create incentives for service providers to improve the quality of their services above and beyond meeting the baseline standards. These reforms will increase the transparency of the quality of aged care services and give more market-based incentives for providers to improve the services they offer.</p> <p>In addition, the Government is supporting higher quality aged care services by providing additional funding to encourage innovation in the delivery of aged care services by promoting research translation and evidence based care. The findings of this work will be disseminated throughout the aged care sector to enable all care recipients to benefit from improved ways of delivering care.</p>
10.2	<p>The Medicare rebate for medical services provided by general practitioners visiting residential aged care facilities and people in their homes should be independently reviewed to ensure that it covers the cost of providing the service.</p>	<p>Not Supported.</p> <p>The Government does not consider that higher Medicare rebates are an appropriate mechanism to improve access to medical services for people living in residential aged care facilities, noting that rebates for these visits are already higher than for other consultations.</p> <p>As part of the aged care reform package, the Government is providing funding to trial new models to improve access to primary health care for aged care recipients, as part of initiatives to promote access to better multi-disciplinary care (see response to recommendation 9.5).</p>
10.3	<p>The Australian Government should ensure that residential and community care providers receive appropriate payments for delivering palliative and end-of-life care. These payments should form part of the assessed entitlement determined by the</p>	<p>Supported in principle.</p> <p>As recognised by the Commission, this is not an issue the Australian Government can resolve by itself, noting that the delivery of specialist palliative care services are</p>

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	<p>Gateway assessment process. The appropriate payment for palliative and end-of-life care should be determined by the Government on the transparent advice of the Australian Aged Care Commission and in consultation with the National Hospital Pricing Authority.</p>	<p>primarily the responsibility of state and territory governments.</p> <p>Aged care subsidies already include funding for some care needs associated with palliative and end-of-life care.</p> <p>The new Aged Care Financing Authority will make transparent recommendations to Government on changes to aged care funding arrangements needed to provide appropriate recognition for such care needs.</p> <p>However, it is also important to ensure that older people and aged care recipients are able to receive specialist palliative care through the wider health system where this is necessary. The Government recognises the increasing preference of older people and their families to, where possible, receive palliative and end-of-life care at home without having to move to a hospital or specialist palliative care facility, including those living in an aged care home. In this context, the Government supports exploring a greater role for residential and community aged care providers in delivering palliative and end-of-life care, including health agencies contributing funding to aged care services to provide more intensive care.</p> <p>The aged care reform package includes a number of initiatives to improve access to palliative and other forms of sub-acute care, including exploring regulatory and funding barriers to access such services, and training initiatives to improve links between aged care homes and public sector providers. The Australian Government remains committed to working with state and territory governments to achieve improvements in this area.</p>
10.4	<p>Providers of aged care services should have staff trained to be able to discuss and put in place advance care directives. Funding should be made available for community awareness education about advance care planning.</p> <p>Advance care directives should be included in the proposed electronic records.</p>	<p>Largely supported.</p> <p>Aged care providers are increasingly involved in the delivery of complex palliative and end of life care and there is a need to improve the palliative care support skills of the aged care workforce, build better linkages between aged care and palliative care services and improve advanced care planning.</p> <p>The aged care reform package delivers funding to provide specialist palliative care and advance care planning advice to aged care providers and GPs caring for recipients of aged care services by funding innovative models of palliative care advisory services.</p>



Chapter	Productivity Commission ('the Commission') Recommendation	Australian Government ('the Government') Response
		<p>This measure will help address the problem of aged care providers and GPs lacking specialist knowledge or skills in delivering complex palliative care and limited awareness of state/territory advance care planning legislation, documents and related resources.</p> <p>The aged care reform package also provides funding to expand the Program of Experience in the Palliative Approach (PEPA). Currently, PEPA provides training placements in specialist palliative care services and palliative care workshops to nurses, GPs and allied health workers. The expansion will extend training to aged care workers, improving the quality of care by improving linkages with specialist palliative care clinicians and by improving the palliative care expertise of aged care staff.</p>

## Catering for diversity

Chapter	Productivity Commission ('the Commission') Recommendation	Australian Government ('the Government') Response
11.1	<p>The Australian Government should ensure the accreditation standards for residential and community care are sufficient and robust enough to deliver services which cater to the needs and rights of people from diverse backgrounds including culturally and linguistically diverse, Indigenous and sexually diverse communities.</p>	<p>Supported.</p> <p>The current accreditation standards recognise that each resident is different, applying general standards to each resident's care needs regardless of race, culture, language, social or religious choices. The Government is currently undertaking work to review, improve and streamline these standards. Responding to diversity is a priority in this work. Extending the role of the Aged Care Standards and Accreditation Agency to community care, will assist</p> <p>in supporting more consistent application of standards and recognition of diversity across residential and community settings.</p> <p>More generally, the aged care reform package includes a strong focus on supporting diversity and ensuring that older Australians from diverse backgrounds can access information and aged care services that are sensitive to their needs including people living in rural and remote areas; people from culturally and linguistically diverse backgrounds; people who are homeless or at risk of being homeless; people who are care leavers; and people from the lesbian, gay, bisexual, transgender and intersex (LGBTI) community. Initiatives include:</p> <ul style="list-style-type: none"> <li>• Ongoing funding to continue recent enhancements to the residential aged care viability supplement for homes targeting rural, remote, Indigenous and homeless populations.</li> <li>• Additional funding through the Aged Care Service Improvement and Healthy Ageing Grants fund to improve the skills and knowledge of aged care providers to meet the care needs of diverse populations, including through staff training, information sharing and access to expert assistance.</li> <li>• The National Aboriginal and Torres Strait Islander Flexible Aged Care program will be expanded to</li> </ul>

