LIVING LONGER. LIVING BETTER.
AGED CARE REFORM PACKAGE
APRIL 2012

INTRODUCTION

The Government is committed to ensuring that older Australians are able to access quality care and support that is appropriate to their needs, when they need it.

Australia is at a crossroads in the way our community provides care and support to older people. While the aged care system has served us well, it is not well placed to meet the challenges ahead. It is not delivering enough care in the home, where people want it. Not enough nursing homes are being built and the sector is finding it increasingly difficult to recruit and retain the workers it needs. If action is not taken now, Australia's aged care system will increasingly struggle to deliver the standard of care older Australians need and deserve.

Older Australians deserve greater choice and control over their care arrangements, more than the aged care system is currently able to give them. We need new and more equitable ways of meeting the ever increasing costs of aged care and ensuring that the most vulnerable in our society are fully protected. And the aged care sector needs to work more closely with the wider health system to tackle key health challenges in particular, the dementia epidemic, and support for end-of-life care.

The Aged Care Reform package will modernise Australia's aged care system. It will deliver immediate benefits to older Australians and the broader community, while laying the foundations for longer term reform. It will strike the right balance between essential and much-needed changes and ensure the pace of change does not compromise the capacity of the current system to continue to deliver care at a time of transition.

The development of the Government's aged care reform package was informed by the Productivity Commission's *Caring for Older Australians* report. The Commission's report has been invaluable in identifying a way forward. The Minister for Mental Health and Ageing undertook extensive consultations with older Australians, their families and with industry stakeholders. Their views are central to this reform.

In the current economic environment the cost of providing high quality aged care services has to be shared across the community. The focus of these changes is on making the structural reforms needed to ensure the future sustainability of Australia's aged care system.

To ensure the continued financial viability of the aged care system, it is vital that people who can afford to contribute to the cost of their care do so. Given that the cost to the community of providing aged care will increase dramatically in the decades ahead due to an ageing population, it is necessary to strengthen means testing arrangements in order to achieve a more sustainable balance between public and private contributions. This will be achieved without changing the current treatment of the family home.

A shared commitment to meeting the costs of aged care is also necessary if the most vulnerable in our community are to be protected. Access to aged care should be based on need and not the ability to pay.

The need for reform is not in question. The current system is no longer fit for purpose. This is the overwhelming message received both through the work of the Productivity Commission and in consultations with key groups such as the National Aged Care Alliance (NACA) and the thousands of older Australians who participated in the conversations on ageing.

The Government has already introduced much needed improvements to the system. In 2008, the Government introduced a new Aged Care Funding Instrument to better match funding to care needs. As part of the Government's response to the 2008 White Paper on homelessness, people who are homeless have been recognised as a special needs group under aged care laws. The Government has allocated funding for specialist aged care facilities for older people who are homeless every year since the White Paper was released. Under National Health Reform the Government invested more than $900 million over 4 years to deliver more highly qualified aged care workers, more aged care places, more health care services and greater protections for older Australians. This includes strengthened protections for accommodation bonds and a revamped Complaints Scheme which enables a greater range of resolution options.

The Aged Care Reform package builds an aged care system for the future that provides older Australians with more choice, more control and easier access to a full range of services, where they want it and when they need it. In planning this reform the Government has taken into account the needs of consumers, the business imperatives of providers and the need to ensure the best possible systems and support for the future.

PART I

OVERVIEW

Box 1: Key Characteristics of Australia's current aged care system

Population	• 9 per cent of population is aged 70 or older • 2051: projected to increase to 20 per cent
Aged care system	• Informal care at home • Commonwealth Home and Community Care (HACC) program (from 1 July 2012) and Joint funded program in Victoria and Western Australia • National system of Home Care packages and residential care • Aged Care Assessment Teams assess eligibility • Some small private residential care arrangements
How aged care is funded	• Mix of government subsidies, grant payments, user contributions, volunteer/donated care • Government subsidies from general taxation revenue (not a specific taxation levy or social insurance) • Formal care predominantly funded by Australian Government (70 per cent) • User contributions comprise basic fees, income and asset tested co-payments
Access and Geographic Coverage	• Needs based; no time limits • Consistent coverage for community care packages and residential care; largely consistent coverage for HACC services
How government costs are controlled	• Australian Government subsidies only for places under the provision ratio: 113 operational residential places and community care packages per 1,000 of the population aged 70 years and over in 2011. Within this target the aim is for 44 of the total 113 places to be residential high care places, 44 to be residential low care places, and 25 places to be community care packages. • Care recipients are expected to meet their basic costs and, in residential care, to make a contribution to costs subject to income and assets tests • Grant based programs (e.g. HACC and National Respite for Carers Program) are capped and services are rationed
Quality	• Quality assurance framework for residential care: accreditation, building certification, prudential regulation, complaints handling and users' rights • Subsidies and right to receive residents' accommodation payments dependent on compliance with the framework • Quality reporting for community care, complaints handling and supporting users' rights • Compliance action can be taken if providers don't meet responsibilities

THE CHALLENGE

Australia's aged care system is funded and regulated through a complex set of arrangements, involving different levels of government and a diverse range of stakeholders, including informal carers and formal care providers from the not-for-profit (religious and charitable), for-profit and government sectors. These arrangements reflect, in part, the complexities inherent in the broader Australian health and welfare system.

Aged care services in Australia range from basic home support services in the community (including assistance with house cleaning and meals) to more intensive care services delivered both in the care recipient's own home and in residential settings. Government support for these services occurs through a number of programs, subject to different regulatory arrangements, that have emerged with the evolving roles of different levels of the government in the provision of health services, welfare services and income support.

The aged care sector is a significant part of Australia's health system, providing care to over one million older people per year, which is over a third of all older people and about 5 per cent of the Australian population. Residential aged care is the ninth biggest employer in Australia and people working in aged care make up about 2.7 per cent of the total Australian workforce. It is estimated that there were over 260,000 people working in aged care in 2007, with two thirds of these working in residential care. In 2007, almost half of the residential care workforce were personal carers and a majority of the community care workforce were community care workers. Registered and enrolled nurses make up 12.8 per cent of the residential care workforce and 8.6 per cent of the community care workforce.

In 2010-11, total Australian Government expenditure on the health and welfare needs of older people is estimated to have been 4.3 per cent of GDP and 17.1 per cent of all Australian Government expenditure. Over the last decade, the level of this expenditure has more than doubled in nominal terms. Within this overall growth in expenditure, there has been a rebalancing of government expenditure from income support to the delivery of services (with income support accounting for 56 per cent of Australian Government expenditure on the health and welfare needs of older people in 2000-01 compared to 53 per cent in 2010-11). Within expenditure on aged care there has been a rebalancing of expenditure from residential care towards support for carers and community care, with the latter accounting for 6.2 per cent of Australian Government expenditure on the health and welfare needs of older people in 2010-11 compared to 3.7 per cent in 2000-01.

Future challenges are expected to put increasing pressure on the delivery and funding of aged care services. Population ageing and changes in the health status of the population will have significant implications for the future demand for aged care, the types of services required, the investment requirements of the aged care sector, and the aged care workforce.

DEMOGRAPHIC AND SUSTAINABILITY PRESSURES

Population ageing has been, and continues to be, a key driver of the growth in expenditure on the health and welfare needs of older people. While Australia has a relatively young population compared to other developed nations, it has one of the fastest ageing populations, particularly people over 85 years, and is projected to develop a similar age profile to that of other developed nations within the next few decades (see Figure 1).

FIGURE 1

In the last 25 years, the population over 65 has increased from 10.5 to 14.0 per cent, and those aged over 85 from 0.8 to 1.9 per cent, as a proportion of the overall population. Increasing life expectancy is expected to lead to continued growth, especially in the very elderly who are the largest users of health and aged care services.

As a result of population ageing, Australian Government expenditure on aged care is projected to increase from 0.8 per cent of GDP in 2009-10 to 1.8 per cent of GDP by 2049-50. This is lower in absolute terms than the projected increase in heath costs (4.0 per cent of GDP to 7.1 per cent of GDP) and government expenditure on the age pension (2.7 per cent of GDP to 3.9 per cent of GDP). However, the rate of growth is the highest in aged care expenditure (125 per cent compared to 78 per cent for health and 44 per cent for the age pension).

FINANCIAL AND CAPITAL PRESSURES

There are also increasing financial pressures on the aged care sector. Low rates of return on investment are making it difficult for the sector to fund new capacity, particularly for high care services and homes catering for financially disadvantaged people.

Accommodation bonds have become an increasingly important part of the financing framework for low care (and extra service high care), with more than a third of current residents having paid a bond and total bond holdings across the industry more than doubling over the last five years. In contrast, regulation prevents the charging of bonds in high care (except in extra service homes), leading to capped daily payments that constrain investment and choice for consumers. Aged care providers currently hold over $12 billion worth of accommodation bonds – which are essentially unsecured loans from residents. The Australian Government's Accommodation Bond Guarantee Scheme stands behind these 'unsecured loans' and offers protections to residents, with the fiscal risk of provider default held by the Government.

For aged care homes that do not have access to accommodation bonds, capital income is effectively capped to the level of the government accommodation supplement, which many in the industry consider does not provide a sufficient return on investment. Similar pressures apply in terms of the income currently earn for caring for people who are financially disadvantaged. These pressures are reflected in increasing industry calls for the assistance that the Government provides through limited capital grants (around $51 million per annum).

Industry analyses, including work by Access Economics commissioned by the religious and charitable sector, suggests that an increase to base funding of more than $20 a day is

necessary to maintain high care as an attractive investment proposition.[1] There are greater pressures in rural and remote areas, where providers earn much lower returns.

Reflecting these pressures, applications for new high care places have been trending downwards, with the ratio of applications to advertised places at record low levels. The shortfall in applications has been most significant in Western Australia, with issues beginning to manifest themselves in Queensland, New South Wales and Tasmania. If insufficient applications continue to be received then the provision ratio of residential aged care (the number of places per 1000 people aged 70 or over) will begin to decline. This will create access problems for older people needing care and increase pressure on the wider health system, including emergency departments.

Even with a significant shift towards care in the home, population ageing and the need to refresh the industry's capital stock will still require significant new investment in residential care. Based on current policy parameters, the residential care industry will need to build in the order of 90,000 additional places over the next decade. This is in addition to the investment needed to refresh the current stock. It is estimated investment in the order of $18.5 billion (in 2011-12 prices) will be required over the next decade.

There are also other significant financial pressures, including wage pressures, particularly from nurses who are seeking wage parity with the public sector. The Australian Nurses Federation estimates the current gap in wages is around $300 a week. In addition, the industry continues to argue that indexation arrangements are not keeping pace with cost pressures. While growth in revenues over recent years has exceeded growth in costs, this has occurred in the context of increased funding from policy initiatives, such as the Conditional Adjustment Payment and the Aged Care Funding Instrument, and gains in labour productivity that may be difficult to sustain in the future (see discussion of workforce pressures below).

BARRIERS TO CHOICE, INNOVATION AND EFFICIENCY

The currently highly regulated aged care system, including controls on supply and price, limits competition, choice for consumers and incentives for innovation and efficiency. In particular, the policy tensions inherent in attempting to ration access to care through the

[1] Access Economics (2009) *Economic evaluation of capital financing of high care.* A report for Anglicare Australia, Baptist Care Australia, Catholic Health Australia, Churches of Christ Living Care, Lutheran Aged Care Australia, Sir Moses Montefiore Jewish Home, National Presbyterian Aged Care Network, UnitingCare Australia

planning ratios and funding arrangements are becoming increasingly apparent. While rationing helps manage the Commonwealth's fiscal risk and helps secure important policy objectives, such as geographic equity of access, it can create artificial scarcity that limits competition, blunts incentives to be more efficient and innovative and limits consumer choice.

Competition and price play little role in ensuring resources are allocated to their most efficient use and the community does not end-up paying too much for the provision of aged care services. Rather, the aged care system relies heavily on planning arrangements and regulatory processes to ensure resources are allocated where they are most needed and the interests of consumers are protected.

As a result, consumers tend to be disempowered. Suppliers face little threat of displacement and limited competitive pressure to be more efficient, innovative and consumer-focused. The position of providers is further strengthened at a local level because consumers often need to access care at short notice and usually have strong preferences about the location of aged care homes.

Price controls and lack of competition also create a risk that the Commonwealth (as principal funder) may be underfunding the provision of some services and paying too much for others. This has the potential to compromise the quality of care and weaken incentives for private investment.

Notwithstanding these limitations, there are increasing pressures on the sector to become more innovative and flexible. Current business models in residential care are, in the main, premised on delivering low-level care and maintaining high occupancy levels, both of which are becoming increasingly problematic. The expansion of care in the home, in line with community expectations, is enabling older people to delay their entry to residential care until they require high-level care. It is also lowering occupancy rates, requiring providers to operate with greater uncertainty. However, there is the potential for the industry to respond positively to these challenges, including by utilising unused capacity to deliver health services and respite care.

ACCESS TO INFORMATION FOR OLDER PEOPLE AND THEIR CARERS

A major weakness in current arrangements which has begun to be addressed through current reforms is inadequate information for older people and their carers.

Feedback suggests that many older people and their carers find Australia's aged care system difficult to access and navigate. They often do not know what services are available and report problems accessing information, undergoing assessment, and finding and receiving the most suitable service. They also find it frustrating having to provide the same information to different service providers time and again.

Effective information and assessment arrangements are crucial to ensuring the efficiency of the Government's aged care programs. Not having a consistent point of entry and eligibility and needs assessment (and reassessment) processes creates difficulties for clients. For example, clients with the same profile of needs can get very different types and amounts of services depending on who they approach.

Similarly, waiting times may not reflect urgency of need as there is limited regional coordination with individual service providers holding and managing their own waiting lists. There is also potential for confusion about who people need to contact to get the service that they need, for example there may be several different organisations in one region funded for domestic assistance. This is exacerbated by services providers often not being able to provide information about other services that may be available in their local area.

These deficiencies have begun to be addressed through current initiatives, including COAG reforms to consolidate responsibility for aged care at the Commonwealth level and the implementation of the first steps in providing a single entry point to the national aged care system through a new single phone number.

LACK OF INTEGRATION WITHIN AND ACROSS PROGRAMS.

There are a range of problems relating to inconsistencies and anomalies within and across the range of care programs that has evolved over time. When older people and their carers access services they face different user charging, quality assurance and complaint systems for different programs. Services provided under different programs overlap, and have different cost structures and eligibility requirements, particularly between residential and community care. (Figure 2 provides an overview of current aged care programs).

Figure 2: Care services on offer in Australian

	Home Care and Support	Residential care
Low intensity interventions	Information, assessment and referral services Support for carers	
	Home and Community Care program National Respite for Carers Program Veterans' Home Care Department of Veterans' Affairs' Community Nursing program Day Therapy Centres	Respite residential care
Low-level Care	Community Aged Care Packages (some packaged care through HACC) Carer Payment and Carer Allowance	Low-level permanent residential care
High-level Care	Extended Aged Care at Home (EACH) Packages EACH (Dementia) Packages (some packaged care through HACC) Transition care	High-level permanent residential care

At the lower-end of the care spectrum, there are significant inequities due to the myriad of programs supporting delivery of these services. Within the Home and Community Care (HACC) program, there is a lack of consistency between states and territories with respect to assessment, eligibility, planning, quality assurance and user contributions. There is also significant overlap with other Commonwealth programs including Day Therapy Centres, which provide therapies such as occupational therapy, physiotherapy, hydrotherapy, speech therapy, podiatry, diversional therapy, social work and nursing services.

There is also overlap and inconsistencies between low and high level coordinated care provided through the HACC program and the Commonwealth's community care packages. For example, care recipients can access levels of care equivalent to a Community Aged Care Package through the HACC program without their care needs being fully assessed by an Aged Care Assessment Team. In addition, there are significant inconsistencies between the approach taken to fees and means testing in the HACC program, community care and residential care programs, all of which are subject to different arrangements.

- Fees in HACC vary by jurisdiction provider and service type and are often nominal.
- Recipients of Australian Government funded Home Care packages can be asked to pay a fee up to 17.5 per cent of the basic age pension plus 50 per cent of any income they have in excess of the maximum possible income for a full pensioner (taking into account medical and other extraordinary expenses that they may have). Neither the basic fee nor 'means tested fee' reduces the level of the Australian Government subsidy. In general,

care recipients in community care packages pay much less than the maximum allowable fee – averaging about 10 per cent of the basic age pension.

- In residential aged care, residents can be asked to pay a basic daily fee (84 per cent of the basic age pension)[2] plus an accommodation bond or charge (based on the level of their assets), plus an income tested fee equal to 5/12 of any income they have in excess of the maximum possible income for a full pensioner. In this case, the income tested fee reduces the level of the Australian Government subsidy on a $1 for $1 basis. In general, aged care residents tend to be charged the maximum fee allowable.

