Aged Care Financing Authority

Understanding how consumers plan and finance aged care

November 2018

Contents

Glossary

The glossary below sets out abbreviations and definitions. Listed below is the term followed by the definition.

- **Aged Care Act 1997 (the Act)**: The primary legislation governing the provision of aged care services.
- **Aged care**: Aged care encompasses the Commonwealth Home Support Programme (CHSP), home care packages programme and residential aged care program.
- **Aged Care Assessment Team (ACAT)**: ACATs are teams of medical and allied health professionals who assess the physical, psychological, medical, restorative, cultural and social needs of frail older people and help them and their carers to access appropriate levels of support.
- **Agreed accommodation price**: Accommodation prices are agreed between providers and prospective residents prior to entry, as reported by providers through the Aged Care Entry Record.
- **Approved provider**: An approved provider of aged care is an organisation that has been approved by the Secretary of the Department of Health to provide residential care, home care or flexible care under the Aged Care Act 1997.
- **Australian Bureau of Statistics (ABS)**: The Government agency responsible for the production and dissemination of statistics in a range of key areas.
- **Commonwealth Home Support Programme (CHSP)**: This program provides entry-level support services designed to help frail older people stay in their homes. It was introduced on 1 July 2015, consolidating four former programs: Commonwealth Home and Community Care (HACC); the National Respite for Carers Program (NRCP); Day Therapy Centres (DTC); and Assistance with Care and Housing for the Aged (ACHA).
- **Consumer Directed Care (CDC)**: Consumer Directed Care in home care gives consumers greater choice over their own lives by allowing them to decide what types of care and services they access and how those services are delivered.
- **Culturally and Linguistically Diverse (CALD)**: Consumers who have particular cultural or linguistic affiliations due to their:
    - place of birth or ethnic origin;
    - main language other than English spoken at home; or
    - proficiency in spoken English.
- **Daily Accommodation Contribution (DAC)**: An amount paid by a partially supported resident as a contribution toward their accommodation

costs in a residential aged care facility, calculated on a daily basis and paid periodically.

- **Daily Accommodation Payment (DAP)**: An amount paid by a non-supported resident towards their accommodation costs in a residential aged care facility calculated on a daily basis and paid periodically.
- **Department of Health**: The department that administers the Aged Care Act 1997 and regulates the aged care industry on behalf of the Australian Government.
- **Facility**: A residential aged care facility, approved under the Aged Care Act 1997 to provide government subsidised accommodation and care.
- **Flexible care**: For those in either a residential or home care setting, who may require a different care approach than that provided through mainstream residential and home care.
- **High care facility**: A facility where over 80 per cent of residents were classified as 'high care'. The distinction between high care and low care in permanent residential care was removed from 1 July 2014.
- **Home care**: Home based care provided through a home care package to help older Australians to remain in their own homes. Home care is provided through the Home Care Packages Programme.
- **Home care package**: A package of services, delivered though the Home Care Packages Programme, tailored to meet the care needs of a person living at home. The package is coordinated by an approved home care provider, with funding provided by the Australian Government (with some contributions from the consumer). Home care packages range from level 1 to 4 depending on the care needs of the consumer.
- **Home Care Packages Programme**: An Australian Government funded programme which has as its objectives to assist people to remain living at home and enable consumers to have choice and flexibility in the way that care and support is provided at home. The Home Care Packages Programme commenced on 1 August 2013.
- **Location**: Indicates where a provider, service or consumer is located based on whether they are metropolitan or regional areas. "Metropolitan" is all major cities and regional is any area outside of a major city. A provider is classified as metropolitan if more than 70 per cent of its services are located in metropolitan areas and similarly is classified as regional if more than 70 per cent of its services are located in regional areas.
- **Low care facility**: A facility where over 80 per cent of residents were classified as 'low care'. The distinction between high care and low care was removed from 1 July 2014.
- **Maximum accommodation price**: Maximum accommodation prices set by residential providers for a room (or bed in a shared room) and published on the My Aged Care website. These are maximum prices

(providers and residents may agree lower amounts), that apply to residents who are not eligible for support with their accommodation costs.