Chapter	Productivity Commission ('the Commission') Recommendation	Australian Government ('the Government') Response
		<p>provide around 200 additional aged care places in Indigenous communities.</p> <ul style="list-style-type: none"> <li>• To address the growing pressures relating to homelessness, the ACHA program will be expanded and targeted at regional and remote areas where the incidence of older people who are homeless is highest.</li> <li>• Training within the aged care sector to promote services that are sensitive to the specific needs of older people in the LGBTI community, to help ensure that sexual diversity does not act as a barrier to receiving high quality aged care in either home or residential settings.</li> <li>• In addition, there will be consultation with organisations representing this diverse range of groups on the need for further strategies to support their needs within the aged care system.</li> </ul>
11.2	<p>The Australian Seniors Gateway Agency should cater for diversity by:</p> <ul style="list-style-type: none"> <li>• ensuring all older people have access to appropriate information and assessment services</li> <li>• facilitating access for people with language and cultural needs through the development of specific hubs for older people from diverse backgrounds that have limited English skills and require access to bi-lingual staff</li> <li>• ensuring that diagnostic tools are culturally appropriate for the assessment of care needs.</li> </ul>	<p>Supported.</p> <p>In developing the new Gateway to aged care services consideration is being given to how best meet the needs of older Australians from diverse backgrounds.</p> <p>This includes ensuring that these members of the community have access to the information they need.</p> <p>This is likely to involve a range of approaches including access to translation services and drawing on the expertise of communitybased organisations.</p> <p>Promoting the use of culturally sensitive diagnostic tools will be an important part of work to improve and standardise assessment processes.</p>
11.3	<p>The Australian Aged Care Commission, in transparently recommending the scheduled set of prices for care services, should take into account costs associated with catering</p>	<p>Largely supported.</p> <p>Current subsidy levels for all residents already recognise the need to cater for diversity in that they assume that providers</p>

Chapter	Productivity Commission ('the Commission') Recommendation	Australian Government ('the Government') Response
	<p>for diversity, including:</p> <ul style="list-style-type: none"> <li>• providing ongoing and comprehensive language services for clients from non-English speaking backgrounds</li> <li>• ensuring staff undertake appropriate professional development activities to increase their capacity to deliver care with dignity and respect to all older people.</li> </ul>	<p>will cater for individual needs in providing a range of services.</p> <p>Further, aged care subsidies are not always the best mechanism to support the needs of specific groups. Some support such as additional training and language services may be better supported through grants programs to third-party organisations.</p> <p>The aged care reform package includes action to ensure that both subsidy and grant programs provide better recognition for diversity. The new Aged Care Financing Authority will take into account the costs associated with catering for diversity.</p>
11.4	<p>The Australian Government should ensure that rural and remote, and Indigenous aged care services be actively supported before remedial intervention is required. This support would include but not be limited to:</p> <ul style="list-style-type: none"> <li>• the construction, replacement and maintenance of appropriate building stock</li> <li>• meeting quality standards for service delivery</li> <li>• clinical and managerial staff development, including locally delivered programs and enhanced use of technology assisted training</li> <li>• applying funding models that ensure service sustainability and support the development of service capabilities at a local level.</li> </ul>	<p>Supported in principle.</p> <p>The aged care reform package supports a number of measures to improve the access of older people living in rural and remote areas and Indigenous Australians to aged care services:</p> <ul style="list-style-type: none"> <li>• The maximum level of the accommodation supplement the Australian Government pays in respect of care recipients who cannot meet their own accommodations costs will be significantly increased, for aged care homes that are built or significantly refurbished after the date that the aged care reform package was announced (see the response to recommendation 7.5).</li> <li>• Better targeting of capital grants funding (see the response to recommendation 7.5), to services caring for special needs groups, including rural and remote and Indigenous communities, whose capital needs may not be adequately met through mainstream aged care financing arrangements.</li> <li>• Funding is being provided to continue the expanded residential aged care viability supplement (see the response to recommendation 11.1).</li> </ul>

Chapter	Productivity Commission ('the Commission') Recommendation	Australian Government ('the Government') Response
		<ul style="list-style-type: none"> <li>• The National Aboriginal and Torres Strait Islander Flexible Aged Care program will be expanded to provide around 200 additional aged care places in Indigenous communities (see the response to recommendation 11.1).</li> <li>• The expansion of the ACHA program will target support to regional and remote areas where the incidence of older people who are homeless is highest (see the response to recommendation 11.1).</li> <li>• The new Aged Care Financing Authority will take into account the higher costs of delivering aged care services in rural and remote areas and to Indigenous Australians when making recommendations to the Government on appropriate subsidy levels in relation to these services. For example, the additional funding could be paid through the viability supplement arrangements.</li> <li>• The Aged Care Financing Authority will also undertake a review of the funding basis for Multi-purpose Services, with a view to bringing these programs into closer alignment with mainstream pricing arrangements.</li> <li>• The aged care reform package also includes increased funding to address workforce pressures, which will include a strong focus on better responding to the needs of rural and remote and Indigenous communities.</li> <li>• In addition, current programs to provide management and other support, for example to Indigenous services, will continue.</li> </ul>
11.5	The Australian Government should partially or fully block fund services where there is a	<p>Largely supported.</p> <p>The review of service types delivered</p>