More generally there are significant barriers to consumers being able to move seamlessly between different types of care and providers, including information not following them as they move through the system. Similar issues arise at the interface between the aged care and health sectors. For example, discharge plans are not always provided for care recipients leaving hospital and entering an aged care home, or are provided in paper form and do not include the wealth of diagnostic information potentially collected during the hospital episode.

The funding arrangements for community care packages are also not sufficiently flexible to ensure continuity of care. Unlike residential care, where residents are assessed against the Aged Care Funding Instrument and receive subsidies at different levels according to their assessed care needs (care subsidies range from $2795 per annum to $71,730 per annum currently), the three community care package programs each offer only one subsidy level. As a result, clients whose care needs increase may need to be discharged from one provider and seek a place with another provider, resulting in periods where their needs are not able to be met, or where they may experience avoidable admissions to hospital.

There is also significant fragmentation in planning arrangements, which do not always take into account the availability of services from other programs thereby undermining equity of access. Other inequities arise because of the variety of ways in which clients can access programs and differences in pricing, subsidies and user co-contributions. For example, in HACC and the National Respite for Carers Program clients themselves approach specific service providers who determine if a client is eligible for any of the programs that they are funded to deliver and assess the client's need for the specific service. Eligibility criteria may not be the same for each of the services, depending on the funded arrangements.

[2] The maximum basic daily fee will increase to 85 per cent of the single basic age pension from 1 July 2012 at the same time as the age pension increases as part of the Government's Carbon Price Household Assistance package.

LACK OF EMPHASIS ON PREVENTATIVE AND RESTORATIVE CARE

The current aged care system does not place sufficient emphasis on wellness and restorative care, and there are poor links between the aged care and health systems. These problems in part reflect lack of integration of the multiplicity of current care programs, discussed above. These issues are now beginning to be addressed through current initiatives to consolidate responsibility for aged care at the Commonwealth level and take the first steps in developing a single entry point to the aged care system through a single national phone number.

These reform directions also have the potential to help achieve a more efficient balance between community and residential care; treatment and prevention; and early intervention and ongoing care. Current investments across this continuum are currently determined largely by the history of program development rather than on the basis of evidence. The reforms will help ensure that in the future Government investment decisions are more strongly evidence based and funding is directed to those areas that offer the highest return in terms of improving the wellbeing of older Australians.

INCREASING HEALTH STATUS AND CHANGING CONSUMER PREFERENCES

Population ageing and the changing health status of the Australian population are affecting the structure of demand for care and workforce needed to deliver this care. Older Australians are tending to live longer and, increasingly, are more likely to reach ages at which they experience chronic and complex health conditions. Older Australians are, already, on average, frailer on entry to aged care homes and, on average, frailer while living in them. In 1998-99, for example, 56.1 per cent of residents were appraised as having high-level care needs and 9.2 per cent of residents were appraised as having needs at the highest possible level. By 2011, the proportion of residents appraised as having high-level care needs had increased to 78.5 per cent and the proportion of residents appraised as having needs at the highest possible level had also increased (to 12.3 per cent). More than 59 per cent of people entering high care on a permanent basis are assessed in hospital, with around 34 per cent dying or discharged within six months.

While improvements in health status over coming decades will reduce demand and delay the need for care for some people, including the 'younger elderly', growth in numbers of the very elderly is likely to see a marked increase in the number of people requiring more intensive levels of care, especially in residential care. In this regard, the increasing prevalence of dementia is likely to be a defining feature of the future of aged care and the

provision of palliative care. The prevalence of dementia appears to double every five years after age 65. As a result, if current age-specific dementia rates remain unchanged, the prevalence of dementia will double by 2030.

The outlook is for a growing need for three types of care provision:

- care provided in a person's home; for the growing numbers of people who have a reasonable capacity to carry out basic daily activities, especially if they have the assistance of an informal carer;
- high level care in residential facilities that provide for older people who have little or very little ability to undertake basic daily living activities; and
- intermittent residential care services such as respite care for older people living in the community who require additional assistance for short periods, for example, to allow carers to have a break.

Demand for care is likely to be increasingly concentrated at the low and high levels of the care spectrum. Similarly, the length of time care is provided is likely to become increasingly bunched at the relatively short and relatively long ends of the duration spectrum.

AVAILABILITY OF INFORMAL CARE

Demographic social and economic pressures are also likely to reduce the supply of informal care, which will have implications for the delivery of community care. While there are countervailing trends, on balance, the supply of informal care is likely to diminish relative to the size of the older population, due to changes in traditional family structures and the trend for younger cohorts to have fewer children.

This will have implications for the delivery of community care, which often relies on the availability of an informal carer. Given people are increasingly expecting to receive care in their homes, fewer informal carers and a greater reliance on formal aged care services will require increased expenditure on community care.. Access Economics has estimated that if all hours of informal care were replaced with services purchased from formal care providers and provided in the home, the replacement value would be 3.2 per cent of GDP.[3]

Given this outlook there is likely to be increased need for government to provide additional support to carers. This reflects that being a carer can involve significant personal costs, including poorer physical and mental health and increased social isolation.

[3] Access Economics (2010) *The economic value of informal care in 2010*. Report for Carers Australia.

WORKFORCE PRESSURES

At the same time, there is a range of challenges facing the formal aged care workforce, including pressures on supply of an adequately trained and qualified workforce and wage pressures from competing sectors such a public hospitals.

Aged care is necessarily labour intensive and an adequate and well-qualified workforce is fundamental to the delivery of quality aged care. There are currently more than 305,000 employed in the delivery of aged care services, with 205,750 people employed in the residential care sector and 98,395 people employed in the delivery of community care. The aged care sector currently accounts for 2.7 per cent of all employees in Australia. At the occupational level, the sector employs 15.3 per cent of registered nurses, 21.9 per cent of enrolled nurses and 63.9 per cent of personal carers and community care workers.

Assuming that the ratio of number of aged care workers to the size of the population aged 70 or over remains constant, by 2050 a total of 827,100 will be engaged in the provision of aged care. That is, by 2050 the aged care sector will account for about 4.9 per cent of all employees in Australia.

Population ageing is also likely to lead to increased demand for hospital care, which will see the aged care sector facing even stronger competition for health professionals. Other factors that will impact on the required number and skills sets of the aged care workforce include the increasing age and acuity levels of care recipients (see above). Further, progressive reforms to the health sector have resulted in aged care services providing care that would have previously been provided in other arenas, including for people with more complex and chronic conditions, severe dementia and behavioural disorders, and palliative care including ongoing pain relief and symptom management. Given these trends, a professional aged care workforce able to deliver such care and to effectively interface with and coordinate care across other elements of the health care system is essential.

While aged care nursing is often seen as requiring fewer skills than in other parts of the health sector the reverse is actually true. In residential care, nurses are required to exercise the full range of generalist clinical nursing assessment and analysis skills and often also develop specialised areas of expertise such as wound management, continence and dementia care, as well as liaison skills to work in multidisciplinary teams and communicate with older people and their families.

In part, the sector has been responding to workforce pressures by moving towards a more streamlined and lower cost workforce, including substituting services provided by more highly qualified nurses with care provided by less qualified staff. The National Aged Care Workforce Survey in 2007 showing a reduction in registered nurses from 21.4 to 16.8 per cent, and enrolled nurses from 14.4 per cent to 12.5 per cent, as a proportion of the aged care workforce. It is likely these changes in part represent efficiencies being made in the sector through models of care that allow for more effective use of nursing expertise, enabling registered nurses to provide clinical leadership and overall care management for residents rather than focus on tasks which can be undertaken by other staff with appropriate skills. There are limits on the extent to which this can continue without compromising service quality, particularly in view of the increasing acuity of care.

Overall, this range of challenges has the potential to increase the overall size and composition of the aged care workforce, particularly the increased demand for specialised nursing expertise and behavioural management skills. It is crucial that sufficient training places are available for both nursing and non-nursing staff, and there is more flexibility in the roles and scope of practice of health professionals working in aged care.

A NEW APPROACH – A TEN YEAR PLAN FOR AGED CARE REFORM

The Australian Government intends to pursue aged care reform through a 10 year plan that supports immediate improvements to the aged care system while providing the structural foundations to develop and implement more substantial improvements in the longer-term.

Implementation will require careful management and coordination, given the many different elements needing to be sequenced, the wide range of agencies involved within and outside government and the scale and complexity of the legislative and systems changes required. There will be strong imperatives and expectations for stakeholder involvement. There will also be significant challenges in terms of change management for providers and communicating the changes to consumers and the wider community.

To bring together this effort and ensure aged care reform is implemented effectively and efficiently, an Aged Care Reform Implementation Council will be established including key aged care stakeholders and experts, with an independent chair, and supported by a dedicated Transition Office within the Department of Health and Ageing. The Transition Office will take responsibility for the active management of the reform process, and will lead and coordinate key streams of activity critical to the successful implementation of reform including legislative change, systems work, stakeholder engagement and communication strategies.

A gradual reform process is necessary, for a number of reasons. While many in the industry are supportive of reform, the industry is not yet ready for reform on the scale or timeframe proposed by the Productivity Commission. A faster timeframe would involve significant risks in terms of financial dislocation in the industry, and disruption for care recipients, as well as significant budgetary implications and fiscal risks in the context of the ageing of the population.

OVERVIEW OF REFORM PACKAGE

Aged care reform will build a responsive, integrated, consumer-centred and sustainable aged care system, designed to meet the challenges of population ageing and ensure ongoing innovation and improvement.

The reform package is designed to deliver fundamental changes to the aged care system over the next ten years, adopting a staged approach to reform implementation. Providers and consumers will gain early benefits of key changes, while essential building blocks for further reform are developed.

The longer term vision for reform is to create a more flexible and seamless 'end-to-end' aged care system that provides more choice and access to the full range of aged care services, from low intensity support in the home, to Home Care packages and residential aged care provided at variable levels of intensity. Increasingly, the level and mix of services would be more driven by consumers and less by government regulation, with the role of government more focused on protecting equity in access and quality. In line with the preferences of older people and their families, a key element would be expanding access to care in the home and enabling people to live independently in the community as long as possible, including developing a new national system of home support.

With a carefully coordinated and structured approach to implementation as provided for in this plan, including future government decisions at key points in the process, this vision can be achieved within 10 years.

The 10 year plan for reform of aged care has been structured and sequenced with a number of key priorities in mind:

- delivering immediate improvements to consumers, with a focus on early activity to improve access to information and assessment, address unmet need for services, attract investment into residential care and increase the supply and quality of the aged care workforce;
- support a gradual and manageable transition to the new arrangements for consumers and providers;
- careful management of the costs and fiscal risks for the government, the wider community and taxpayers by implementing additional investments in parallel with more sustainable financing arrangements including stronger means testing arrangements; and
- a 10 year frame of reference that provides for progressive consideration of further reforms to improve the capacity of the aged care system to respond to the needs of current and future generations of older people, including a range of possible longer-term improvements being called for by the aged care sector and advocated by the Productivity Commission.

There are three distinct implementation phases, detailed further below:

- Years 1-2 (2012-13 to 2013-14) will focus on providing the immediate improvements that are urgently needed, while laying groundwork for further reform.
- Years 3-4 (2014-15 to 2015-16) will deliver significant gains in access and choice, in conjunction with improved financing and means testing arrangements, while also concluding key development and evaluation work to support further reform.
- Years 5-10 (2016-17 to 2021-22) will see gradual movement to a fully integrated aged care system, including further reform to remove supply controls and provide a common funding system determining consumer entitlements for both community and residential care.

YEAR ONE (2012-13)

The initial focus will be on laying the groundwork for reforms, while also rolling out initiatives that will have immediate benefits for consumers.

From July 2012, the Department of Health and Ageing will establish a Transition Office to coordinate this work, including stakeholder engagement and communication strategies, legislative and system changes. A new Aged Care Reform Implementation Council will be established and start the work of implementing aged care reform, including establishing relevant expert subgroups.

The Department of Health and Ageing will work with community service providers to develop a new Commonwealth Home Support program. This will consolidate the existing programs, National Respite for Carers (NRCP), Day Therapy Centres (DTC), Assistance with Care and Housing for the Aged (ACHA), with the Commonwealth Home and Community Care (HACC) program. The focus of initial development work will include benchmarking services, reviewing service types and trialling new approaches to support reablement. Additional Home Care packages will be allocated in the 2012 Aged Care Approvals Round.

Investment and building activity in the residential care sector will begin to increase, as providers seek to capitalise on future capital income streams. Rural and remote Indigenous communities will also benefit from an immediate increase in available places through flexible care, and services catering for rural, remote, homeless and indigenous people under mainstream funding arrangements will benefit from the certainty that funding they receive through aged care viability supplements will continue.

The Workforce Compact will be developed by an independently chaired Advisory Group to ensure that workforce reforms lead to improvements in services for older people and benefits for the workforce.

Consumers will see immediate improvements in access to information, with a new *My Aged Care* website and expanded phone service, with extended hours of operation, commencing early in 2013. This will occur in parallel with detailed design work, with consumer and other stakeholder organisations, to build a new gateway to the aged care system. Consumers will also benefit from improved advocacy and community visitors' services. There would be early action to support better access, care and health outcomes for people with dementia as well as immediate benefits for other specific population groups, including expansion of assistance in linking care and housing for people at risk of homelessness.

YEAR TWO (2013-14)

As well as continued implementation of the above initiatives, Year Two would see more direct improvements to access for consumers, with new home care packages coming on line and more homes being built in areas of need.

Additional functionality will be gradually added to the *My Aged Care* website and work will commence to standardise assessment processes for basic home support and comprehensive assessment services delivered by Aged Care Assessment Teams (ACATs), both of which vary significantly across states.

Critical development work for the new Commonwealth Home Support program will be completed, to create a basis for consolidating the program, including reviews relating to unit prices, investment across service types and support for reablement.

More than 3,000 additional Home Care packages will be released, over and above current projections, and consumer-directed care will begin to be mainstreamed into the system. New Home Care package funding levels will be introduced, including trialling a low care package level to bridge the gap between lower intensity home support and Home Care packages. An intermediate Home Care package between the current Community Aged Care Package and Extended Aged Care At Home (EACH) package will also be introduced.

Work will continue on developing a nationally consistent approach to user contributions for the Commonwealth Home Support program, currently provided through HACC.

A new conditional adjustment payment will be introduced to support higher wages to care workers, complementing the new workforce compact negotiated in the previous year.

Initiatives to support diversity, strengthen the health interface and tackle dementia will be fully implemented. Funding will be provided to organisations promoting diversity and to support innovation and improvement in provision of primary care and acute care to dementia patients. Additional funding for behavioural needs will commence to support better access and care for people with dementia in both home care packages and residential care. Training will be delivered to primary care professionals to support improved diagnosis of dementia.

YEARS THREE TO FOUR (2014-15 – 2015-16)

In addition to continuing the controlled expansion of home care and work to build a gateway to the aged care system and integrated funding arrangements across community and residential care, years three to four will see the implementation of stronger means testing arrangements in Home Care packages and residential care and more sustainable financing arrangements for capital funding in residential care.

In early 2014, a linking service will be established as part of the Gateway, which will assist up to 30,000 vulnerable people with multiple needs to access health, housing, disability, financial, and aged care services.

From July 2015, the HACC program, the National Respite for Carers Program, the Day Therapy Centre program and the Assistance with Care and Housing for the Ages program will be consolidated into a new, streamlined system of Commonwealth home support services. By the end of 2015-16, an additional 26,400 Home Care packages will have been released relative to current projections.

From 1 July 2014, income testing will be extended to home care and an assets test on care introduced into residential care. There will be no change to the treatment of the family home within the asset test. To attract more capital investment into residential care and provide more choice for consumers, a single accommodation payment system will be introduced across all residential care. In addition, a single set of specified care and services will be introduced, enabling the high/low distinction to be completely removed. Arrangements will also be implemented to enable all consumers to purchase higher standard hotel services if they so choose.

A number of key developments and processes will be completed, providing a basis for the Government to make further decisions about transitioning to a new system, including:

- Further action needed to build the Gateway, including its governance model, and options for integrating the Gateway with the new home care and Home Support programs;
- Whether to introduce a variable Aged Care Funding Instrument to set care subsidies for home care packages;
- Further action to address wage and workforce pressures; and
- Other action such as further investments in advocacy services, initiatives to strengthen the aged care/health interface and dementia care.

YEARS FIVE TO TEN (2016-17 – 2021-22)

Years five to ten will focus on continuing work to develop the key building blocks for further reform, ongoing monitoring and evaluation and further government decision making about transition to a less highly regulated system that allows consumers more choice in how the care subsidy provided by government is used to support their care needs.

Further enhancements will be made to information and assessment arrangements, including arrangements by which all providers will input into a capacity database to allow care recipients easier access to information on available services through the *My Aged Care* website. Subject to further decisions and investments, a fully functioning Gateway will be established, based around the call centre and website but with capacity to arrange in-home assessments by teams of health professionals. The Gateway would determine consumers' funding entitlements, independently of providers, allowing greater expenditure control.
By the end of 2021-22, more than 64,200 additional Home Care packages will have been released relative to current projections.

Key areas for close monitoring, review and refinement would include:

- As unmet demand is reduced, consideration would be given to removing controls of the number and mix of places, in conjunction with a fully integrated funding and classification system for community and residential care.
- Stronger means testing arrangements may need to be considered to finance increased supply, as well as to better align charges across community and residential care.
- Other financing issues including arrangements for regulating prices for accommodation and arrangements for protecting equity of access for different population groups.
- Workforce strategies, including education, recruitment and retention, and funding and indexation issues, in close consultation with unions and providers, with potential to refer issues of dispute to the industrial relations system.

PART 2

PRIORITIES AND INITIATIVE

STAYING AT HOME

Highlights

Older Australians clearly want to remain in their own homes for as long as possible as their care needs increase. While there are many programs that provide a range of support services in the home, these programs are often fragmented and inconsistent, leaving older people and their families confused and not always being treated fairly as their needs change.

Through the Aged Care Reform package, the Government will provide $955.4 million over five year to provide older Australians and their carers with better access to care in their own home.

- $75.3 million to establish a new Commonwealth Home Support program from 1 July 2015, which would allow better coordination of appropriate and timely care for older Australians in their own home.

- $880.1 million to provide an additional 31,635 operational Home Care packages by 30 June 2017 (64,180 by 30 June 2022) and more flexible funding arrangements for Home Care packages.

In order to ensure that Home Care packages are available for older Australians when they need them, the Government will ask some care recipients to contribute to the cost of their care through an income tested care fee. The Government will remain the majority funder of Home Care packages. Full pensioners will not be affected by this change and no one will be denied access to care because of an inability to contribute to the cost of their care. These means testing changes will free up $183.0 million over five years to support other aged care reforms

COMMONWEALTH HOME SUPPORT PROGRAM

From 1 July 2012, the Australian Government will have full funding, policy and operational responsibility for services delivered through the Home and Community Care (HACC) (Aged Care) program for older Australians, except in Victoria and Western Australia. The Government will continue discussions with Victoria and Western Australia. While the

Government has committed to ensure continuity of services with no significant changes to HACC service delivery until 2015, the opportunity exists to develop a comprehensive basic home support program with an emphasis on prevention and reablement as the first level of care in an end-to-end aged care system. This would include integration of the National Respite for Carers Program, the Day Therapy Centre program and the Assistance with Care and Housing for the Aged program into a single Commonwealth Home Support program. Currently these programs offer different services to clients and carers, through different pathways, but with the same objective of helping older people to remain in the community. Service provision is often fragmented with resultant confusion for clients trying to access services.

As part of the Aged Care Reform package, the Government will provide $75.3 million over five years to establish a Commonwealth Home Support program from 1 July 2015, which would allow better coordination of appropriate and timely care for older people.

The new program will consolidate the existing HACC Aged Care program with the National Respite for Carers Program, Day Therapy Centres program and the Assistance with Care and Housing for the Aged program. This measure also ensures that the new Commonwealth Home Support program will continue to grow in line with the increasing needs of Australia's ageing population.

Having all services providing basic care under one program will allow, for the first time, service provision to be benchmarked and unit costs derived which will encourage future competition. Also, existing home and community care service types have not been significantly reviewed since 1985 meaning that outputs are inconsistent, and do not necessarily target best value, evidence-based services optimising prevention and restoration to avoid unnecessary progression of clients to high care, high cost services.

This measure will therefore also support a review of the service types delivered through the new Commonwealth Home Support program to ensure that they target best value, evidence based services optimising prevention and restoration. This will ensure older people avoid unnecessary progression to high care, high cost services. Priorities for review would be meals on wheels, transport services, home modifications and home maintenance.

Conducting a review of service types prior to 2015 when the 'business-as-usual' approach to the HACC (Aged Care) program ends, will enable a greater understanding of the interface between basic Home Support and Home Care service types and other programs within the aged care system, allowing appropriate linkages to be formed, so that care recipients can

move smoothly through an end-to-end aged care system as their needs change. Improvements would be made to service types, maximising preventative and restorative care to optimise outcomes for care recipients and support the sustainability of the aged care system. This new and streamlined Commonwealth Home Support program for older Australians would allow for better coordination of appropriate and timely care. These changes would allow for nationally consistency of care for a care recipient that is equitable, regardless of where they live. This would create a more efficient system and reduce demand on informal carers and residential care as a result.

An important component of the review would be to better understand the movement between the need for home support services, such as transport, domestic assistance and meals, and the need for care services provided in the home such as personal care and nursing.

Another priority will be to support a more smooth transition from home support services to Home Care packages. There are currently around 50,000 HACC clients receiving multiple services, potentially comparable to support provided through Home Care packages. The intention would be that from 2015, clients would receive services under the Commonwealth Home Support program until such time as their needs increase to the point where a more coordinated care approach is required. Clear criteria will be developed based around the number and overall intensity and cost of services clients require. At this point, care services should be provided through the new Level A Home Care package (see page 30). This approach in conjunction with the broader proposed expansion of Home Care packages will help to create additional capacity in the new Home Support program.

This measure will also improve the interface between home support service types and other aged care programs, allowing appropriate linkages to be formed, so that care recipients can move smoothly through an end-to-end aged care system as their needs change.

Moving to more uniform arrangements for charging fees for home support services has always been intended as one means of improving national consistency and equity within an aged care system now managed in most states and territories by a single level of government. The principles of access, equity and affordability will continue to apply in developing a nationally consistent approach.

MORE HOME CARE PACKAGES

To help older Australians remain living in their own homes, the Government currently funds more than 59,900 Home Care packages (such as Community Aged Care Packages (CACPs) and Extended Aged Care at Home (EACH) Packages) – but demand for these packages far outstrips supply, leaving many older Australians forced to wait for the care they need.

As part of its Aged Care Reform package, the Government will provide $880.1 million over the next five years to provide more aged care places, with a greater emphasis on home care packages, and more flexible funding arrangements for Home Care packages.[4]

The Government will more than double the number of Home Care packages available across Australia over the next 10 years – providing more than 80,000 new home care packages by 2021-22, on top of the 59,900 Home Care packages currently available. The number of residential based places will also continue to increase, but at a rate more reflective of consumer demand. In total, this measure will increase the availability of all aged care places (both residential and home based) from 113 operational places per 1,000 people aged 70 or over now to 125 places by 2021-22. The number of Home Care packages per 1,000 older people will increase from 27 to 45.

The residential aged care sector will also significantly increase over the next 10 years – providing more than 65,200 new residential places by 2021-22, on top of the 191,500 residential places currently available. This is 25,350 fewer places than were previously planned for. This reduction results in a saving of $454.0 million over five years, which has been redirected to this measure.

Around 4,900 new Home Care packages and around 7,500 new residential aged care places will then be offered through the 2012-13 Aged Care Approvals Round (ACAR), which will be advertised later this calendar year once consultation on the new Home Care packages has been completed. It is expected that the outcomes of the 2012-13 ACAR will be announced in the first half of 2012-13, to allow older people to start accessing the new Home Care packages from 1 July 2013.

[4] This amount is partially offset by redirecting funding previously allocated for residential care. The net spend for the measure is $426.1 million over 5 years.

The following table shows how many places of each care type will become operational in each year.

Table 1: New places becoming operational each year, by care type, 2012-13 to 2021-22

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	Total
Residential	**5,690**	**5,980**	**5,262**	**4,684**	**7,965**	**7,330**	**6,221**	**6,725**	**6,666**	**8,690**	**65,213**
Home Care (Total)	**4,901**	**3,614**	**5,196**	**18,212**	**7,871**	**10,981**	**11,545**	**10,199**	**7,131**	**4,888**	**84,538**
Level D (Highest)	989	1,434	1,661	7,640	2,294	3,983	4,161	3,019	2,730	1,412	29,323
Level C	687	23	515	3,113	1,655	1,870	1,980	2,122	438	435	12,837
Level B	1,965	2,114	2,239	4,036	2,969	3,402	3,579	3,105	3,525	2,607	29,541
Level A (Lowest)	1,259	43	781	3,423	953	1,727	1,824	1,954	438	435	12,837
TOTAL	**10,591**	**9,594**	**10,458**	**22,895**	**15,836**	**18,311**	**17,766**	**16,924**	**13,797**	**13,579**	**149,751**

This measure will also make it easier for older Australians who are receiving care at home to move between care levels as they become more frail, through the introduction of two new funding levels for home care packages. The two new package levels will provide a smooth continuum of support and care as an individual's needs increase, and will complement the existing levels of Home Care packages.

Two new types of Home Care package (Level A and C) will be established to complement the existing CACPs (Level B packages) and EACH packages (Level D packages) – providing a continuum of home care options covering basic home care support all the way through to complex home care.

Where a person receiving a home care package at any of these four levels has dementia, a new Behaviour Supplement (10 per cent of the value of the package) will be payable from 1 July 2013 (see page 72). As a result, Extended Aged Care at Home Dementia packages (EACHD) will no longer be required from that time. Existing EACHD care recipients as at 30 June 2013 will transition to a Level D package with a Behaviour Supplement.

A pilot and evaluation of the new Level A and C Home Care packages will be undertaken over 2013-14 and 2014-15 to review the role of these packages, including the interface between basic home support services and Home Care packages

Ensuring care is delivered where it is most needed
There will be a review of the existing aged care planning regions and Home and Community Care planning regions, to be undertaken in 2012-13 to ensure aged care services are delivered where they are most needed. The review will examine the current and projected demographics of each region and ascertain current and future priorities for additional aged care places. The review is expected to take one year.

FAIRER MEANS TESTING ARRANGEMENTS FOR HOME CARE PACKAGES

Currently people receiving Home Care packages are not equitably and consistently contributing toward the costs of these services. The Government pays the same level of subsidy for each home care package type regardless of a care recipient's capacity to contribute toward the cost of their care. By contrast, the fees that people pay for residential care are means tested to offset the cost of care and accommodation.

In order to address these inconsistencies, and ensure that home care is available on an equitable basis for older people when they need it, the Government will ask some care recipients to contribute in a consistent way to the cost of their care through an income tested care fee. This is on top of the current basic fee where the service provider can ask a care recipient to contribute up to a maximum of 17.5% of the single basic pension (currently $3163 per annum – although the average fee paid is about $1800 per annum).

The changes will improve the fairness and sustainability of the aged care financing arrangements, with strong safeguards to ensure access to care for those who cannot afford to contribute to the cost of their care. They will better align the Home Care and residential aged care financing arrangements. A Hardship Supplement, similar to the one that operates in in residential care, will be introduced for Home Care packages to ensure that care recipients in special circumstances do not experience hardship because of the new arrangements.

This measure will free up $183.0 million over five years to support other aged care reforms, including a number of initiatives, such as the expansion of Home Care packages, which are likely to further reduce the number of older patients staying in hospital longer than necessary.

The Government will continue to be the majority funder of Home Care packages. Currently, the Government pays around 84 per cent of the total cost of Home Care packages. The proposed means testing arrangements reduce the Government share to around 76 per cent.

An individual's care fee will depend upon their assessable income, which will be determined using the same rules as used by Centrelink for pension purposes. Income includes income support payments from the Australian Government such as the age pension.

The income test operates differently for care recipients who are:

- 'full pensioners' – care recipients with total income less than the maximum income level for a full pensioner – $23,543 for singles and $36,499 (combined income) for members of a couple as at 20 March 2012.
- 'part pensioners' – care recipients with total income greater than the above thresholds but less than the maximum income level for a part pensioner – $43,186 for singles and $66,134 (combined income) for members of a couple as at 20 March 2012.
- 'self funded retirees' – care recipients with total income greater than the maximum income levels for a part pensioner.

Full pensioners, and older Australians with the same level of income
Care recipients with total income less than the maximum income level for a full pensioner – $23,543 for singles and $36,499 (combined income) for members of a couple as at 20 March 2012 – will not be asked to pay a care fee on top of the basic fee.

Part pensioners, including self funded retirees with the same level of income
Where care recipients have total income greater than the maximum income level for a full pensioner, but less than the maximum income level for a part pensioner – $43,186 for singles and $66,134 (combined income) for members of a couple as at 20 March 2012 – then their care fee is calculated as 50 per cent of their total income above the relevant threshold.

No individual's care fee can be greater than the level of Government subsidy payable in respect of their Home Care package. There are also protections in places for people with higher than average care fees. Care recipients whose level of income would make them eligible for a part pension under Centrelink's income test for pensions will have their annual care fees capped at $5,000 (indexed).

The average care fee for these care recipients will be about $2,200 on top of the basic fee.

Self funded retirees with income greater than the maximum income for a part pensioner
Where care recipients have total income greater than the maximum income level for a part pensioner – $43,186 for singles and $66,134 (combined income) for members of a couple as at 20 March 2012 – then their annual care fee is equal to $5000 (indexed) plus 50 per cent of their total income above the relevant threshold.

Again, no individual's care fee can be greater than the level of Government subsidy payable in respect of their Home Care package. These care recipients will have their care fees capped at $10,000 (indexed) per annum.

The average care fee for these care recipients will be about $8,800.

All care recipients
A lifetime cap of $60,000 (indexed) on care fees will protect all care recipients who receive care for a longer than average period of time. And, care fees that care recipients may pay in residential care will be taken into account in calculating lifetime care expenditure.

The new arrangements will be introduced on 1 July 2014. People in receipt of a Home Care Package on 30 June 2014 (including care recipients on leave) will not be subject to the new arrangements while their current episode of care continues.

SUPPORTING CARERS

Highlights

Carers are a key part of the aged care system, and their role is critical in helping older people to remain living at home longer.

Through the Aged Care Reform package, the Government will provide $54.8 million over five years to expand support for carers, including:

- $37 million to expand the National Respite for Carers Program to increase access to both planned and emergency respite, providing support to an additional 5,000 care recipients each year.
- $5 million over five years to increase counselling through the National Carer Counselling Program, supporting an additional 1,500 carers each year to maintain their caring relationship.
- $11 million over five years to establish a network of Carer Support Centres around Australia, which will broker emergency respite, information and support, education and counselling, and referral for other services where appropriate.

BACKGROUND

Carers are a key part of the aged care system, and their role is critical in helping older people to remain living at home longer.

In 2009, there were 2.6 million carers who provided assistance to those who needed help because of disability or old age. Just under one third of these (29 per cent) were primary carers; that is, people who provided the majority of the informal help needed by a person with a disability or aged 65 years and over. Over two-thirds of primary carers (68 per cent) were women. About that 95 per cent of people living in households with a severe or profound limitation in one of the core activities of communication, mobility or self-care receive help from an informal carer.

About 250,000 people are primary carers for one or more older people. About two in five of these formal carers are older people themselves and about two thirds are co-resident with the care recipient. Almost all older primary carers of older people are co-resident with the care recipient.

The Government already provides significant support for carers, including a projected $1.1 billion over five years for respite and counselling under the National Respite for Carers Program.

However, current respite and carer counselling services are stretched and existing arrangements for accessing respite and other support can be complex and fragmented. As part of the conversations on ageing held across Australia, the need for additional support for their carers was one of the most commonly raised issues. This included requests for an increase in availability for both respite and counselling and greater flexibility and choice.

As part of the Aged Care Reform package, the Government will provide $54.8 million over five years to expand respite for care recipients and counselling support for carers, streamlining and simplifying funding arrangements for respite delivery and establishing a network of Carer Support Centres.

STREAMLINING AND EXPANDING SUPPORT FOR CARERS

Demand for community respite outstrips supply and current services have insufficient resources to meet the needs of care recipients. To address this issue, this measure will provide $37 million over five years to expand the National Respite for Carers Program to increase access to both planned and emergency respite, providing support to an additional 5,000 care recipients each year.

Accessing counselling is one of the critical services to support carers to maintain their caring role, especially as research reveals that carers have the lowest health and well being of any group surveyed. Currently, 19 per cent of carers wait four weeks or more to access counselling. To address this issue, this measure will provide $5 million over five years to increase counselling through the National Carer Counselling Program, supporting an additional 1,500 carers each year to maintain their caring relationship.

Respite service delivery is fragmented, complex and difficult to navigate. To address this issue, this measure will provide $11 million over five years to establish a network of Carer Support Centres around Australia. The Centres will broker emergency respite, information

and support, education and counselling, and referral for other services where appropriate. The focus of the Carer Support Centres will be on targeted and preventative assistance for carers, the provision of carer specific information, education, brokering emergency respite, counselling and appropriate referrals for other services.