Chapter	Productivity Commission ('the Commission') Recommendation	Australian Government ('the Government') Response
	<p>demonstrated need to do so based on detailed consideration of specific service needs and concerns about timely and appropriate access. Such services might include:</p> <ul style="list-style-type: none"> <li>dedicated aged care services for homeless older Australians</li> </ul> <p>Indigenous specific, flexible aged care services.</p> <p>Direct access to these services would be available immediately but care recipients would be required to undergo an Australian Seniors Gateway Agency assessment within three months of entering such care services and, where appropriate, pay relevant co-contributions.</p>	<p>through the new Commonwealth home support program will provide an opportunity to consider the most appropriate ways to fund community based services to special needs groups. While in time it is envisaged that older people will increasingly access aged care services through the new Gateway, they will continue to be able to access basic care and support through existing mechanisms. However, the intention is to work towards standardising assessment protocols for these types of services to ensure older people are treated consistently regardless of their point of entry.</p> <p>The Government notes that there is a range of ways of providing additional support for services specialising in providing access for special needs groups such as homeless and Indigenous Australians, including the viability supplement and targeted capital funding grants, and flexible funding arrangements for Indigenous and multi-purpose services.</p> <p>The aged care reform package includes a combination of block funding grants and other strategies. The National Aboriginal and Torres Strait Islander Flexible Aged Care program, to be expanded as part of the aged care reform package (see the response to recommendation 11.1), essentially involves flexible funding arrangements, similar to block grants, that provide services with greater funding certainty and flexibility in how funding is used.</p> <p>The Government will also continue to provide additional support to complement mainstream funding arrangements for example by providing continuing recent enhancements to the viability supplement (see response to recommendation 11.1) and better targeted capital grants funding (see the response to recommendation 7.5). The advantage of this approach is that it enables services to operate within mainstream financing and quality assurance arrangements, which has equity and efficiency advantages, while also providing additional support to recognise additional viability issues for such services.</p>

## Accommodation

Chapter	Productivity Commission ('the Commission') Recommendation	Australian Government ('the Government') Response
12.1	<p>The Australian, state and territory governments should develop a coordinated and integrated national policy approach to the provision of home maintenance and modification services, with a nominated lead agency in each jurisdiction.</p> <p>To support this national approach, all governments should develop benchmarks for the levels of services to be provided, terms of eligibility and co-contributions, and the development of professional and technical expertise.</p>	<p>Supported in principle.</p> <p>Development of a consolidated home support program that includes HACC, respite, housing and carer services will provide a basis to review service priorities and support greater national consistency in services for older people, including home modification and maintenance.</p> <p>The interaction with arrangements to deliver such services to younger people with a disability, currently a state and territory responsibility will be an important consideration as part of developing an NDIS.</p> <p>While the Government supports the broad direction of this recommendation including a national and more integrated approach, detailed approaches in this area will need to be developed in consultation with states and territories and other stakeholders.</p>
12.2	<p>The Australian Government should develop building design standards for residential housing that meet the access and mobility needs of older people.</p>	<p>Supported in principle.</p> <p>While the Australian Government has a direct involvement and interest in the regulation of building standards for aged care services, regulation of building standards more generally is primarily the responsibility of states and territories.</p> <p>The Government is committed to working with state and territory governments to develop better standards.</p> <p>Consideration could be given to referring this recommendation to the Australian Buildings Code Board, a Council of Australian Governments body responsible for the National Construction Code which comprises the Building Code and Plumbing Codes of Australia. The Board's mission is to address issues of safety and health, amenity and sustainability in the design, construction and performance of buildings.</p>
12.3	<p>The Council of Australian Governments, within the context of its agreed housing supply and affordability reform agenda, should develop a strategic policy framework for ensuring that an adequate level of affordable housing is available to cost effectively meet the demands of an ageing population.</p>	<p>Supported in principle, noting that this priority is already being addressed through current action.</p> <p>The Australian Government has made a significant investment in initiatives to improve access to social housing and reduce homelessness, which are being implemented in close partnership with state and territory governments. The Government has provided more than \$5 billion in funding</p>

Chapter	Productivity Commission ('the Commission') Recommendation	Australian Government ('the Government') Response
		<p>for <a href="#">social housing</a> under the Nation Building - Economic Stimulus Plan for the construction of new <a href="#">social housing</a> and a further \$400 million over two years for repairs and maintenance to existing social housing dwellings. The Initiative is designed to assist low income Australians who are homeless or struggling in the private rental market.</p> <p>This effort complemented by the Government's broader strategy to address homelessness, is also being implemented in partnership with State and Territories. Older Australians have been identified as a key priority, in recognition that those aged over 55 are the fastest growing group in terms of homelessness. The Government's response to this priority has included a range of action within the aged care system, including recognising people who are homeless or at risk of homelessness as a special needs group under the <b>Aged Care Act 1997</b> and dedicated capital funding for specialist services supporting this group. The reform package builds on these measures, including through continued funding for a viability supplement to these services and expanding the ACHA program.</p> <p>The Government recognises that meeting the housing needs of the ageing population remains a significant, continuing policy challenge and remains committed to working with state and territory governments to address this issue.</p>
12.4	The regulation of retirement villages and other retirement specific living options should remain the responsibility of state and territory governments, and should not be aligned with the regulation of aged care services.	<p>Supported.</p> <p>The Australian Government will work with the states and territories through existing consultation mechanisms in order to facilitate greater alignment of retirement village regulation and the regulation of aged care services.</p>
12.5	State and territory governments should pursue nationally consistent retirement village legislation under the aegis of the Council of Australian Governments.	<p>Noted.</p> <p>The reforms provide a basis for moving towards a national aged care system that includes nationally consistent arrangements for regulating the full range of aged care services.</p> <p>As indicated in the response to recommendation 12.4, the Australian Government will work with the states and territories through existing consultation mechanisms in order to facilitate greater alignment of retirement village and aged</p>



Chapter	Productivity Commission ('the Commission') Recommendation	Australian Government ('the Government') Response
		care regulation.