Currently, respite is delivered through a number of different programs creating administrative duplication and burden on providers and confusion for care recipients. To address this issue, the Government, in consultation with consumers and providers, will streamline current respite care programs from 1 July 2014. This will enable assessment processes to be standardised and regional variations in access to services to be addressed.

Currently respite services are menu-driven and lack sufficient flexibility to meet all care recipient's needs. This measure will explore innovative and flexible models of respite delivery that will enable care recipients to have greater choice and control in how respite services are delivered to them.

RESIDENTIAL CARE

Highlights

Through the Aged Care Reform package, the Government will provide $660.3 million over five year to provide older Australians with better access to care in their own home.

- $486.9 million to support the development of more residential care facilities in areas of greatest need, by significantly increasing the maximum rate of the Government accommodation supplement and improving the fairness and flexibility of resident accommodation payments.

- $65.4 million to support greater choice and control for aged care recipients, by embedding consumer directed care into mainstream aged care program delivery.

- $108.0 million to ensure the sustainability of aged care services in regional, rural and remote areas and to improve access and equity to people living in these areas by helping to fund the higher delivery costs for aged care service providers in regional Australia.

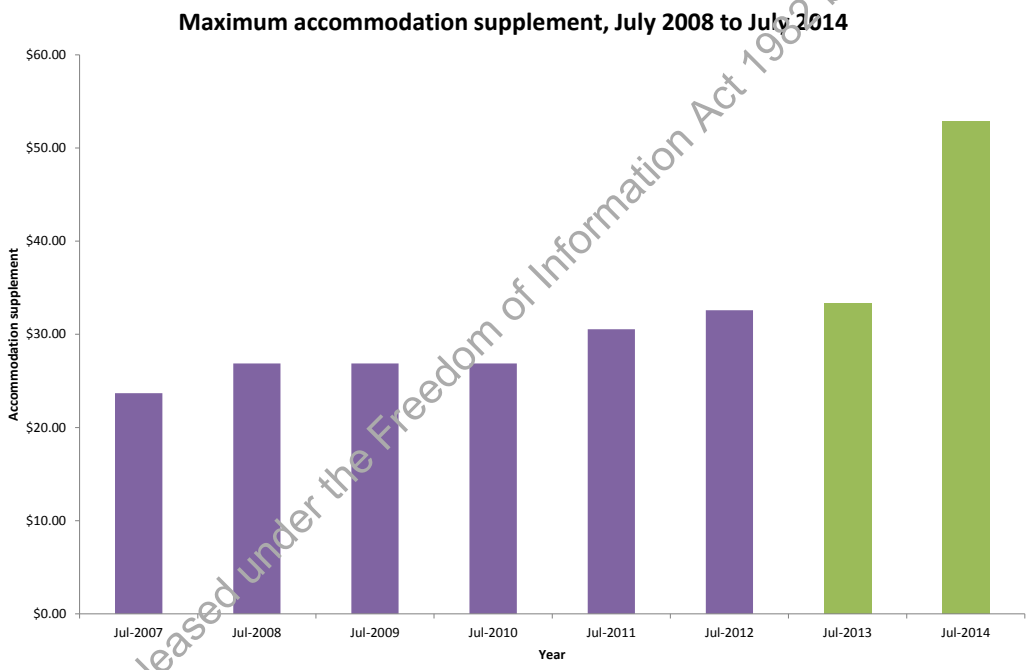
The Government is proposing significant reforms to the way in which aged care is financed to ensure that older Australians will continue to be able to access the care that they need, when they need it. This means that some care recipients with greater means will be asked to make a greater contribution to the cost of the care that they receive. The Government will remain the majority funder of care for most care recipients and will ensure that no one is denied access to care because of an inability to pay. These changes will free up $378.0 million over five years to support other aged care reforms

BETTER SUPPORT TO BUILD MORE RESIDENTIAL CARE FACILITIES

As part of its Aged Care Reform package, the Government will provide $486.9 million to support the development of more residential care facilities in areas of greatest need, by significantly increasing the maximum rate of the Government accommodation supplement and improving the fairness and flexibility of resident accommodation payments. These changes will help ensure that older Australians can access residential aged care services when they need them by increasing incentives for investment.

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 increase from $32.58 per day (currently) to an estimated $52.84 per day from 1 July 2014, for aged care homes that are built or significantly refurbished after 20 April 2012. As a result of these changes and earlier Government initiatives, the maximum level of the accommodation supplement will have increased by 123 per cent between 2007 and 2014 (from $8620 per annum to $19,235 per annum – see Figure 3).

FIGURE 3



BOX 2 – Working out the level of a single resident's accommodation supplement which is paid by the Government (2014 prices)

Residents with assessable assets below the asset test free threshold ($44,000)

- The level of the Government accommodation supplement is the maximum level if their income is below the income free threshold ($25,440).
- The level of the Government accommodation supplement then decreases as the level of the resident's income increases until their income reaches a level where they are not eligible for any Government accommodation supplement (income level = $63,905) – with the level of their accommodation supplement decreasing by $500 per year for each additional $1000 in annual income.

Residents with assessable income below the income test free threshold ($25,440)

- The level of the Government accommodation supplement is the maximum level if their assessable assets are below the asset free threshold ($44,000 currently).
- The level of the Government accommodation supplement then decreases as the level of the resident's assets increase until their assets reach a level where they are not eligible for any Government accommodation supplement (asset level = $153,905) – with the level of their accommodation supplement decreasing by $175 per year for each additional $1000 in assets.

Other residents

- The arrangements work similarly for members of a couple, with slightly different thresholds.

There are two important points to note. Firstly, only care recipients who enter care from 1 July 2014 are affected by the new means testing arrangements. All those in care up to and including 30 June 2014 will continue to have their income and assets assessed under the current residential aged care means testing arrangements.

Secondly, there is no change to how the family home is treated for the purpose of the assets test. The home is not counted in the assets test if it continues to be occupied by a protected person, generally a spouse. If the home is not occupied by a protected person, its value up to the limit of assets required to reduce the accommodation supplement to zero (asset level = $153,905) will be included in the assets test, as is currently the case.

This measure will also give aged care residents greater choice in respect of how they pay for their accommodation, with all residents being given the choice of paying for their accommodation through a fully refundable lump sum payment or through a periodic payment or a combination of both.

To ensure that residents receive value for their accommodation payments, aged care providers will be required to seek approval from the new Aged Care Financing Authority within the Department of Health and Ageing for the level of the accommodation payment that they charge. Providers will also be required to insure any lump sum bonds that they receive after 1 July 2014. Consumers will be encouraged to access financial advice about their aged care costs from qualified advisors with expertise in aged care financing. Lump sum bonds will be fully refundable, with providers no longer permitted to deduct a monthly retention amount from bonds received after 1 July 2014.

To make sure that consumers are able to make a real and informed choice about whether to pay by lump sum or periodic payment, the Department will provide written advice to consumers and their families about the maximum accommodation payments which they can be asked pay to the approved provider. Further information about maximum payments approved for a particular provider will be made available on the My Aged Care website.

Aged care providers will not be allowed to choose between care recipients on their basis of their choice as to how they pay for their accommodation. A cooling off period will mean that residents will not need to decide how they want to pay for their accommodation until after they entered care and are protected by the security of tenure arrangements.

GREATER CHOICE AND CONTROL

As part of the conversations on ageing held across Australia, consumers expressed a strong view that they should have a greater say in the services they receive. The recent evaluation of the consumer directed care pilot program found that older Australians and their carers were more satisfied with the services they received than consumers not involved in the pilot. Consumer research also shows that older Australians are prepared to purchase additional services and amenities, for example, more choice of food and entertainment options.

Through the Aged Care Reform package, the Government will provide an additional $65.4 million over five years to increase the choice and control that older Australians have over the services they receive by embedding consumer directed care into mainstream aged care program delivery.

Consumer directed care

Consumer directed care is an approach to planning and management of care, which allows consumers and carers more power to influence the design and delivery of the services they receive, where they want and are able to exercise choice. It seeks to tailor the mix and range of services to care recipient' preferences, where possible, as well as allow greater flexibility in the timing and scheduling of services and in how care is shared between informal and formal carers.

During 2011-12, Consumer Directed Care (CDC) pilot packages were rolled out by some providers and evaluated by the Department and interested stakeholders. The pilot found that there were benefits for older Australians and their carers in terms of increased satisfaction with their package of care and improved communication with providers.

Building on the learnings from the CDC evaluation, CDC principles will be embedded into all new Home Care packages from 1 July 2013. Further ongoing evaluation will occur to fine tune arrangements over time. From 1 July 2012 the CDC pilot packages will be mainstreamed. There will be no change in the care provided to existing CDC care recipients as the condition of allocation will require providers to continue to provide care on a CDC basis. In addition, all new Home Care packages allocated after 1 July 2013 will be required to be offered on a consumer directed care basis.

This rollout will be combined with further evaluation of CDC concepts, building on earlier findings, and focusing on clarifying the definition and application of CDC in practice, its limits and the need to balance flexibility and choice with the need to ensure that services provided are effective and that risks are managed. The potential to further extend CDC will also be explored in consultation with consumers and industry, with a view to possibly requiring CDC to be available in all community care places (including those in operation before July 2013) from July 2015.

Residential care places were not offered under the CDC pilot program. In order to test whether CDC could be applicable to residential aged care, a pilot will commence in 2012-13 which would be evaluated in 2013-14. The final report of the evaluation will be used to inform decisions on how to best implement CDC principles in a residential setting.

Removing the high low distinction in residential care

Currently there is a distinction in place in terms of the care and services that low and high care residents are eligible to receive without charge, which results in some clients receiving particular items (eg continence aids) free of charge while others pay for these out of their own pocket even where the provider is funded for associated care needs. The list of

services has become out of step with contemporary practice and some items potentially encourage poor practice in areas such as medication management.

A review of specified care and services will be undertaken by the Aged Care Financing Authority, in close consultation with stakeholders, to support a single set of requirements from 1 July 2014. The review would focus on the types of services that must be provided as a minimum to care recipients. Given that there would be cost implications if low care residents were provided with access to services currently available to high care residents, there may be a case to link requirements to the funding instrument and assessed resident care needs. Current arrangements will also be updated to achieve better alignment with contemporary practice and quality and accreditation requirements.

Improving choice in purchase of extra amenities

Currently there is little scope for aged care residents to purchase additional amenities, partly because of the way the prescribed schedule of care and services for high and low care sets what is to be covered by fees and subsidies. If a service or product is on the list, the provider cannot charge higher fees, even if the quality provided is of a much higher standard than average. Consumers are increasingly seeking to have the opportunity to purchase additional extras, such as more expensive food and entertainment options.

While current extra services arrangements allow for limited provision of additional services and a higher standard of accommodation for high care residents in return for a higher fee, part of which is clawed back by government (an extra services subsidy reduction is applied at a rate of 25 per cent of the higher extra services fee), places are highly restricted and there is significant unmet consumer and provider demand.

Building on the newly aligned schedule of specified care and services, it is proposed to allow two levels of additional charges for amenities and hotels services over and above basic specified care and services, with no Government claw-back from these additional fees:

- Optional extra services: all homes would be able to charge additional fees for amenities such as increased food and entertainment choices. However, they would still be required to offer the option of a basic standard of services, in line with the specified care and services, to residents free of charge.
- Dedicated extra services: similar to current arrangements, there would be capacity for homes to be approved to dedicate a specified number of places (facilities, wings or rooms) to provision of services solely on an extra services basis. There would continue to be a cap on the total places. Applications would be considered by the Aged Care Financing Authority together with accommodation prices, on a regional basis.

The current claw-back arrangements for extra service homes will be discontinued for new admissions or transfers after July 2014. The claw-back arrangements for extra service were introduced prior to income testing in residential care and have been criticised as 'double-dipping'. They are no longer required under new means testing arrangements being introduced as part of the Aged Care reform package.

Existing Extra Service homes will have the opportunity to gradually move to the new arrangements, subject to approval by the new Aged Care Financing Authority to charge higher prices for accommodation or to operate purely on an extra services basis. Fees for current residents will be grand-parented at current rates, but with the opportunity to move across to the new system (and potentially have their fee reduced) if the home gains approval.

Ensuring equity of access for all older Australians will be a critical consideration in rolling out these reforms. In regard to optional extra services, homes will not be able to choose residents based on their willingness to pay additional charges - rather, residents would be able to opt in or out of these arrangements at any time. In considering applications for dedicated extra services, the Aged Care Financing Authority will have regard to access for people with different levels of wealth, which it would monitor on a regional basis. Homes will be encouraged to bring forward proposals tailored to the socioeconomic/access needs of their region.

In the longer term, a similar capacity to provide extra services will be extended to Home Care packages, where consumers currently have no ability to purchase additional services or amenities over and above the basic standard of care. This would include more services such as more frequent cleaning and higher quality meals.

ENSURING THE SUSTAINABILITY OF AGED CARE SERVICES IN REGIONAL, RURAL AND REMOTE AREAS

Aged care services that deliver care in regional, rural and remote areas and those that service people with special needs often face higher costs than other services. As a result, for example, the returns on investment of efficient providers of residential aged care in regional, rural and remote areas are consistently lower than those achieved by efficient providers in metropolitan areas and major cities.

The Government provides additional financial assistance, through the viability supplement, to Home Care package providers and residential aged care facilities in regional, rural and remote areas in recognition of the higher costs of delivering care in those areas. The viability

supplement is also paid to some residential aged care facilities that specialise in the provision of care to people with special needs. The viability supplement is also paid to eligible Multi-Purpose Services and to services funded under the National Aboriginal and Torres Strait Islander Flexible Aged Care program.

In 2010-11, the Government provided a total of $46.2 million in viability supplements to Home Care package providers, residential aged care providers and flexible care providers. As part of the 2011–12 Budget, measures were introduced to expand existing funding under the Viability Supplement to provide additional support to:

- aged care homes in very remote to moderately accessible locations that target low care;
- eligible aged care homes that provide specialist aged care services to Indigenous Australians; and
- eligible aged care homes that provide specialist aged care services to people with a history of (or who may be at severe risk of) homelessness.

As part of its Aged Care Reform package, the Government will provide an additional $108.0 million over five years to ensure the sustainability of aged care services in regional, rural and remote areas and to improve access and equity to people living in regional Australia by helping to fund the higher delivery costs for aged care service providers in regional Australia. Over the next five years, total funding for the viability supplement is projected to be $315.8 million.

This measure continues the Government's support for regionally targeted aged care measures that help to address the inequities in aged care service delivery between urban and regional Australia. The Review of the Aged Care Funding Instrument (ACFI), published in May 2011, found that low care providers in rural areas required additional support to continue to make their aged care homes viable. Ongoing funding for this purpose will help to prevent the closure of homes and maintain access in regional and remote areas. Forty-two aged care homes providing low care in rural and remote areas have been paid a total of $1.4 million under this measure in the first half of 2011-12.

Aged care homes that provide services to Indigenous Australians and older people who are homeless or at risk of homelessness will also be supported. The Review of the Aged Care Funding Instrument (ACFI), published in May 2011, found that some specialist aged care providers are facing additional pressures in transitioning to the ACFI, including those providing access to people who are homeless and Indigenous Australians with complex behavioural and social needs. This measure continues to address this need by extending

the 2011-12 Budget measure to provide additional support to aged care homes that provide specialist care to these groups.

Homeless people are particularly vulnerable to social exclusion. By continuing to provide funding for aged care homes that specialise in the care of these people, this proposal supports the Government's social inclusion agenda. To date, 16 aged care homes have been paid a total of $1.7million under this measure in the first half of 2011-12.

This measure will also reform the Government's Zero Real Interest Loan and Capital Grants programs. Under current arrangements, capital grants are available from the Commonwealth where aged care services are needed but providers cannot raise the capital through normal commercial means.

There are two existing capital grants programs - Residential Care (Capital) Grants (approximately $13 million annually) and grants from the Rural and Regional Building Fund (approximately $38 million annually). These two programs will be combined into one funding strategy, Rural, Regional and Other Special Needs Building Fund, so that funding can be more flexibly targeted to deliver services in priority areas identified by the Government.

About $51 million (indexed) will be available annually for allocation (with existing commitments expressed in current funding agreements) under the two capital grant programs to be funded from within this envelope). Merging the two capital grant programs will enable improved access to residential aged care by care recipients in areas of need:

- by improving flexibility in allocating grants by removing the demarcation between the two existing funding stream;
- through better targeting of emerging areas of need, including services located in regions under the planning ratio;
- by enabling the Government to better target changing aged care priorities from year to year; and
- by providing the opportunity to tighten eligibility requirements.

The Zero Real Interest Loans program provides low cost finance as an alternative to commercially obtained finance, to build or expand services in targeted areas. As part of the National Health Reform Agreement, the Australian Government announced an extension to the Zero Real Interest Loans program of a further two funding rounds to provide an additional $300 million in loans. The first of these two rounds was completed in December 2011 as part of the 2011 ACAR, with 25 projects across Australia offered loans totalling $150 million. $150 million in loans remain to be allocated.

The remaining loans will be targeted at priority regions in support of the proposed Better-targeted building grants for aged care strategy.

FAIRER MEANS TESTING ARRANGEMENTS FOR RESIDENTIAL AGED CARE

Australia's aged care system is coming under increasing financial and structural pressure from a growing ageing population. It needs to be more sustainable into the future and needs to be equitable and consistent in how people access the services they need.

From 1 July 2014, the Government will strengthen the means testing arrangements for people who enter residential care after this date. It will combine the current income and asset tests to ensure a consistent fees policy in residential care. This will address the anomaly that results in asset-rich, income-poor residents paying for all of their accommodation and nothing for care, and income-rich, asset-poor residents paying for their care but not for accommodation.

The treatment of the family home will not change in this reform package. It will continue to be exempt from the aged care assets test if occupied by a spouse or other protected person.

This measure will free up $378.0 million over five years to support other aged care reforms, including a number of initiatives, such as the expansion of Home Care packages, which are likely to further reduce the number of older patients staying in hospital longer than necessary.

The Government will continue to be the majority funder of residential care. Currently, the Government pays around 65 per cent of the total cost of residential care. The proposed means testing arrangements reduce the Government share to around 61 per cent.

From 1 July 2014, an individual's care fee will depend upon their assessable income and assets. Assessable income will continue to be determined using the same rules as used by Centrelink for pension purposes. Income also includes income support payments from the Australian Government such as the age pension. As under current arrangements, the care recipient's former principal residence is only counted as an assessable asset if it is not occupied by a protected person (generally a spouse). Even when it is counted as an asset, only the first $144,500 (2012 prices) of the value of the former principal residence is counted as an assessable asset.

There is protection for people on low incomes or low levels of assets. The income threshold are $23,543 for singles and $23,075 for a member of a couple (2012 prices). There is also an asset threshold of $40,500 (2012 prices). Anyone with levels of income and assets below these levels will not pay means tested fees.

For people with income or assets above these thresholds, the maximum means tested contribution is (thresholds in 2012 prices):

- 50% of income above the income threshold PLUS
- 17.5% of the value of assets between $40,500 and $144,500 PLUS
- 1% of the value of assets between $144,500 and $353,500 PLUS
- 2% of the value of assets above $353,500.

The maximum means tested contribution is distributed first toward the resident's accommodation payment until the full cost of accommodation is paid and then toward their care fee. The care fee cannot exceed the cost of care.

An annual cap of $25,000 (indexed) on care fees will protect residents with higher than average care fees. A lifetime cap of $60,000 (indexed) will protect all care recipients who receive care for a longer than average period of time. Contributions that residents may have made as recipients of Home Care Packages will be taken into account in calculating lifetime care expenditure.

The new arrangements will be introduced on 1 July 2014. People in receipt of a Home Care package on 30 June 2014 (including care recipients on leave) will not be subject to the new arrangements while their current episode of care continues. Residents receiving respite care in an aged care home will continue to be exempt from aged care means testing arrangements.

BOX 3 – Working out the level of a single resident's accommodation and care fees (2014 prices)

Residents with assessable assets below the asset test free threshold ($44,000)

- The resident does not pay an accommodation fee or a care fee if their income is below the income free threshold ($25,440).
- The level of the resident's accommodation fee would then increase as the level of their income increased until their income reached a level where they are not eligible for any Government accommodation supplement (income level = $63,905) – with the level of their accommodation fee increasing by $500 per year for each additional $1000 in annual income.
- At this level of income the resident's accommodation fee would be $19,235 and they would not pay a care fee.
- The level of the resident's care fee would then increase as the level of their income increased until their income reached a level where they are paying the maximum care fee of $25,000 per annum (income level = $113,905 currently) – with the level of their care fee increasing by $500 per year for each additional $1000 in annual income. The accommodation fee for these residents would be $19,235.
- At this and higher levels of income the resident's accommodation fee would be $19,235 and their care fee would be $25,000.

Residents with assessable income below the income test free threshold ($25,440)

- The resident does not pay an accommodation fee or a care fee if the value of their assets is below the asset free threshold ($44,000).
- The level of the resident's accommodation fee would then increase as the level of their assets increased until their assets reached a level where they are not eligible for any Government accommodation supplement (asset level = $153,905) – with the level of their accommodation fee increasing by $175 per year for each additional $1000 in annual income.
- At this level of assets the resident's accommodation fee would be $19,235 and they would not pay a care fee.
- The level of the resident's care fee would then increase as the level of their assets increased until their assets reached the higher asset threshold ($373,720) – with the level of their care fee increasing by $10 per year for each additional $1000 in annual income. The accommodation fee for these residents would be $19,235.
- The level of the resident's care fee would then increase at a slightly higher rate as the level of their assets increased above the higher assets threshold until their assets

reached a level where they are paying the maximum care fee of $25,000 per annum (asset level = $1.5 million) – with the level of their care fee increasing by $20 per year for each additional $1000 in annual income. The accommodation fee for these residents would be $19,235.

- At this and higher levels of assets the resident's accommodation fee would be $19,235 and their care fee would be $25,000.

Other residents

- The arrangements work similarly for members of a couple, with slightly different thresholds.

There are two important points to note. Firstly, only care recipients who enter care from 1 July 2014 are affected by the new means testing arrangements. All those in care up to and including 30 June 2014 will continue to have their income and assets assessed under the current residential aged care means testing arrangements.

Secondly, there is no change to how the family home is treated for the purpose of the assets test. The home is not counted in the assets test if it continues to be occupied by a protected person, generally a spouse. If the home is not occupied by a protected person, its value up to the limit of assets required to reduce the accommodation supplement to zero (asset level = $153,905) will be included in the assets test, as is currently the case.

WORKFORCE

Highlights

An adequate and well-qualified workforce is fundamental to the delivery of quality aged care.

Through the Aged Care Reform package, the Government will provide $1.2 billion over five years to support the development and implementation of an Aged Care Workforce Productivity Strategy with the sector to ensure a skilled workforce is attracted and retained to meet growing demand.

BACKGROUND

Aged care is necessarily labour intensive and an adequate and well-qualified workforce is fundamental to the delivery of quality aged care. There are currently more than 305,000 employed in the delivery of aged care services, with 205,750 people employed in the residential care sector and 98,395 people employed in the delivery of community care. The aged care sector currently accounts for 2.7 per cent of all employees in Australia. At the occupational level, the sector employs 15.3 per cent of registered nurses, 21.9 per cent of enrolled nurses and 63.9 per cent of personal carers and community care workers.

Assuming that the ratio of the number of aged care workers to the size of the population aged 70 or over remains constant, by 2050 a total of 827,100 will be engaged in the provision of aged care. That is, by 2050 the aged care sector will account for about 4.9 per cent of all employees in Australia.

The Government already provides substantial support for the aged care workforce, including:

- $377 million over the next five years through the aged care workforce fund to build the capacity of the aged care sector to improve the quality of care by developing the skills of the workforce.
- $59.9 million which was provided in the 2010-11 budget for Aged Care Education and Training Incentive payments to provide financial incentives to aged care workers undertaking training.

However, aged care services continue to have difficulties in attracting and retaining sufficient numbers of skilled and trained workers. The turnover rate for aged care staff – at 25 per cent - is also higher than other sectors leading to a loss of productivity and higher training costs due to training new staff. There is also a lack of career development within the sector. Qualifications, competency standards and skill sets need to be updated.

As part of the Aged Care Reform package, the Government is providing $1.2 billion over five years to support the development and implementation of an Aged Care Workforce Productivity Strategy with the sector to ensure a skilled workforce is attracted and retained to meet growing demand.

ADDRESSING WORKFORCE PRESSURES

Under this measure, a Workforce Compact will be developed by an independently chaired Advisory Group to ensure that workforce reforms lead to improvements in services for older people and benefits for the workforce.

Key components of the Compact will include the development of a national aged care workforce strategy; supporting aged care as a career of choice; improving the quality of aged care training in the Vocational Education and Training (VET) sector to address criticisms raised in submissions to the Productivity Commission in its review; and sharpening the aged care focus in the nursing curricula.

The Compact will also include a commitment to enterprise bargaining as the primary mechanism for delivering improved wages, working conditions and productivity in the sector through, for instance, recruitment and retention strategies. The Compact will serve as the primary stakeholder consultative mechanism for cross-portfolio action. There will be a strong focus on addressing workforce pressures in regional, rural and remote areas, including action to improve the recruitment and retention and overall geographical distribution of aged care workers.

The Workforce Compact will consist of three key elements:

- Additional funding to deliver higher wages, targeted to areas of greatest workforce pressure, through enterprise bargaining in the short term, while longer term arrangements are considered by the Aged Care Financing Authority.
- Improving the capacity of the aged care sector to fund improvements in retention, training and educational opportunities, career development, workforce practices and workforce planning.

- Retargeting existing aged care training and workforce development funds to support the implementation of the Workforce Compact by providing targeted training and educational opportunities, exploring innovative models of care, and supporting aged care career pathways and workforce planning. This element will not have a cost impact and will be undertaken by revisiting the priorities of the Aged Care Workforce Fund.

In residential aged care, additional funding will be provided to eligible aged care providers through increases in the Conditional Adjustment Payment (CAP) equal to 1.0 per cent of the amount of the basic subsidy in 2013-14, 2.0 per cent in 2014-15, 3.0 per cent in 2015-16 and 3.5 per cent in 2016-17.

A similar Conditional Adjustment Payment (CAP) arrangement will be introduced for Home Care packages and corresponding arrangements will be put in place for providers in the Commonwealth Home Support program through variations to funding agreements.

The eligibility requirements for the additional funding will be developed in consultation with the aged care sector in 2012-13 as part of the broader Compact, however at a minimum providers will need to:

- be a signatory to the Workforce Compact.
- have an enterprise bargaining agreement(s) in place which delivers higher wages targeted to areas of greatest workforce pressure, that take into account the additional CAP funding as well as improved wages or conditions resulting from productivity gains achieved (for example, through decreasing staff turnover and implementation of the Compact); and
- take part in the Department of Health and Ageing's regular Workforce Census and Survey.

The Workforce Compact will benefit older Australians, aged are workers and aged care providers. Older Australians will benefit from a workforce that has the capacity and skills to provide quality care and which can meet the increased demand for aged care services in coming decades. Aged care workers will receive competitive wages. They will be better equipped to manage the increasing age and acuity levels of care recipients, through new training and educational opportunities, career development and workforce planning. Aged care providers will realise productivity gains and improved quality of care through reduced staff turnover and the attraction of more qualified staff to the sector.

CONSUMER SUPPORT AND RESEARCH

Highlights

Through the Aged Care Reform package, the Government will provide $39.8 million over five years to better support consumers by expanding existing consumer support programs and by supporting comprehensive and independent assessments of the aged care system and its interface with the health and community sector, by providing additional support for the development of publicly available data and policy relevant evidence:

- $30.8 million to better support consumers by expanding
  - the scope of the National Aged Care Advocacy Program services to meet unmet demand for advocacy services, particularly in rural and regional areas of Australia; and
  - the existing Community Visitors Scheme (CVS) to provide CVS services to recipients of Home care services and provide group visits in residential facilities.

- $9.1 million to increase the availability, accessibility and coordination of aged care data for the community by establishing a centralised Aged Care Data Clearing House. This funding will also better inform planning and policy development for the needs of older Australians and their carers by expanding the Australian Bureau of Statistics' Survey of Disability, Ageing and Carers and increasing its frequency, so that it is conducted every three years rather than every six years from 2014–15.

CONSUMER ADVOCACY AND COMMUNITY VISITORS

As part of the conversations on ageing held across Australia, the need for additional support for consumers of aged care was one of the most commonly raised issues. This included the preference to receive care in the community over residential care, the need for better information about the quality of aged care services to enable consumers to make more informed decisions about the care they need, and the increased need for care recipients to be able to access social inclusion programs and advocacy services.

The Government is already supporting these activities through a projected $47 million over five years to provide one-to-one Community Visitor Scheme services in residential aged

care facilities and a projected $14 million over five years for the provision of advocacy services and education to aged care service providers.

As part of the Aged Care reform package, the Government will provide an additional $30.8 million over five years to:

- expand the scope of the National Aged Care Advocacy Program services to meet unmet demand for advocacy services, particularly in rural and regional areas of Australia; and
- expand the existing Community Visitors Scheme (CVS) to provide CVS services to recipients of Home care services and provide group visits in residential facilities.

This measure will provide additional advocacy services to empower older people to make informed decisions about their aged care services through the National Aged Care Advocacy Program. Consumers require access to timely advocacy support and education to empower them to exercise their rights. Significant increases in the number of people accessing aged care and in the complexity of their needs has resulted in advocacy organisations struggling to meet demand for services, particularly in rural and regional Australia.

This measure will also expand the scope of the Community Visitors Scheme to include visitors for people receiving care in the home, and to enable group visits in residential care. The expansion will enable increased support for people with special needs, including veterans, people from culturally and linguistically diverse backgrounds, and people from lesbian, gay, bisexual, transgender and intersex communities. It will also explore innovative methods of promoting social inclusion thorough the use of technology. The additional Community Visitors Scheme funding will facilitate more than 348,000 visits to almost 32,000 aged care recipients in the first four years.

RESEARCH AND EVALUATION

As the population ages and lives longer, the needs of older people will be increasingly diverse and demand for aged care services will increase along with changes in rates of chronic disease, carer availability and disability. Evidence based policy is essential for providing the best possible outcomes in public policy for the community. Currently, there is a significant lack of publicly available data and policy relevant evidence in the area of aged care. This limits the scope of comprehensive and independent assessments that can be made of the aged care system and its interface with the health and community sector. It also means that care recipients, their families, and service providers might not be as well informed as they could be in making decisions about care and support needs.

As part of the Aged Care Reform package, the Government will provide $9.1 million over five years to increase the availability, accessibility and coordination of aged care data for the community.

This measure will establish a centralised Aged Care Data Clearing House within the Australian Institute of Health and Welfare to improve the availability of data for a range of stakeholders including policy makers, researchers and consumers. The Clearing House's role will include a focus on geographic and social inequities as well as gender disaggregated data, including analysis of the intersection between gender and cultural diversity.

This measure will also support the expansion of the Australian Bureau of Statistics' Survey of Disability, Ageing and Carers and increase its frequency, so that it is conducted every three years rather than every six years from 2014–15. An expanded and more frequent survey will assist policy makers, researchers and consumers, and better inform the deliberations of the Council of Australian Governments.

BETTER HEALTH CONNECTIONS

Highlights

Through the aged care reform package, the Government will provide $80.2 million over five years to enable better links between aged care and the health systems:

- $19.8 million for specialist palliative care and advance care planning advisory services for aged care providers and GPs caring for older people to build better links between aged care and palliative care services.

- $1.9 million for the expansion of the existing Program of Experience in the Palliative Approach (PEPA) to provide palliative care training for staff in residential aged care facilities and Home Care package services.

- $58.5 million for projects with a focus on prevention of hospitalisation for older Australians and improved access to complex health care through a number of initiatives:
- improved access to complex health care services including palliative and psycho-geriatric care for aged care recipients;
- support for aged care providers to enter into partnerships with public and private sector health care providers and medical insurers for the delivery of short term, more intensive health care services;
- improvements to the care and support provided to older Australians by supporting research translation and better evidence-based practice across the Home Care and residential care sectors, to test and promote innovations in service delivery and integrated care models; and
- improvements to the health and well-being of older Australians by providing support for multidisciplinary care for care recipients in both residential and community settings and the opportunity to test the use of video consultations to improve access to GPs for residents in aged care homes.

BACKGROUND

Since the introduction of the present system of aged care in October 1997 there have been significant changes in the population receiving aged care. These changes include the increasing number of people in need of aged care and the increasing complexity of those care needs. Aged care providers are increasingly involved in the delivery of complex palliative and other short term, more intensive health care services. Supporting aged care providers to deliver this care enhances the quality of life of care recipients by enabling them to remain in familiar surroundings as their care needs increase.

The Productivity Commission's *Caring for Older Australians* report found that sub-acute care (which involves the delivery of a wide range of services such as high level palliative care, pain and wound management) may be increasingly feasible in many residential aged care facilities and in the community. The report also noted that sub-acute care provided in residential aged care facilities and the community, may, in many cases, be far less costly than the equivalent service provided in a hospital setting. The provision of short term, more intensive health care has the capacity to considerably enhance the flexibility of aged care delivery in residential and community settings and assist providers in delivering a wider range of such service offerings, and diversify their client and revenue bases.