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## Carers

Chapter	Productivity Commission ('the Commission') Recommendation	Australian Government ('the Government') Response
13.1	<p>The Australian Seniors Gateway Agency, when assessing the care needs of older people, should also assess the capacity of informal carers to provide ongoing support. Where appropriate, this may lead to approving entitlements to services for planned respite and other essential services.</p> <p>Carers Support Centres should be developed from the existing specialist carer support service programs to undertake a comprehensive and consistent assessment of carer needs. Such centres should be directly accessible to carers as well as through the Gateway and would also deliver carer support services, including:</p> <ul style="list-style-type: none"> <li>• carer education and training</li> <li>• emergency respite</li> <li>• carer counselling and peer group support</li> <li>• carer advocacy services.</li> </ul>	<p>Supported.</p> <p>The new Gateway will be developed over time and has the potential to be able to assess the capacity of carers to provide ongoing support when assessing the needs of the older person they are caring for.</p> <p>A new dedicated stream of regionally based Carer Support Centres will be established through a procurement process from 1 July 2014. These new Centres will complement the My Aged Care website and the expanded telephone service, which will be able to refer carers directly to service providers and to carer support centres for further assessment. The Centres' role would focus on providing more preventative assistance for carers with the aim of reducing reliance on emergency respite. The Centres would also manage emergency respite and the provision of carer specific information, education and training, counselling as well as appropriate referral to other community care services.</p>
13.2	<p>Funding for services which engage volunteers in service delivery should take into account the costs associated with:</p> <ul style="list-style-type: none"> <li>• volunteer administration and regulation</li> <li>• appropriate training and support for volunteers</li> </ul>	<p>Largely supported.</p> <p>The Government acknowledges the important contribution made by volunteers and the need for the design of government programs to take this into account. Current funding arrangements already take these issues into account to some extent, as part of general funding available for administration and support including interaction with the wider community.</p> <p>The Government will consider these issues in reviewing funding priorities under the Commonwealth home support program and aged care subsidies through the Aged Care Financing Authority.</p> <p>At the same time, there are practical limits to the capacity for funding arrangements to reflect costs associated with volunteers. In addition, mainstream funding grants and subsidies to support service delivery are not always the best mechanism to support specific priorities such as volunteering, which may be better supported through specific programs such as the Community Visitors Scheme or grants to third-party organisations.</p>

## Workforce

Chapter	Productivity Commission ('the Commission') Recommendation	Australian Government ('the Government') Response
14.1	<p>The Australian Aged Care Commission, when assessing and recommending scheduled care prices, should take into account the need to pay fair and competitive wages to nursing and other care staff delivering approved aged care services and the appropriate mix of skills and staffing levels for the delivery of those services.</p>	<p>Largely supported.</p> <p>The reforms provide for a new Aged Care Financing Authority to be established (see the response to recommendation 7.6), which will review and advise on pricing issues, including the costs associated with wages and the aged care workforce.</p> <p>The aged care reform package also provides funding of \$1.2 billion over five years for the development and implementation of an Aged Care Workforce productivity strategy, to ensure a skilled workforce is attracted and retained to meet growing demand. This measure will be developed in consultation with the aged care sector.</p> <ul style="list-style-type: none"> <li>• A Workforce Compact will be developed by an independently chaired workforce advisory group to ensure that workforce reforms lead to improvements in services, and attraction and retention through wages, education, training and career development. There will also be a focus on addressing workforce pressure in regional, rural and remote areas.</li> </ul> <p>Funding for those aged care providers that sign up to the Workforce Compact, will be available from 1 July 2013. Providers of residential care and of Home Care packages, who sign, will receive a new Conditional Adjustment Payment as a percentage of the basic subsidy. Home support providers who sign the Compact will receive additional funding through amendments to their funding agreements.</p>
14.2	<p>The Australian Government should promote skill development through an expansion of accredited courses to provide aged care workers at all levels with the skills they need, including:</p> <ul style="list-style-type: none"> <li>• vocational training for care workers entering the sector and looking to upgrade their skills</li> <li>• adequate tertiary nursing places to meet the anticipated demand from</li> </ul>	<p>Supported in principle.</p> <p>While the aged care reform package includes measures to address these issues, future changes to vocational education arrangements will need to be carefully worked through with a range of stakeholders including the states and territories and tertiary education institutions.</p> <p>As part of the aged care reform package, existing funding under the Aged Care Workforce Fund will be redirected to</p>

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	<p>the health and aged care sectors</p> <ul style="list-style-type: none"> <li>advanced clinical courses for nurses</li> <li>management courses for health and care workers entering these roles.</li> </ul>	<p>support education and training initiatives.</p>
14.3	<p>The Australian Government, in conjunction with universities and providers, should fund the expansion of 'teaching aged care services' to promote the sector and provide appropriate training for medical, nursing and allied health students and professionals.</p>	<p>Partially supported.</p> <p>The Government has already supported the establishment of a number of teaching aged care services. New capital funding arrangements introduced as part of the aged care reform package will include flexibility to support the establishment of such services where appropriate. In addition, the Workforce Compact will provide a more comprehensive mechanism for improving the attractiveness of the aged care sector as a place to work, including by supporting improved aged care workforce education and training.</p>
14.4	<p>Given industry concerns about the variability in training outcomes for students, the Australian Government should undertake an independent and comprehensive review of aged care-related vocational education and training (VET) courses and their delivery by registered training organisations (RTOs). Among other things, the review should consider:</p> <ul style="list-style-type: none"> <li>examining current practices that may be leading to variability in student outcomes, including periods of training and practicum</li> <li>reviewing procedures to ensure that VET trainers and assessors possess required current practice knowledge</li> <li>identifying whether regulators are adequately resourced to monitor and audit RTOs using a risk-based regulatory approach and have appropriate enforcement regimes that allow for appropriate and proportional responses to non-compliance by RTOs</li> <li>identifying reforms to ensure students demonstrate pertinent competencies on a more consistent</li> </ul>	<p>Partially supported.</p> <p>The Workforce Compact will provide a mechanism for all stakeholders to work together to review aged care related VET courses. This work will benefit from the evidence base established through the Aged Care Workforce Reform Project.</p> <p>While it is envisaged that this review work will address the issues identified by the Commission, the precise scope will need to be determined in consultation with stakeholders, including state and territory governments.</p>

Chapter	Productivity Commission ('the Commission') Recommendation	Australian Government ('the Government') Response
	basis.	

This document was released under the Freedom of Information Act 1982 by the Department of Health

## Regulation

Chapter	Productivity Commission ('the Commission') Recommendation	Australian Government ('the Government') Response
15.1	<p>The Australian Government should establish a new independent regulatory agency — the Australian Aged Care Commission (AACC). This would involve:</p> <ul style="list-style-type: none"> <li>the Department of Health and Ageing ceasing all its regulatory activities, except the provision of policy advice to the Australian Government on regulatory matters, including advice on the setting of quality standards</li> <li>establishing the Aged Care Standards and Accreditation Agency as a statutory office within the AACC</li> <li>establishing a statutory office for complaints handling and reviews within the AACC establishing a stakeholder advisory committee to provide advice to the AACC in relation to consumer and industry interests establishing it as a Prescribed Agency under the Financial Management and Accountability Act 1997.</li> </ul> <p>The AACC would have three full time, statutory Commissioners:</p> <ul style="list-style-type: none"> <li>a Chairperson</li> <li>a Commissioner for Care Quality</li> <li>a Commissioner for Complaints and Reviews.</li> </ul> <p>Key functions of AACC would include:</p> <ul style="list-style-type: none"> <li>administering the regulation of the quality of community and residential aged care, including compliance and enforcement</li> <li>promoting quality care through educating providers and assisting them with compliance and continuous improvement</li> </ul>	<p>Not supported.</p> <p>The benefits of an independent regulatory agency are unlikely to outweigh the substantial start-up costs of establishing such an agency and its ongoing operation. Other investments in improving the viability, sustainability and quality of the aged care sector are likely to yield higher returns to older Australians and the broader community.</p> <ul style="list-style-type: none"> <li>The reform instead focuses on a range of initiatives to strengthen quality assurance arrangements and support greater transparency, building on existing agencies, including:</li> <li>The Aged Care Standards and Accreditation Agency will be established as a statutory authority under the Financial Management and Accountability Act 1997 by 1 January 2014 and its role extended to home care services from 1 July 2014.</li> <li>The Agency will be renamed the Australian Aged Care Quality Agency to reflect its expanded role.</li> <li>Advocacy and Community Visitors Programs will be expanded.</li> <li>To improve consumer and provider confidence in the outcomes of complaints, the Aged Care Commissioner would be given increased powers under the <b>Aged Care Act 1997</b> from 1 July 2013.</li> <li>National quality indicators will be developed to support the new quality ratings system available through the My Aged Care website.</li> </ul> <p>The 10 year plan provides for further consideration to be given to regulatory arrangements, such as establishing an independent regulatory agency, as the outcomes of reforms and associated implications for governance become</p>

Chapter	Productivity Commission ('the Commission') Recommendation	Australian Government ('the Government') Response
	<ul style="list-style-type: none"> <li>• approving community and residential aged care providers for the provision of government subsidised approved aged care services</li> <li>• administering prudential regulation and all other aged care regulation, such as supported resident ratio obligations monitoring, reporting and assessing costs and transparently recommending a scheduled set of prices, subsidies and a rate of indexation for approved aged care services</li> <li>• handling consumer and provider complaints and reviews providing information to stakeholders, including disseminating and collecting data and information.</li> </ul>	clearer.
15.2	<p>The Australian Aged Care Commission's (AACC) Commissioner for Complaints and Reviews should determine complaints by consumers and providers in the first instance. Complaints handling should be structured into the three areas: assessment, early resolution and conciliation; investigations and referral; and communication, stakeholder management and outreach (including rural and remote and Indigenous outreach).</p> <p>A separate review office should be developed to hear and determine initial appeals of individual cases as well as to conduct 'own motion' systemic reviews within the AACC.</p> <p>The Australian Government should abolish the Office of the Aged Care Commissioner. The Australian Seniors Gateway Agency should establish a separate complaints handling and review office to deal with complaints about its decisions, including assessments and entitlements. These matters would not be subject to complaint handling or review by the Australian Aged Care Commission.</p> <p>All appeals in respect of decisions of the AACC and the Australian Seniors Gateway Agency should be heard by the Administrative Appeals Tribunal. The</p>	<p>Partially supported.</p> <p>The aged care reform package includes action to strengthen the complaints process and improve consumer and provider confidence in the process. However, the approach proposed by the Commission would involve complex new administrative arrangements and significant costs. It is possible to achieve a similar result more efficiently by building on existing mechanisms and recent improvements introduced in response to the Walton Review.</p> <p>As part of the aged care reform package the transparency and accountability of the Aged Care Complaints Scheme will be further improved with the Aged Care Commissioner given increased powers. The Aged Care Commissioner will be able to direct the Aged Care Complaints Scheme to undertake a new complaints resolution process and to take into account any matter identified by the Commissioner as part of the direction to undertake a new review process. The Scheme would be required to provide the Commissioner with a copy of the draft decision following the resolution process and will be required to take into account any further comments made by the Commissioner. If the Commissioner is</p>