There is already significant interest within the health sector in models of early supported discharge, and hospital-in-the-home care. Within aged care, several early innovators are already looking to provide for their clients' additional care needs wherever possible.

The Productivity Commission's *Caring for Older Australians* report identified both palliative care and advance care planning as core issues for aged care, noting the need for access to specialist palliative care advice and the importance of advance care planning in ensuring that end-of-life care is provided in accordance with the individual's wishes, thus promoting greater choice and control for care recipients. Palliative care and advance care planning were also frequently raised in the national conversations on ageing conducted by the Minister for Mental Health and Ageing with older people, their families and carers.

Through the aged care reform package, the Government will provide $80.2 million over five years to enable better links between aged care and the health systems.

BETTER PALLIATIVE CARE AND SUPPORT IN THE AGED CARE SYSTEM

Residential aged care and Home Care package providers are increasingly involved in the delivery of complex palliative care. Over one third of all deaths across Australia annually are of residents of aged care homes. However, the staff of aged care providers often do not have the specialist knowledge or skills to deliver complex palliative care. GPs providing care to clients of aged care services may also lack the specialist knowledge to deal with complex cases. Both groups also have only limited awareness of state/territory advance care planning legislation, documents and related resources.

Delivery of GP and specialist palliative care to aged care recipients varies both across and within jurisdictions. States and territories operate specialist palliative care teams which both deliver care and provide advisory services to non-specialists, primarily those working within the state/territory health system. Access to these services is variable and usually limited or non-existent in the case of Commonwealth funded aged care providers. Aged care residents and recipients of Home Care package services can also find it more difficult to access specialist palliative care services than other people.

Advance care planning is governed by state and territory legislation which varies between jurisdictions. The Australian Government funded Respecting Patient Choices advance care planning project has developed a range of resources which could be used to support the advance care planning component of the advisory services.

As part of its aged care reforms, the Government will provide:

- $19.8 million over five years for specialist palliative care and advance care planning advisory services for aged care providers and GPs caring for older people to build better links between aged care and palliative care services; and
- $1.9 million over five years to expand the existing Program of Experience in the Palliative Approach (PEPA) to provide palliative care training for staff in residential aged care facilities and Home Care package services.

This measure will 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, as well as improve the palliative care support skills of the aged care workforce and build better links between aged care and palliative care services.

As part of up-skilling aged care providers, the Program of Experience in the Palliative Approach project will deliver a range of workshops across each state and territory and will also produce a monthly palliative care newsletter targeted at aged care services staff.

This measure aligns with the following goals of the National Palliative Care Strategy:

- Goal 2 - enhance community and professional awareness of the scope of, and benefits of timely and appropriate access to palliative care services.
- Goal 3 - appropriate and effective systems and processes to support access to information and services.
- Goal 5 - build and enhance the capacity and capability of all relevant sectors to provide quality palliative care.

PROMOTING BETTER PRACTICE AND PARTNERSHIPS

Poor access and linkages to the wider health system not only compromise the health of older Australians in aged care but also result in more than 100,000 unnecessary hospital admissions each year due to poor medication management alone.

As part of its aged care reforms, the Government will provide $58.5 million over five years for projects with a focus on prevention of hospitalisation for older Australians and improved access to complex health care through a number of initiatives, including:

- improved access to complex health care services including palliative and psycho-geriatric care for aged care recipients;
- support for aged care providers to enter into partnerships with public and private sector health care providers and medical insurers for the delivery of short term, more intensive health care services;
- improvements to the care and support provided to older Australians by supporting research translation and better evidence-based practice across the community and residential aged care sectors, to test and promote innovations in service delivery and integrated care models; and
- improvements to the health and well-being of older people by providing support for multidisciplinary care for aged care recipients in both residential and community settings and the opportunity to test the use of video consultations to improve access to GPs for residents in aged care homes.

The Encouraging Better Practice in Aged Care (EBPAC) initiative, which is part of the ACSIHAG Flexible Fund, aims to encourage and support the uptake of evidence-based,

person-centred, better practice in Australian Government subsidised aged care services, through a focus on improving staff knowledge and skills and developing supporting resources/materials, to improve outcomes for aged care recipients.

While there are a number of existing ad-hoc evidence-based guidelines to assist aged care staff in providing appropriate care for residents and people in the community, there is a need to establish practices, particularly at a strategic/business integration level within aged care services, to translate the evidence into everyday practice. This includes focusing on clinical aspects as well as non-clinical better practice which enhances business sustainability and increased consumer choice, such as integrated models of care.

Without support to implement evidence-based better practice, the industry will not be in a position to meet the future demand for services. Funding this proposal will build on the success of the EBPAC initiative and lessons from other innovation based initiatives (such as the consumer directed care trial) and provide a platform for innovation to launch the aged care sector into the post-reform environment.

This measure will target projects that promote innovation, improved care outcomes and business model sustainability in areas of care that have been particularly identified as priorities in the reform process, including care for people with dementia, care for older people with mental illness, care for people from culturally and linguistically diverse backgrounds or with other special needs, and palliative care.

This measure will also help ensure that low cost innovations to aged care practice in residential aged care and in the community will be shared and promoted. These might include innovative use of assistive technology and Personally Controlled Electronic Health Records, new governance models, and new, more diversified models of care, including innovations targeted at better integrating other types of care, including disability services or short-term or restorative care. It will also assist in fostering a culture of innovation in the aged care sector and provide a vehicle for the government to promote holistic models of care and consumer choice.

A range of initiatives will also be supported to encourage aged care providers to enter into partnerships with public and private sector health care providers and medical insurers for the delivery of short term, more intensive health care services. This will deliver improved access to complex health care, including palliative and psycho-geriatric care, for aged care recipients. This will help to improve the quality of health care for aged care recipients, prevent hospital admissions and shorten hospital stays, and build a more skilled and flexible aged care sector.

Seed funding will be available to aged care providers to build relationships with public and private hospitals and medical insurers to develop models of service that can be copied by other providers in the future.

Funding will also be available to assess and develop options to address barriers, for example regulatory impediments, to the provision of short term intensive health care services in the aged care setting, including both in-reach services from the hospital sector and diversification of the aged care sector into providing a broader range of health care services. Consultation with states and territories, Local Hospital Networks, medical insurers and aged care providers will be an integral part of this process. This work will include consideration of the interaction with existing programs, such as Transition Care, so as to minimise overlap and ensure new initiatives build on current action.

The Government will also consult with stakeholders on possible changes to the Aged Care Funding Instrument to better support aged care providers who are in a position to provide higher levels of specialised care, such as palliative care, to aged care recipients. This work will include consideration of approaches canvassed in the ACFI Review such as the development of a new short term complex health care supplement.

Despite Government incentive programs, there remains a shortfall in the number of GPs willing to travel to residential aged care facilities to provide face-to-face services. Where GP services cannot be accessed in a timely manner older people are often unnecessarily admitted to hospital.

This measure will address this issue and improve the health and well-being of older people by providing support for increased provision of multidisciplinary care for aged care recipients, encompassing general practitioners, nurses and other primary health care providers, specialists and aged care providers. New models for improving access by care recipients to primary care will be trialled, including the establishment of a multidisciplinary care coordination and advisory service (Aged Care Coordinators), and provision of GP consultations to aged care recipients in residential aged care facilities by videoconference.

These projects will support better links with the health system in both the community and residential settings and promote multidisciplinary care for aged care recipients. Early access to a comprehensive health care assessment and treatment planning through a multidisciplinary approach, including any relevant specialists such as geriatricians, contributes to better health outcomes. Importantly, a multidisciplinary approach to care

involving medical, allied health, nursing and care support staff will also support better medication management, an identified issue for many older people that results in around 100,000 preventable hospital admissions for this group each year.

This measure will also provide funding for an establishment analysis of primary health care services, assisting the Australian Government to consider possible improvements in access for aged care recipients. Sustainable solutions will be developed in consultation with the aged care and health industries. Considering access to primary care for older populations with particular needs and barriers, including Aboriginal and Torres Strait Islander people and those living in rural and remote areas, will be a key feature of the review.

TACKLING DEMENTIA

Highlights

Through the Aged Care Reform package, the Government will provide $268.4 million over five years to tackle the issue of dementia:

- $41.3 million to support people with dementia across the health system by:
  - expanding the scope of Dementia Behaviour Management Advisory Services (DBMAS) to include support for people with dementia in primary care and hospitals, do that health professionals will be better able to support people with dementia presenting with behavioural and psychological symptoms; and
  - Supporting GPs to make a more timely diagnosis of dementia allowing opportunities for earlier medical and social interventions, reduced risk of premature admission to aged care services and reduced hospital admissions.

- $41.0 million to improve the quality of care in aged care homes for residents who have severe behavioural and psychological symptoms of dementia. This funding will be delivered by adding a new Very High level of funding to the Behaviour Domain of the Aged Care Funding Instrument.

- $123.3 million to better support people with dementia receiving care in their home by providing a new Dementia Supplement for eligible Home Care package recipients. The Supplement will increase the subsidy payable in respect of an eligible care recipient by 10 per cent in recognition of the higher costs of caring for people with dementia.

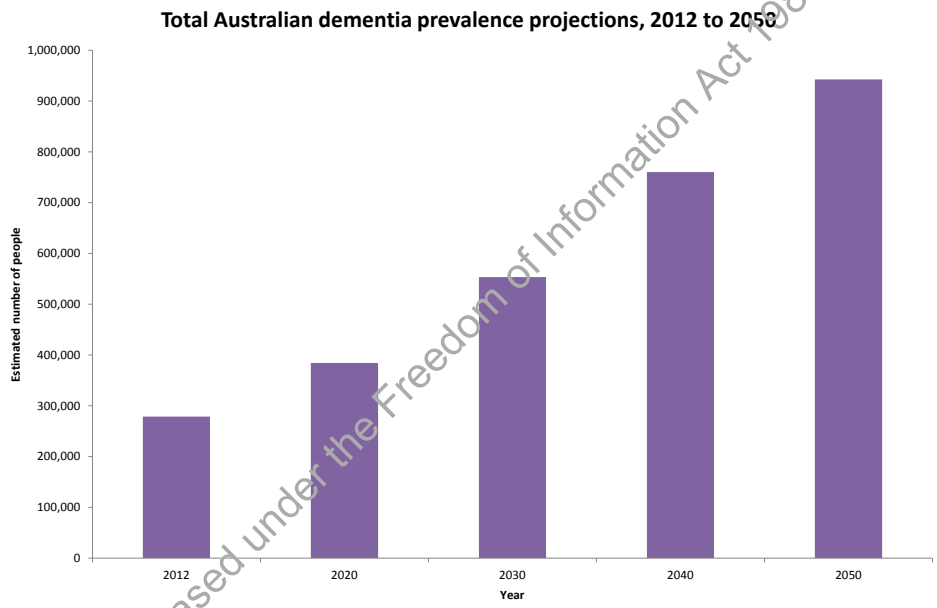
- $39.2 million to improve hospital services for people with dementia. People with dementia will be better identified, and better coordination and support systems will be developed and trialled to enable safe and appropriate hospital services.

- $23.6 million to enable younger people with dementia to access better coordinated care and support, assisted by dementia key workers. This funding will also help younger people with dementia continue to actively participate through the development and dissemination of information for community groups and employers about dementia.

BACKGROUND

Dementia is a significant chronic disease and is the third leading cause of death in Australia, after heart disease and stroke. One in four people over the age of 85 have dementia. The growing burden of dementia is a major challenge for Australia's health and aged care systems. The number of people living with dementia in Australia is expected to almost quadruple over the next forty years – from 269,000 (currently) to almost 1 million by 2050 (see Figure 4).

FIGURE 4



Source: Access Economics (2011), Dementia Across Australia: 2011-2050

The Government already provides significant support to people with dementia, above and beyond normal aged care services, including:

- a projected $7.7 billion over the next five years for residents in aged care homes, delivered through the Behaviour Domain of the Aged Care Funding Instrument;
- a projected $150 million over the next five years for service improvement, including information provision, counselling, service referral, and education and training; and
- a projected $180 million over the next five years for dementia research through the National Health and Medical Research Council, including support for three Dementia

Collaborative Research Centres to undertake dementia research and to translate the outcomes of that research into practice.

However, current funding arrangements do not sufficiently recognise the costs associated with providing aged care to people with dementia, leading to access problems, and there is evidence that dementia is not well managed in the wider health system.

As part of the conversations on ageing held across Australia, the need for additional support for people with dementia was one of the most commonly raised issues. This included support for people seeking a diagnosis of dementia, support for people with dementia in hospitals, and additional funding to recognise the additional costs associated with caring for people with dementia in aged care. The consultations also highlighted the need for specific action on people with younger onset dementia.

The Government's Aged Care Reform package includes a significant increase in support for people with dementia. A total of $268.4 million over five years will be provided to better support people with dementia across the health and aged care systems.[5] This funding will support better access and care through initiatives such as supplementary funding for Home Care packages and residential aged care, better support for people with younger onset dementia, training to primary health care professionals to promote better diagnosis, innovative projects to promote better identification and safer environments for hospital patients with dementia and extending Dementia Behaviour Management Advisory Services to acute and primary care settings.

SUPPORTING PEOPLE WITH DEMENTIA ACROSS THE HEALTH SYSTEM

Research shows that primary care providers, including general practitioners, are not confident to assess and support people with dementia. Between 50-80 per cent of people with early stages of dementia are not being diagnosed in primary care. For many people it can take more than three years from the time they first notice symptoms to when they receive a firm diagnosis of dementia. Reducing this time will enable better management of the disease and allow families to access support and plan for the future.

Hospitals have poorer outcomes for people with cognitive impairment – both for people diagnosed with dementia and those not formally diagnosed. People with dementia on

[5] This amount is partly offset by funding redirected from the recalibration of basic care subsidies. The net spend for the Aged Care Reform package on dementia is $133.2 million over five years.

average have an increased length of stay in hospital and increased morbidity. Care outcomes could be improved by implementing hospital-wide practices of improved recognition of cognitive impairment and improved access to specialist dementia support.

The Government currently provides about $11 million per annum to Dementia Behaviour Management Advisory Services (DBMAS) to support and provide education for care workers in residential and community care and for family carers of people with dementia. DBMAS consist of multi-disciplinary teams that include psychologists, registered nurses and allied health professionals.

The DBMAS program aims to build staff capacity in aged care services so that they gain increased knowledge and confidence in understanding the needs of care recipients with dementia, and in managing care recipients presenting with behavioural and psychological symptoms of dementia.

Its functions include the provision of education and tailored information workshops; clinical supervision and mentoring; and modelling of behaviour management techniques. DBMAS offer a 24 hour telephone support service, which received almost 10,000 calls in the 12 months to 30 June 2011.

The DBMAS program has been effective in increasing the capacity of residential aged care staff to provide dementia care by increasing confidence and skills. Staff report that this has led to an improvement in quality of life for care recipients who experience behavioural and psychological symptoms of dementia. Access to DBMAS would also assist primary care and acute care staff to better meet the needs of people with dementia.

As part of the Aged Care Reform package, the Government will provide $41.3 million over five years to support people with dementia across the health system by:

- expanding the scope of Dementia Behaviour Management Advisory Services (DBMAS) to include support for people with dementia in primary care and hospitals, do that health professionals will be better able to support people with dementia presenting with behavioural and psychological symptoms; and
- supporting GPs to make a more timely diagnosis of dementia allowing opportunities for earlier medical and social interventions, reduced risk of premature admission to aged care services and reduced hospital admissions.

This measure will enable higher quality support and training for care staff and informal carers to assist them in caring for individuals with behavioural and psychological symptoms

of dementia. As a result, primary and acute care health professionals will be better able to support people with dementia presenting with behavioural and psychological symptoms.

Effective management and reduced risk of behavioural and psychological symptoms of dementia in the acute and primary care settings will help enable individuals with dementia to be cared for in the community setting for a longer period of time, and help ensure that hospital length of stay is reduced, risk of adverse events in hospital is reduced and opportunities to return to and remain in a person's preferred place of residence is increased. This expansion of DBMAS will improve the quality of life of the person with dementia, and reduce carer burden and the overall costs of care.

Support services will be provided through DBMAS for people with younger onset dementia. It will also implement some of the findings of the National Evaluation of the Dementia Initiative, including improving the capacity to deliver care and support for Culturally and Linguistically Diverse and Aboriginal and Torres Strait Islander special needs groups and provide more clinical involvement in service provision.

This measure will also support GPs to make a more timely diagnosis of dementia allowing opportunities for earlier medical and social interventions, thereby reducing the risk of premature admission to aged care services and reducing unnecessary hospital admissions.