Chapter	Productivity Commission ('the Commission') Recommendation	Australian Government ('the Government') Response
	allowable time in which to appeal should be increased to 13 weeks from the current 28 days.	<p>dissatisfied with the response of the Scheme, they will have the power to make a special report to the Minister for Mental Health and Ageing.</p> <p>These changes build on recent improvements implemented in response to the Walton Review to strengthen complaints handling in the aged care sector, including:</p> <ul style="list-style-type: none"> <li>• encouraging local resolution where possible, without the involvement of the Aged Care Complaints Scheme;</li> <li>• a riskbased approach for addressing complaints is being trialled that will help complaints handling staff consider and escalate concerns;</li> <li>• an expanded range of complaint resolution options will be available to complainants;</li> <li>• improving the skills of complaints handling staff to ensure they have the skills and support needed to resolve complaints more effectively; and</li> <li>• improving the transparency and accountability of the complaints handling scheme and access to data for the aged care sector.</li> </ul>
15.3	The Australian Government should implement an independent statutory Community Visitors Program for residential aged care facilities akin to the operation of other types of statutory visitor programs operating in other residential settings (for example, disability and children's residential services) and in other jurisdictions, to promote and protect the rights and wellbeing of residents.	<p>Not supported.</p> <p>The Government agrees on the need to improve support for community visitors, with the aged care reform package providing additional funding of \$26.7 million over four years from 2013–14 to expand the Community Visitors Scheme, including extending it to community settings.</p> <p>However, the Government is not convinced of the need to establish a new statutory agency, given the costs associated with such a change, particularly as the current program appears to be working effectively and has strong stakeholder support.</p> <p>The effectiveness of current arrangements will continue to be carefully monitored, in the context of considering the need for further reform.</p>



Chapter	Productivity Commission ('the Commission') Recommendation	Australian Government ('the Government') Response
15.4	The Council of Australian Governments should agree to publish the results of community care quality assessments using the Community Care Common Standards, consistent with the publication of quality of care assessments of residential aged care.	Supported.  The aged care reform package provides funding to develop and implement national aged care quality indicators; and a star rating system that will empower consumers to make informed decisions and to have more control over determining what services provide better value for money.  In time it is envisaged that the My Aged Care website will include the rating information to allow consumers and potential consumers to compare quality of aged care providers.
15.5	The Australian Government should provide a broad range of enforcement tools to the Australian Aged Care Commission to ensure that penalties are proportional to the severity of non-compliance.	Partially supported.  While establishment of a new Australian Aged Care Commission is not warranted at this time (see the response to recommendation 15.1), there are a broad range of enforcement tools that ensure that penalties are proportional to the severity of non-compliance. Current arrangements already provide a range of options in terms of action in response to non-compliance. The need for further options and tools will be monitored.
15.6	In the period prior to the implementation of the Commission's new integrated model of aged care, all governments should agree to reforms to aged care services delivered under the Home and Community Care (HACC) program to allow the Australian Government to be the principal funder and regulator. However, in the event that they do not agree, the Victorian and Western Australian Governments should agree to harmonise (from 1 July 2012) the range of enforcement tools in HACC delivered aged care services.	Largely supported.  Work supporting the Commonwealth's assumption of funding, policy, management and delivery responsibility for the HACC program is continuing. The Australian Government has given a commitment not to substantially change service delivery until after 1 July 2015, to help ensure a smooth transition for service providers and consumers. Discussions are continuing with Victoria and Western Australia about future service delivery arrangements in these jurisdictions.
15.7	The Australian Government should introduce a streamlined reporting mechanism for all aged care service providers (across both community and residential aged care) based on the model used to develop Standard Business Reporting.	Largely supported.  This priority is being progressed through current action to review, improve and streamline the quality and accreditation standards, including considering the potential to draw on models such as Standard Business Reporting.  As part of this work, the Government is drawing on the input of relevant stakeholders and experts in the aged care sector and the Aged Care Standards and Accreditation Agency.  The aged care reform package provides a

Chapter	Productivity Commission ('the Commission') Recommendation	Australian Government ('the Government') Response
		basis for better alignment of process for residential and aged care, by providing for the role of the renamed Australian Aged Care Quality Agency to be extended to community care. Ensuring that quality and other reporting is as streamlined as possible, while supporting accountability and information and confidence for consumers, will continue to be an important priority as part of the reform process.
15.8	<p>The Australian Government should amend the residential aged care prudential standards to require residential aged care providers to disclose (to care recipients or prospective care recipients) whether they have met all prudential regulations in the current and previous financial years. At the same time, providers should be required to indicate that the following would be made available on request, rather than automatically:</p> <ul style="list-style-type: none"> <li>an audit opinion on whether the provider has complied with the prudential standards in the relevant financial year</li> <li>the provider's most recent audited accounts.</li> </ul>	<p>Largely supported.</p> <p>The Government has already implemented action consistent with the objectives of this recommendation, including a range of significant changes to strengthen protections for residents savings held in the form of accommodation bonds.</p> <p>The new arrangements that came into force from 1 October 2011, clarify the intended purpose for bonds as a source of capital for investment in aged care infrastructure. They also improve governance arrangements for bonds and provide greater transparency and accountability for bonds. The arrangements:</p> <ul style="list-style-type: none"> <li>clarify the permitted uses of bonds;</li> <li>introduce a two year transition period for approved providers to adjust and fully comply with the permitted uses;</li> <li>introduce a new Governance Standard for approved providers holding bonds;</li> <li>improve reporting and disclosure for greater transparency and consumer confidence;</li> <li>introduce additional information gathering powers for monitoring compliance;</li> <li>remove restrictions on the use of income from bonds, retention amounts and accommodation charges; and</li> <li>introduce criminal penalties for the misuse of bond funds.</li> </ul>
15.9	The Australian Government should amend the missing resident reporting requirements in the Accountability Principles 1998 to allow a longer period for providers to report	<p>Not supported at this time.</p> <p>While the Government remains open to considering improvements to the missing</p>

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	missing residents to the Australian Aged Care Commission, while continuing to promptly report missing residents to police services.	<p>resident reporting requirements, in consultation with relevant stakeholders, the Government does not consider it is appropriate to weaken requirements.</p> <p>The sooner the Department of Health and Ageing is aware of the missing resident the earlier it is able to assist the approved provider to minimise the potential risk to other care recipients.</p> <p>These arrangements also allow the Department of Health and Ageing to determine if there are potential issues with the way in which approved providers manage residents at risk of wandering, including identifying factors which give rise to the events and strategies to reduce unexplained absences. Given the potential risks to residents' health and safety, any changes would need to be carefully considered in close consultation with consumer groups.</p>
15.10	The Council of Australian Governments should identify and remove, as far as possible, onerous duplicate and inconsistent regulations, including in relation to infectious disease outbreaks, occupational health and safety, food safety, nursing scopes of practice, advance care plans, power of attorney, guardianship and elder abuse.	<p>Support in principle.</p> <p>The Government supports the ongoing need to identify and remove onerous, duplicate regulation including in areas such as those identified by the Commission.</p> <p>Council of Australian Governments is an important avenue to progress this issue. In developing further action in this area the Government will work closely with state and territory governments and other relevant stakeholders and agencies.</p>

## Policy research and evaluation

Chapter	Productivity Commission ('the Commission') Recommendation	Australian Government ('the Government') Response
16.1	<p>To encourage transparency and independence in aged care policy research and evaluation, the Australian Aged Care Commission should be responsible for ensuring the provision of a national 'clearinghouse' for aged care data. This would involve:</p> <ul style="list-style-type: none"> <li>establishing a central repository for aged care data and coordinating data collection from various agencies and departments</li> <li>making these data sets publicly available in a timely manner for research, evaluation and analysis, subject to conditions that manage confidentiality risks and other concerns about potential data misuse.</li> </ul> <p>To maximise the usefulness of aged care data sets, reform in the collection and reporting of data should be implemented through:</p> <ul style="list-style-type: none"> <li>adopting common definitions, measures and collection protocols</li> <li>linking databases and investing in de-identification of new data sets</li> <li>developing, where practicable, outcomes based data standards as a better measure of service effectiveness.</li> </ul> <p>Research findings on aged care and on trial and pilot program evaluations, including those undertaken by the Department of Health and Ageing, should be made public and released in a timely manner.</p>	<p>Partially supported.</p> <p>The aged care reform package provides for an alternative, less costly and more efficient approach to addressing this issue, by building on the existing role and functions of the Australian Institute of Health and Welfare (AIHW).</p> <p>To increase the availability, accessibility and coordination of aged care data for the community, a centralised data clearing house will be established at the AIHW. To improve research and planning for the needs of older Australians and their carers funding is also being provided to expand the Australian Bureau of Statistics' Survey of Disability, Ageing and Carers and conducting it every three years rather than every six years from 2014–15.</p> <p>In addition to these changes, additional resources are being provided to promote research translation and evidence based care (see the response to recommendation 10.1).</p>

## Transition

Chapter	Productivity Commission ('the Commission') Recommendation	Australian Government ('the Government') Response
17.1	<p>The Australian Government should establish an Aged Care Implementation Taskforce to coordinate and manage the transition to the new aged care system, chaired by the Department of the Prime Minister and Cabinet.</p> <p>To assist the Implementation Taskforce, a non-statutory Aged Care Advisory Group should be established comprising representatives from consumers (including carers), providers and the workforce.</p>	<p>Largely supported.</p> <p>The aged care reform package includes arrangements for coordinating implementation of the reforms that are broadly consistent with this recommendation but with the key coordinating role to be provided by the Department (the government agency considered best placed to undertake this role) with oversight and advice to the Minister for Mental Health and Ageing provided by an independent Implementation Council.</p> <p>A key element of the implementation strategy is the establishment of an Aged Care Reform Implementation Council in 2012–13 to provide advice on implementation and further development of aged care reform.</p> <p>The Council will report to Government bi-annually on progress and will coordinate critical work to evaluate the reforms as they are implemented. The Council will include industry, consumer and workforce stakeholders as well as experts on ageing and aged care from a variety of disciplines and will be chaired by an independent eminent person. All relevant Government agencies, including the Department of the Prime Minister and Cabinet, will be involved in implementation of the reforms as appropriate.</p>
17.2	<p>The Australian Government should negotiate with providers of care services to existing care recipients to harmonise care subsidies and other arrangements. It should reach an agreement within five years that would have the effect of removing grandfathering arrangements for existing and new places while protecting existing recipients of care from changes that would impose a new cost upon them.</p> <p>The exemption from the supported resident ratio obligation provided to some extra service facilities should be removed at the end of the transition period as part of a negotiated settlement.</p>	<p>Partially supported.</p> <p>The Government will implement the reforms, including changes to subsidies, fees and grand-parenting arrangements, in close consultation with providers and the Aged Care Reform Implementation Council.</p> <p>The Government is committed to ensuring a manageable transition for both providers and consumers, including strong protections for existing care recipients.</p> <p>The Government also notes that it would be difficult to remove grandfathering arrangements in residential care and Home Care packages within 5 years without disadvantaging either care recipients or providers.</p> <p>As part of the aged care reform package, current extra services arrangements will be replaced by new arrangements that enable</p>