The Government will also move responsibility for the National Dementia Helpline from the Single Point of Contact for Health Information, Advice and Counselling Fund to the Aged Care Service Improvement and Healthy Ageing Grants Fund, through which the majority of funding for dementia-related programs is managed. The transfer will provide for better policy alignment and provide the Government with greater capacity to prioritise funding and support for people with dementia and their families. There is no cost associated with the transfer of this responsibility.

BETTER CARE FOR OLDER AUSTRALIANS WITH BEHAVIOURAL PROBLEMS ASSOCIATED WITH SEVERE DEMENTIA IN RESIDENTIAL CARE

Individuals with severe behavioural and psychological symptoms of dementia (BPSD) often find difficulty in getting access to appropriate services. Older people with BPSD can also experience neglect and a lack of understanding of their care needs by staff in residential aged care services, which can lead to unnecessary hospitalisations, excessive use of medication and strain on aged care staff and residents' families. The Government's Psychogeriatric Expert Reference Group has recommended the establishment of a funding

supplement that recognises the additional costs of caring for people with severe BPSD in residential aged care facilities.

As part of the Aged Care Reform package, the Government will provide $41.0 million over five years to improve the quality of care in aged care homes for residents who have severe BPSD.[6] This funding will be delivered by adding a new Very High Level of funding to the Behaviour Domain of the Aged Care Funding Instrument (ACFI) to better recognise the additional costs of caring for residents with severe BPSD.

It is expected that about one per cent of residents will qualify for this higher level of funding. The new arrangements will commence on 1 July 2013. Existing residents (once reclassified) as well as new residents will be eligible for the new level of subsidy.

The new level of funding in the Behaviour Domain of the ACFI will provide an additional $5,800 per annum (indexed) for eligible care recipients over the rate of subsidy payable for residents classified as having High needs in the Behaviour Domain of the ACFI. This additional funding will allow residential aged care providers to provide additional and more appropriate care to residents with severe BPSD. As a result, older people with behavioural and psychological problems will have a greater chance of being cared for appropriately and in ways that maximise their quality of life.

This measure will be partly funded through a reduction in the level of funding attached to the High level in the Behaviour Domain of the ACFI. This is appropriate as residents with the highest care requirement will be moving to the higher funding level. A one per cent reduction in the current rate (about 30 cents per day) will be applied to the High level in the Behaviour Domain on 1 July 2013 at the same time as the usual indexation of aged care subsidies. This reduction results in a saving of $35.6 million over five years, which has been redirected to this measure.

BETTER CARE FOR OLDER AUSTRALIANS WITH DEMENTIA IN HOME CARE PACKAGES

More than half all aged care recipients have some form of dementia. However, of the 50,656 older Australians who were receiving care through Home Care packages on 30 June 2011, only 2935, or 5.8 per cent, were eligible for additional funding in recognition of the additional

[6] Some of the funding for the new Very High Level of funding in the Behaviour Domain of the ACFI is offset by redirecting funding from recalibrating existing funding levels. The net spend for this measure is $5.4 million over five years.

costs of meeting their care needs due to their dementia (those in receipt of Extended Aged Care at Home – Dementia packages).

As part of the Aged Care Reform package, the Government will provide $123.3 million over five years to provide better services to older Australians with dementia receiving care through Home Care packages.[7] A new Dementia Supplement will provide additional financial assistance to all Home Care package providers, to assist them to deliver more appropriate care to people with dementia. The new supplement will also be paid in respect of eligible care recipients in the Multi-purpose Services program, the Aboriginal and Torres Strait Islander Flexible Aged Care Program, the Innovative Care program, and the Transition Care program.

It is expected that about 26 per cent of care recipients will qualify for this higher level of funding. The new arrangements will commence on 1 July 2013. Existing care recipients (once reclassified) as well as new care recipients will be eligible for the new level of subsidy.

The level of the Supplement for an eligible care recipient will equal 10 per cent of the level of base subsidy for the care recipient. For care recipients in receipt of the highest level of funding the Dementia Supplement will provide about $4,800 per annum (indexed) in additional funding. This additional funding will allow Home Care package providers to provide additional and more appropriate care to care recipients with dementia. As a result, older people with dementia will have a greater chance of being cared for appropriately and in ways that maximise their quality of life.

This measure will be partly funded through a reduction in the existing basic subsidy levels for Home Care packages. This is appropriate as the average cost of caring for people without dementia, who will only receive the basic subsidy, is lower than the average cost of caring for all residents, which was the basis of the current funding levels. An average reduction of 2 per cent will be applied to existing Home Care package subsidy amounts on 1 July 2013 at the same time as the usual indexation of aged care subsidies is applied. The Aged Care Financing Authority will monitor the response of aged care providers to the recalibration of the basic subsidy levels to ensure that service delivery levels are not adversely affected. This reduction results in a saving of $99.5 million over five years, which has been redirected to this measure.

[7] Some of the funding for the new Dementia Supplement is offset by redirecting funding from recalibrating basic funding levels. The net spend for this measure is $23.7 million over 5 years.

IMPROVING ACUTE CARE SERVICES FOR PEOPLE WITH DEMENTIA

In Australian hospitals, up to 50 per cent of all patients have some degree of cognitive impairment. Impaired mental status is the most commonly identified factor in patients who fall while in hospital. Many of these individuals may not be identified as having dementia and therefore do not receive appropriate care. In some cases this may lead to an extended length of stay and a preventable admission to a residential facility.

Even for people who are recognised as having dementia, hospitals can be dangerous places. Often the specific needs of individuals with dementia are not addressed. Individuals with dementia stay longer in hospitals than patients without dementia, even after accounting for their principal reason for admission and procedure received.

There are also a number of negative outcomes associated with long stays in hospitals for people with dementia including polypharmacy, nutrition deficiencies, skin tears, pressure areas, fall-related injuries, and confusion.

As part of the Aged Care Reform package, the Government will provide $39.2 million over five years to improve hospital services for people with dementia. The funding will support the development and dissemination of nationally agreed principles and protocols for the management of people with dementia admitted to acute care settings. People with dementia will be better identified, and better coordination and support systems will be developed and trialled to enable safe and appropriate hospital services.

The early identification of people with cognitive impairment, improved assessment and access to specialist dementia programs and the development of a national approach to dementia care standards in acute care settings, will help ensure better outcomes for individuals with dementia including reduced falls, shorter stays, improved nutrition and reduction in skin tears.

These better outcomes will in turn lead to savings to the hospital system through reduction in complications and number of days spent in hospital. They will also help ensure that people with dementia will be less likely to be readmitted to hospital, will not require premature admission to aged care services due to increased dependency and are more likely to remain living in the community or in the residence of their choice. This will significantly improve the quality of life of people with dementia and their families and reduce the burden of disease costs for governments.

IMPROVED SUPPORT FOR PEOPLE WITH YOUNGER ONSET DEMENTIA

There are about 16,000 individuals in Australia who have younger onset dementia. Younger onset dementia is any form of dementia with onset of symptoms in people under the age of 65 years. In addition to the many challenges that dementia presents, younger people with dementia face additional challenges. There is low awareness, even among health professionals, that younger people may have dementia, leading to poor access to services that provide care and social support. There is also a lack of appropriate care facilities and services with people often being shifted between disability and aged care services.

Lack of information, awareness and understanding in the broader community, and amongst professionals and service providers, increases the stress for younger people with dementia. Friends and family struggle when others do not recognise or underestimate the difficulties that people with younger onset dementia and their family and carers experience.

As part of the Aged Care Reform package, the Government will provide $23.6 million over five years to enable younger people with dementia to access better coordinated care and support, assisted by dementia key workers. This funding will also help younger people with dementia continue to actively participate in the community through the development and dissemination of information about dementia for community groups and employers.

This measure will improve care and support for people with younger onset dementia, their families and carers by expanding the existing National Dementia Support Program to establish key workers in each state and territory to act as a single point of contact to assist young people with dementia and their carers to navigate the care system. Key workers will help younger people with dementia to access the care and support services most appropriate for their needs; and support them to achieve their goals. The families and carers of people with younger onset dementia will also be supported through the availability of information and assistance with navigating the care system.

The measure will also develop and disseminate best practice guidelines and other resources to support the implementation of appropriate models of respite care and support services, based on a comprehensive review of needs and service gaps for people with younger onset dementia. A program to increase dementia awareness in the workplace will also be funded.

OLDER AUSTRALIANS FROM DIVERSE BACKGROUNDS

Highlights

Through the aged care reform package, the Government will provide $192.0 million over five years to better support the aged care needs of older Australians from diverse backgrounds:

- $24.4 million to ensure older Australians from diverse backgrounds can access aged care services that are specific to their needs, by improving the skills and knowledge of aged care providers to meet the care needs of people from diverse populations, including through staff training, and access to expert assistance. Information on aged care will also be made more accessible to older Australians and their carers from diverse populations.

- $43.1 million to expand the National Aboriginal and Torres Strait Islander Flexible Aged Care program by an additional 200 places to allow more Aboriginal and Torres Strait Islander people with complex care needs to stay close to their home and country while receiving culturally appropriate care.

- $114.8 million to provide better services to veterans' with an accepted eligible mental health condition who are receiving aged care through Home Care packages or in residential aged care.

- $2.5 million to help ensure that sexual diversity does not act as a barrier to receiving high quality aged care, by supporting training within the aged care sector that is sensitive to the specific needs of older Australians in the lesbian, gay, bisexual, transgender and intersex (LGBTI) community.

- $7.3 million to expand the Assistance with Care and Housing for the Aged program to better link older people who are homeless or at risk of homelessness with suitable accommodation and care services.

BACKGROUND

Older people seeking to access aged care services are increasingly from diverse backgrounds. The needs and preferences of these people can be very different and aged care services need to be sensitive to these needs when delivering care and support.

One of the objectives of the *Aged Care Act 1997* is to facilitate access to aged care services by those who need them, regardless of race, culture, language, gender, economic circumstance or geographic location. To give effect to this objective, the Act designates certain people as 'people with special needs' – namely, people from Aboriginal and Torres Strait Islander communities; people from culturally and linguistically diverse backgrounds; people who live in rural or remote areas; people who are financially or socially disadvantaged; people who are veterans (including their spouses, widow(er)s); people who are homeless or at risk of becoming homeless; and people who are care leavers.

All applicants seeking new places through the Aged Care Approvals Round, or a transfer of places, are required to demonstrate their understanding of the particular care needs of people with special needs. In particular, providers need to have regard to the particular physical, psychological, social, spiritual, environmental and other health related care needs of individual care recipients. Establishing and maintaining links with representatives of relevant community groups and other support agencies is regarded as an integral part of providing relevant levels of care and facilitating the provision of culturally appropriate care. These provisions are consistent with the aims of the Government's Social Inclusion Agenda which, in part, aims to provide a pathway to inclusion and a continuum of care.

As part of the conversations on ageing held across Australia, the need for additional support for people with diverse care needs was one of the most commonly raised issues. This included support for Aboriginal and Torres Strait Islander people to access more care in their communities, more support for people who are homeless or at risk of homelessness and better support for people working in aged care to understand the care needs of people from diverse backgrounds.

The Government's aged care reforms include a significant increase in support for people with diverse needs. A total of $192.0 million over five years will be provided to better support

people with people with special needs to enable them to better access information and support from aged care providers who are more aware of and responsive to their needs.[8]

ENSURING OLDER AUSTRALIANS FROM DIVERSE BACKGROUNDS CAN ACCESS AGED CARE SERVICES THAT ARE SPECIFIC TO THEIR NEEDS

The Government already funds an organisation in each state and territory to equip aged care providers to deliver culturally appropriate care to older people from culturally and linguistically diverse backgrounds. These organisations provide culturally appropriate training to staff of aged care services, disseminate information on high quality aged care practices, and support aged care service providers to develop new services such as clusters, ethnospecific and multicultural aged care services.

Funding is also provided to these organisations to assist older people from culturally and linguistically diverse communities to gain access to aged care information and services. Some of the activities undertaken by the organisations include translations, referrals, and information sessions for culturally and linguistically diverse communities.

The Government also provides financial support to government funded residential aged care services to access interpreting services. The Department of Immigration and Citizenship's Translating and Interpreting Services (TIS National) provides the interpreting services. TIS National is available 24 hours a day, seven days a week and provides both telephone and onsite interpreting.

As part of the Aged Care Reform package, the Government will provide $24.4 million over five years to improve the skills and knowledge of aged care providers to meet the care needs of people from diverse populations, including through staff training, and access to expert assistance. Information on aged care will also be made more accessible to older Australians and their carers from diverse populations.

This measure will also support consultation with groups representing people with diverse needs to assess the requirement for the development of further tools and/or strategies to support their needs in aged care.

[8] This amount is offset by redirections within some of these measures. The net spend for the Aged Care Reform package on supporting older Australians from diverse backgrounds is $130.5 million over five years.

Funding for this initiative will be provided through the Aged Care Service Improvement and Healthy Ageing Grants Fund. Appropriately qualified and experienced organisations will be able to apply for funding from 2012-13 with services to begin in the same year.

ENSURING CULTURALLY APPROPRIATE QUALITY AGED CARE SERVICES ARE AVAILABLE FOR ABORIGINAL AND TORRES STRAIT ISLANDER PEOPLE

According to the 2006 Census, around one in 40 Australians (2.5 per cent or 517,000 people) identified as either Aboriginal or Torres Strait Islander. Aboriginal and Torres Strait Islander peoples have a much lower life expectancy than non-Indigenous Australians. The Council of Australian Governments has identified closing the gap in life expectancy as a priority in health policy.

Australia's Indigenous population is growing rapidly. Between 1991 and 2006, the Indigenous population grew by more than twice the rate of the total Australian population. The number of Indigenous Australians aged 55 and above is projected to more than double from 2006 to 2021. Over the same period, estimates suggest the number of Indigenous Australians aged 75 and above could also more than double. This will lead to increased demand for aged care services among Indigenous Australians.

Conditions associated with ageing generally affect Aboriginal and Torres Strait Islander people substantially earlier than other Australians. The Government's needs based planning arrangements for aged care are therefore based on the Aboriginal and Torres Strait Islander population aged 50 years or older, compared with 70 years or older for other Australians.

As well as having access to mainstream aged care services, Aboriginal and Torres Strait Islander people also have access to services funded through the National Aboriginal and Torres Strait Islander Flexible Aged Care Program. These services operate outside the regulatory framework of the *Aged Care Act 1997*. At 30 June 2011, there were 28 aged care services funded through this program, with funding to deliver over 600 aged care places. The program is able to provide tailored culturally appropriate care close to the homes and communities of older Aboriginal and Torres Strait Islander people. It delivers a mix of residential and community care services in accordance with the needs of the community.

As part of the Aged Care Reform package, the Government will provide $43.1 million over five years to expand the National Aboriginal and Torres Strait Islander Flexible Aged Care

program.[9] This measure will improve the access of older Indigenous people to aged care services by providing around 200 additional aged care places in Indigenous communities in seven new aged care services for older Aboriginal and Torres Strait Islander people in remote and very remote locations around Australia. The places will allow significantly more older Aboriginal and Torres Strait Islander people with complex care needs to stay close to their home and country and receive culturally appropriate care.

The additional 200 places are expected to be allocated over the period from 2012-13 to 2015-16 as set out in the following Table:

	2012-13	2013-14	2014-15	2015-16
Number of services to be opened	1	1	2	3
Number of places to be allocated	40	40	50	70

Capital assistance to support the construction of new aged care services will be made available through the Aged Care Service Improvement and Healthy Ageing Grants Fund. Targeted expressions of interest in establishing and operating new services will be invited from communities, or on behalf of communities, that have been identified as having the most critical unmet aged care needs. Organisations eligible to apply for an allocation of places will be required to be incorporated, deliver services that are sensitive to the needs of local Indigenous communities and demonstrate that they have the capacity to deliver care over a sustained period.

The staged expansion of the National Aboriginal and Torres Strait Islander Flexible Aged Care program will increase annual funding under the program from around $22 million per annum in 2011-12 to $34.3 million per annum ongoing by 2015-16.

Older Aboriginal and Torres Strait Islander people will also benefit from changes in the indexation arrangements for the National Aboriginal and Torres Strait Islander Flexible Aged Care program. The indexation arrangements for this program have delivered significantly lower real growth in funding than mainstream programs where funding is linked to the real growth in the Aged Care Funding Instrument. This has resulted in funding levels for providers in this program falling behind those of their mainstream counterparts. Linking funding levels in the National Aboriginal and Torres Strait Islander Flexible Aged Care program to average funding levels in mainstream aged care services for both new and

[9] The funding for the expansion of the National Aboriginal and Torres Strait Islander Flexible Aged Care program comes from redirecting funding currently paid through the mainstream aged care funding arrangements. In net terms, this measure is a save of $0.3 million over five years.

existing aged care places, will help ensure aged care providers are properly resourced to address the increasing frailty of older Indigenous clients.