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		<p>all care recipients the opportunity to purchase a higher standard of accommodation or hotel services, but with strong protections to ensure they are not asked to pay more than they can afford and ensure providers do not favour care recipients who choose to pay more. Existing arrangements to ensure older Australians with limited financial means have access to residential care will continue. Under these arrangements, providers who want to care exclusively for people who choose to pay higher charges will need to apply to the Aged Care Financing Authority. In considering applications, the Authority will take into account regional access and dedicated extra services will only be approved in regions where there is sufficient access for poorer groups. As is currently the case, in regions where access is generally good across different socioeconomic groups, supported resident quotas will be relaxed for such residential facilities.</p> <p>The Aged Care Reform Implementation Council will be asked to clearly monitor implementation and to advise on any issues of transition that may arise.</p>
17.3	<p>The Australian Government should provide, during the transition period, capped grants to existing smaller approved residential care providers, on a dollar-for-dollar basis, for financial advice on business planning to assist in assessing their future options.</p> <p>Subject to an audit to demonstrate solvency, the Australian Government should offer — during the transition period — existing smaller approved residential care providers a loan facility for the repayment of accommodation bonds. The Government should charge an interest rate premium on the facility to discourage its use when private sector options are available.</p>	<p>Not supported at this time.</p> <p>The Government is committed to ensuring all providers have access to the information they need to adapt to the reforms.</p> <p>Current programs to provide management support for at-risk services, such as those targeting remote Indigenous populations for example, will continue.</p> <p>However, as the Australian aged care system is not being deregulated to the extent proposed by the Commission a significant increase in Government-supported financial assistance across the sector is not warranted at this time.</p> <p>The more gradual transition to the new arrangements should provide sufficient scope for smaller operators to manage on the implications for their business operations. The need for additional support targeted at specific facilities will be carefully monitored.</p>
17.4	<p>The Australian Aged Care Commission should, during the transition period, formally monitor accommodation prices in residential care. If the price monitoring shows that residential providers are systematically</p>	<p>Largely supported.</p> <p>The new Aged Care Financing Authority will monitor and advise on accommodation prices.</p>

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	<p>charging excessive accommodation fees, the Australian Aged Care Commission should recommend that the Australian Government consider regulatory measures that might be implemented to reduce this practice.</p>	<p>However, the Government considers that the aged care sector is not ready for wholesale deregulation and that regulation of prices will be necessary, at least in the first 5 years of aged care reform with a review to take place after 5 years.</p> <p>Under the aged care reform package, providers will be required to seek approval from the Aged Care Financing Authority to charge higher fees for accommodation, which will ensure residents do not pay excessive amounts for their accommodation.</p>
17.5	<p>The Australian Government should introduce at the earliest opportunity a temporary intermediate community care package level to reduce the gap between Community Aged Care Packages and Extended Aged Care at Home during the first stage of the transition period.</p>	<p>Supported.</p> <p>The Home Care package program will include new low and intermediate level packages.</p> <p>The new intermediate level package will provide services to the value of around \$30,000 a year and will sit between Community Aged Care (around \$15,000 a year) and Extended Aged Care at Home Packages (around \$45,000 a year). These new packages will provide a smoother transition from basic home care and support through to complex care provided in Home Care packages and residential care.</p>
17.6	<p>The Australian Government should conduct a pilot whereby providers could transfer (subject to approval by the Australian Aged Care Commission) up to 50 per cent of their supported resident ratio obligation per facility with other providers within the same region (or subregion).</p> <p>This arrangement should be reviewed within five years with a view to assessing its widespread applicability and to consider the option of introducing a competitive tendering arrangement, or entitlement funding, for the ongoing provision of accommodation to supported residents as an alternative.</p>	<p>Partially supported.</p> <p>The aged care reform package employs a more flexible approach to achieve broadly the same result, which will be carefully monitored and evaluated over time.</p> <p>Under the aged care reform package, applications from aged care homes wanting to charge higher fees for accommodation would be considered by the Financing Authority. In considering applications, the Financing Authority would have regard to access for people with different levels of wealth, which it would monitor on a regional basis.</p> <p>Homes would be encouraged to bring forward proposals tailored to the socioeconomic and access needs of their region. For example, homes could propose to allocate specified numbers of places to different groups: financially disadvantaged, middle income or wealthier people; could dedicate whole facilities or rooms or wings to particular groups or negotiate collaborative arrangements with other providers in their region, who may wish to specialise in providing services for specific</p>

Chapter	Productivity Commission ('the Commission') Recommendation	Australian Government ('the Government') Response
		groups such as financially disadvantaged people.
17.7	<p>In implementing reform, the Australian Government should announce a detailed timetable for changes and how the changes are expected to affect consumers (including carers), providers, workers, and the sector in general. In particular, the Australian Government should:</p> <ul style="list-style-type: none"> <li>carefully and fully communicate the design, objectives and implications of the reform measures</li> <li>be guided by the three-stage implementation plan listed in schedule A.</li> </ul>	<p>Largely supported.</p> <p>The aged care reform package will be underpinned by a 10 year implementation plan that will enable immediate improvements in access and quality for consumers while at the same time providing a clear path to further reform. There will be a substantial review of the reforms after five years.</p> <p>This timeframe responds to calls from stakeholders for certainty about the future direction of aged care reform and for sufficient time to adjust to existing arrangements. A 10 year timeframe will ensure a smooth transition path that minimises disruption to existing clients.</p> <p>Implementation of the 10 year plan will be overseen by the Aged Care Reform Implementation Council.</p>