MORE SUPPORT FOR VETERANS IN COMMONWEALTH HOME CARE PACKAGES AND RESIDENTIAL AGED CARE

Veterans, including spouses, widows and widowers of veterans, are designated as 'people with special needs' under the *Aged Care Act 1997*. The care needs of 'people with special needs' are taken into account in the planning and allocation of aged care places.

The Department of Veterans' Affairs issues gold and white treatment cards to veterans, their war widows and widowers and dependants, to ensure they have access to health and other care services that promote and maintain self-sufficiency, well-being and quality of life. There were 27,244 gold or white treatment card holders in residential care as at June 2011.

There is currently no additional funding provided for veterans with mental health problems associated, for example, with post-traumatic stress disorder who are in receipt of Home Care packages or transition care. The behaviours associated with these conditions can increase the costs of delivering care. Although additional funding is available in residential care through the Aged Care Funding Instrument for these issues, the level of this additional funding is not always sufficient to meet the needs of veterans.

As part of the Aged Care Reform package, the Government will provide $114.8 million over five years to provide better services to veterans receiving Home Care packages and residential aged care.[10] Under this proposal, a new funding supplement will be introduced for Home Care Packages that will provide additional financial assistance to Home Care package providers to assist them to deliver more appropriate care to veterans with an accepted mental health condition. Higher levels of funding will also be available in residential aged care for veterans with an accepted mental health condition.

The new funding supplement for Home Care packages will be paid in respect of eligible care recipients to mainstream providers of Home Care packages and to providers of flexible Home Care packages in the Multi-purpose services program, the Aboriginal and Torres Strait Islander Flexible Aged Care Program, and the Innovative Care program. The funding

[10] Some of the funding for these new funding supplements is offset by redirecting funding from recalibrating existing funding levels. The net spend for this measure is $96.6 million over five years. See pages 75-76 for further information.

supplement will also be paid in respect of eligible care recipients to providers in the Transition Care program.

To be eligible for the supplement a veteran must have a mental health condition that has been accepted by the Department of Veterans Affairs as a relevant condition for this supplement. Relevant conditions will be specified in writing in an instrument made by the Repatriation Commission or the Military Rehabilitation and Compensation Commission for the purposes of this supplement.

The new arrangements will commence on 1 July 2013 and apply to all care recipients. It is expected that about 54 per cent of veterans receiving care through Home Care packages will qualify for the new supplement, rising to 68 per cent by 2021-22.

Veterans in residential aged care with accepted qualifying mental health conditions will also be eligible for the new Very High level of funding in the Behaviour Domain of the Aged Care Funding Instrument from 1 July 2013 (see page 62). About 9.4 per cent of veterans in residential care are expected to qualify for the new level of funding, rising to 13.4 per cent of by 2021-22.

ENSURING SEXUAL DIVERSITY DOES NOT ACT AS A BARRIER TO RECEIVING HIGH QUALITY AGED CARE

The Productivity Commission's report *Caring for Older Australians* noted that many older Australians from the Lesbian, Gay, Bisexual, Transgender and Intersex (LGBTI) community. have experienced considerable discrimination over the course of their lives and this may continue in aged care where their sexuality or gender identity may not be recognised or supported. Both during the inquiry and in community consultations following the release of Commission's final report, groups representing the LGBTI community have strongly advocated for the need to improve the provision of aged care services for older LGBTI people, including by ensuring aged care workers receive sensitivity training.

In 2010, the Government provided funding to ACON Health Ltd (formerly Aids Council of NSW) to deliver LGBTI sensitivity training to residential aged care providers in NSW. The training raised awareness of LGBTI issues among service providers and the broader community. The project was designed as a pilot with a view to expanding the training for national applicability after an evaluation had taken place.

An external evaluation of the ACON project recommended that support for the program should be made available nationally; that further resources should be developed to support

workshop participants educating other staff in their workplace and implementing workplace changes; and that the program should be expanded to include home care settings.

As part of the Aged Care Reform package, the Government will provide $2.5 million over five years to help ensure that sexual diversity does not act as a barrier to receiving high quality aged care in either community or residential settings. The funding will support training within the aged care sector to improve the sensitivity of aged care staff to the specific needs of older people in the Lesbian, Gay, Bisexual, Transgender and Intersex (LGBTI) community.

Older people in the LGBTI community will also be included as a special needs group under the *Aged Care Act 1997*, which will help ensure that members of the LGBTI community can access appropriate care suitable to their needs.

This measure aligns with the Government's social inclusion agenda and is consistent with Australia's human rights obligations. Supporting activities that ensure recognition, awareness and respect for older Australians from the LGBTI community will have a significant benefit on their wellbeing and facilitate social inclusion.

MORE ASSISTANCE FOR OLDER PEOPLE WHO ARE HOMELESS OR AT RISK OF HOMELESSNESS

The Government's White Paper on Homelessness, *The Road Home*, identified an increasing demand from older Australians for housing and homelessness services. There has been a three-fold increase in rough sleepers over the past five years with people aged 55-64 and over 65 having the greatest percentage increase. About 26 per cent of rough sleepers are located in urban areas, 12 per cent are located in regional areas and 62 per cent are located in remote areas.

The Government's Assistance with Care and Housing for the Aged (ACHA) program links older Australians who are homeless, or at risk of being homeless, with suitable accommodation and care services. The support provided by ACHA services includes assistance with locating suitable accommodation, advice on housing applications, advocacy, coordinating removals and assisting access to accommodation-related legal and financial services. ACHA services also link clients, when needed, to aged care and welfare services.

There are currently 41 ACHA services across Australia. In 2010-11, these services received $5.2 million from the Government and supported 3,858 vulnerable people gain access to care and housing. The average cost per client of service provision is $1,300 per annum. In

regional and remote areas, the average cost of service provision per client is slightly higher at $1,600 per annum.

As part of the Aged Care Reform package, the Government will provide $7.3 million over five years to expand the ACHA program to better link older people at risk of homeless or who are homeless with suitable accommodation and care services. The expansion will be targeted to regional and remote areas, where the incidence of older people who are homeless is highest, and will support an additional 900 people each year.

From 2014-15, the ACHA program will become part of the new Commonwealth Home Support program and will receive growth funding each year. This growth funding will provide services for about 285 more older people each year (cumulatively). By 2016-17, about 1810 additional older people will be receiving assistance through the ACHA program each year. A 47 per cent increase on the current client numbers.

Service providers will be asked to tender for service provision in an open and competitive funding round to be undertaken in the first half of 2012-13.

BUILDING A SYSTEM FOR THE FUTURE

Highlights

A carefully coordinated and structured approach to implementation, as provided for in the 10 Year Implementation Plan, will ensure the Government's vision for aged care can be achieved. Clearly articulated decision points and reviews will allow transparent and accountable steps towards the future.

Through the Aged Care Reform package, the Government will provide $256.4 million over five year to provide the infrastructure to drive aged care reform and provide care recipients with adequate financial and quality protections:

- $15.2 million to establish an Aged Care Reform Implementation Council to drive implementation and further development of aged care reform and to communicate reforms to consumers and their families, the community and the provider sector.

- $26.4 million to establish an Aged Care Financing Authority, which will provide independent advice to the Government on pricing and financing issues and represent taxpayers, aged care providers, consumers and aged care workers

- $198.2 million to build a Gateway to aged care services, which will provide a clear pathway into, and through, the aged care system and make it easier for older people and their families to access aged care information and services.

- $16.6 million to improve the quality of residential and home care services and to provide care recipients and their carers with more transparent information, including by:
  - developing quality indicators for residential care and home care services, which will be published on the My Aged Care website and which will be used to provide a basis for establishing a star rating system for aged care services; and
  - enhancing the consistency of aged care regulation. From 1 July 2014 there will be a single agency, the Australian Aged Care Quality Agency, assuring the quality of residential and home care services. The Aged Care Commissioner will also be given increased powers.

ESTABLISHING AN AGED CARE REFORM IMPLEMENTATION COUNCIL

From 1 July 2012, a new Aged Care Reform Implementation Council will be established to drive implementation and further development of aged care reform. It will report to the Minister for Mental Health and Ageing on progress twice a year and evaluate aged care reforms as they are implemented. The Council will work closely with the sector to assist in managing transitions under the reforms. The Council will be chaired by an eminent person and its membership will include industry, consumer and workforce stakeholders, and experts on ageing and aged care. Targeted communication activities to consumers, industry and other stakeholders are planned and these will play a pivotal role in implementing aged care reform effectively.

AGED CARE FINANCING AUTHORITY

The Productivity Commission's *Caring for Older Australians* report identified a perceived lack of independence and transparency in aged care governance arrangements.

As part of the Aged Care reform package, the Government will provide $26.4 million over five years to establish a new Aged Care Financing Authority, which will provide independent advice on pricing and financing issues and represent taxpayers, aged care providers, consumers and aged care workers. It will consist of a committee of independent experts from industry and consumer groups, as well as government representatives.

The Authority will make recommendations to the Government about aged care subsidies and payments. It will also have a role in considering and approving higher fees for accommodation (where justified by the value of the accommodation) and additional services not covered by subsidies.

BUILDING A GATEWAY TO AGED CARE SERVICES

The current aged care system can be very difficult for older Australians and their families to navigate. People do not generally approach the system until they search for information about what services are available, often at a time of great stress. The Productivity Commission's *Caring for Older Australians* report described it as complex, confusing, fragmented, overwhelming and uncertain.

As part of the conversations on ageing held across Australia, the need for a single Aged Care Gateway to support navigation and access to the home and residential aged care

system was one of the most commonly raised issues. This included calls for targeted action to assist the most vulnerable aged care clients to access the associated health and community services they need.

As part of the Aged Care Reform package, the Government will provide $198.2 million[11] over five years to create a principal entry point to the aged care system and enable timely and reliable information on aged care to be accessed by older people and their families. This will create a clear pathway into, and through, the aged care system and make it easier for older people and their families to access aged care information and services.

As part of this measure, comprehensive information on aged care services will be available to the public through the *My Aged Care* website and a national call centre. The introduction of the My Aged Care website in 2013 will provide clear and reliable information on all aspects of aged care services. A national call centre will also be established in 2013 to assist over 500,000 people annually to access tailored information and receive referrals to local service providers who can further assess their needs. From 2015-16, the *My Aged Care* website will be extended to include self service functions for older people and service providers and include information about aged care service availability.

The way in which older people are currently assessed to determine their need for aged care services is duplicative, disjointed and inequitable. Improved and more standardised assessment processes will be introduced, benefiting older people seeking access to the aged care system. To address this issue, this measure will support the introduction of a national assessment framework, which improve assessments for over 400,000 older people annually seeking to access home and residential care services. Over time, this will improve the quality and consistency of assessment outcomes.

Older people with multiple care needs arising from social isolation, disability, or complex health issues require particular support to access services. To address this issue, this measure will support the development of a linking service, to commence in early 2014, which will assist a 30,000 vulnerable people with multiple needs to access health, housing, disability, financial, and aged care services.

[11] This amount is partly offset by redirecting funding that was previously provided for similar call centre and assessment functions, including through Commonwealth Respite and Carelink Centres. The net spend for the measure is $75.3 million over five years.

Together these initiatives will allow older people to have better access to quality information and greater choice and control in deciding their own care options.

GREATER TRANSPARENCY IN THE QUALITY OF AGED CARE

Older Australians and their families need to be able to access better, more transparent information to assist them make fundamental decisions. It is also important to ensure the quality of services is more transparent. Consumers and aged care providers also want to be confident in the independence of the aged care complaints handling mechanism.

As part of the Aged Care Reform package, the Government will provide an additional $16.6 million over five years to give older Australians greater control and confidence in the quality of aged care services.

Quality indicators and ratings
This measure will support the development of relevant and transparent national aged care quality indicators and a rating system, which will be published on the *My Aged Care* website.

National aged care quality indicators will be developed in consultation with stakeholders and will be operational for residential care from 1 July 2014 and for home care services from 1 July 2016.

These indicators will provide a basis for establishing a rating system for aged care service providers that will be published on the *My Aged Care* website. Work will begin on the development of quality indicators and a rating system in 2012-13. The new rating system will empower consumers to make informed decisions through providing better information to assist in comparing services and choosing care. The rating system will also enable service providers to compare services and give them more market-based incentives to improve the services they offer.

Australian Aged Care Quality Agency
This measure will also establish a new body, the Australian Aged Care Quality Agency, to accredit and monitor Australia's residential and home care providers from1 July 2014. This will be the sole agency that providers will deal with in relation to the quality assurance of the aged care services that they deliver. It will replace the Aged Care Standards and Accreditation Agency thus emphasising the focus on monitoring quality.

These changes will support the Government's commitment to an end-to-end aged care system by providing a consistent approach to assessing quality across the continuum of

aged care. This will provide increased confidence for consumers and their families and streamline the regulatory process for aged care providers.

Aged Care Commissioner

The Aged Care Commissioner will have greater power to ensure the independence of the Aged Care Complaints Scheme process. This will improve consumer and industry confidence in complaints handling.

REDIRECTING FUNDING TO SUPPORT REFORM

Highlights

The Aged Care Funding Instrument will be modified to address concerns about provider claiming behaviour and to free up $1.6 billion over five years to support other aged care reforms. The Government will carefully monitor the impact of these changes.

The Government will not renew the Long stay Older Patient initiative when it expires on 30 June 2012 freeing up $187.5 million over five years to support other aged care reforms.

IMPROVING THE AGED CARE FUNDING INSTRUMENT

Funding levels for individual residents are based on assessments of care needs by providers using the Aged Care Funding Instrument (ACFI). There are significant financial pressures associated with the ACFI, with expenditure growing much faster than anticipated. Average ACFI funding per resident is growing at around 7 per cent per annum in real terms, compared with less than 1.5 per cent under the previous funding tool. The key driver of funding growth is a high 'frailty growth' reported in provider claims (increasing claims for high and medium care with a corresponding decrease in low care claims).

General purpose financial reports collected by the department and industry benchmarking surveys show that growth in care subsidy revenue is exceeding growth in average care costs. This provides prima facie evidence that not all of the growth in funding in recent years has been the result of resident "frailty drift", but are driven in part by claiming behaviour.

This measure will modify the ACFI to free up $1.6 billion over five years to support other aged care reforms, including the significant expansion in the number of Home Care packages available for care recipients and increased funding to improve the viability of aged care providers.

From 1 July 2012, the scores and/or payment levels within the Activities of Daily Living and the Complex Health Care domains of the ACFI will be modified to bring growth back to historic levels. Some of these changes will be able to be applied immediately on 1 July 2012, while others will require systems changes to take effect from 1 January 2013. The

modifications to the ACFI will be informed by stakeholder consultation through the recently established ACFI Monitoring Group.

The changes within the instrument will be supported by education for providers, and a broadening, and greater use, of compliance powers. The *Aged Care Act 1997* allows for the right to conduct funding assessments to be removed from providers; however this power can only be invoked where it can be reasonably demonstrated that a provider is deliberately and repeatedly misusing the ACFI. It is proposed to introduce a broader power to enable this right to be removed from providers where the provider is found to have deliberately claimed an inappropriate amount several times or where there is insufficient evidence that the incorrect claiming is deliberate.

Work will also be undertaken to adapt the ACFI to enable it, in the future, to be more easily applied by independent assessors, who do not have a financial stake in the funding outcome. In addition, further work will be done to revise the ACFI so that it can be used outside residential settings, to determine funding for both residential and community aged care.

Introducing independent assessors and broadening the ACFI's scope to include community care is fundamental to giving consumers greater flexibility and choice in how to spend their subsidy, and will be a key building block for the development of an aged care entry point in future. This is in line with the Productivity Commission's recommendation that entitlements be attached to care recipients instead of providers.

LONG STAY OLDER PATIENTS INITIATIVE – REDIRECTION OF FUNDING

The Long Stay Older Patients (LSOP) program was initially agreed to by the Council of Australian Governments in 2006 and extended in the 2010-11 Budget for two years to 30 June 2012. Since its introduction, the number of long stay older patients in hospitals has significantly declined – from around 2,100 in 2002-03 to around 1,400 in 2009-10.

The LSOP program objectives of improving the care of older public patients who remain in hospital while awaiting alternative care, and improving their access to appropriate long term care, are largely addressed by other initiatives in National Health Reform and through the additional aged care places that will be made available through the Australian Government's Aged Care Reform package.

Through this measure the LSOP program will not continue after its current funding ceases on 30 June 2012 freeing up $187.5 million over five years to support other aged care reforms, including a number of initiatives, such as the expansion of Home Care packages, which are likely to further reduce the number of older patients staying in hospital longer than necessary.

The Australian Government will continue to provide time limited funding to compensate for the pressure on public hospitals created by unmet demand for aged care through the second, three-year, LSOP measure (2011-12 to 2013-14) that was agreed as part of the National Health Reform and is being delivered through a National Partnership Agreement.