- **Maximum Permissible Interest Rate (MPIR)**: The MPIR is the rate used to calculate the equivalent daily payment of a Refundable Accommodation Deposit (RAD). The RAD is multiplied by the MPIR and divided by 365 days. The MPIR is determined in accordance with Section 6 of the Fees and Payments Principles 2014 (No. 2).The MPIR is available on the Department of Health website and is updated every three months.
- **My Aged Care**: The main entry point to the aged care system in Australia. My Aged Care aims to make it easier for older people, their families, and carers to access information on ageing and aged care, have their needs assessed and be supported to find and access services.
- **National Prioritisation Queue**: The order in which people are placed for being assigned a home care package, with each person's place in the queue based on the time and date of their approval for home care and their priority for service (medium or high).
- **Non-supported residents**: Residents who have been assessed (based on a means test) as able to pay the full cost of their accommodation and contribute toward their care costs. Non-supported residents pay a basic daily fee, accommodation payment and means-tested care fee (and may still receive some assistance with care costs).
- **Partially supported residents**: Residents who have been assessed (based on a means test) as eligible for full government assistance with their care costs, but who are able to make a part contribution to their accommodation costs. Partially-supported residents pay a basic daily fee and accommodation contribution.
- **Refundable Accommodation Contribution (RAC):** An amount paid as a lump sum by a partially supported resident as a contribution toward their accommodation costs in a residential aged care facility.
- **Refundable Accommodation Deposit (RAD)**: An amount paid as a lump sum by a non-supported resident for their accommodation costs in a residential aged care facility.
- **Regional**: Geographic region outside of a major city and classified by the Australian Bureau of Statistics as inner regional, outer regional, remote and very remote.
- **Regional Assessment Services (RAS)**: RAS provides in home, face to face assessments of new and existing consumers/carers to assess their eligibility to access CHSP services.
- **Residential aged care program**: A program that provides a range of care options and accommodation for older people who choose not to continue living in their own homes.
- **Restorative care**: Care focusing on enhancing the physical and cognitive function of people who have lost or are at risk of losing condition and

independence. The Short-Term Restorative Care (STRC) Programme, which commenced in February 2017, is a flexible care program to provide restorative care to older people to improve their capacity to stay independent and living in their own homes.

- **Supported residents**: Residents who have been assessed (based on a means test) as eligible for full government assistance with their care and accommodation costs. Supported residents only pay a basic daily fee.
- **Transition care**: For those requiring time-limited, goal-oriented and therapy-focused packages of services after a hospital stay.

Executive summary

The Minister for Senior Australians and Aged Care, the Hon Ken Wyatt AM, MP requested that ACFA provide a report on how consumers finance their aged care, including advice on whether there is scope to improve consumer support in making these important decisions.

Aged care is inherently complex for consumers and expensive for the Australian Government and senior Australians. To deliver the care that aged care consumers need and desire into the future, it is critical that the aged care sector is financially viable and sustainable. All stakeholders – Government, providers and aged consumers – have a key role in contributing to this objective.

While the Australian Government is the principal funder of aged care, consumers also make significant contributions towards the cost of their aged care and will play an integral role in the long-term sustainability of the aged care system.

Determining how people pay for their aged care and the extent to which people plan for that event, will allow steps to be taken to improve consumers' awareness and preparedness for this eventuality.

Furthermore, the ageing of the Australian population and longer life expectancy will result in a significant increase in the number and proportion of Australians needing aged care. As noted in the *2018 ACFA Annual Report*, over the next 20 years, Australia will see the population size of the 70 years and over cohort increase by around one million people each decade. The 85 years and over cohort will increase from just under 500,000 people in 2018 to just over one million people by 2038.

Project methodology

The project involved consultations with stakeholders across the aged care and financial services industry to explore the factors that influence senior Australians decision making around financing their aged care needs as well as an online consumer survey to gain insights as to if/how consumers plan their aged care along with the sources of information they accessed and how they financed their aged care needs.

Aged care services and consumer fees

There are a range of aged care services, and alternative accommodation types that, senior Australians can access through:

- Australian Government funded aged care
- non-Australian Government funded aged care

- informal care and services

These different aged care service models have substantially different fee structures for the consumer. The focus of this report is on Australian Government aged care.

How consumers plan to fund aged care

The consumer survey indicated that when senior Australians have a plan or budget, they tend to include their aged care costs within their plan or budget. It was not assessed, however, whether these consumers had a good understanding of the aged care system and the costs involved and so whether these plans are adequate particularly as half of the respondents indicated they are still worried about funding their aged care needs. The survey indicated that many consumers anticipate needing to access aged care in their medium-term future (within the five years) rather than in the short-term (within next two years), while some felt that they would never access residential aged care.

The consultations identified three life stages where planning may occur for aged care. These are:

- retirement planning
- post retirement: low to medium level care to support independence at home
- post retirement: acute or complex needs.

Challenges with planning for aged care

While some consumers are planning for their aged care needs as part of their broader plan or budget, the consumer survey showed that around 30 per cent of consumers had not undertaken any planning prior to accessing aged care. Moreover, many consumers were often unaware that they may need to contribute towards the cost of their aged care.

Furthermore, one third of consumers not currently receiving residential care are unsure if they will access it in the future. There could be various reasons for this, including simply not having turned their mind to it as it is a problem for another day, some may be in denial about the consequences of ageing, others may be put off from planning by poor perceptions of residential aged care and some may be using or planning to use preventative measures in the hope they can avoid the need for residential care.

While the results from the consumer survey indicated that a sizeable proportion of consumers are planning for their aged care, stakeholder consultation suggested that senior Australians are not actively planning for residential aged care, prior to the need arising. Rather, the observation is that planning often starts when triggered by a crisis that is linked to deterioration in health or mobility and results in imminent access to care. As was often cited:

> 'Most aged care planning takes place in the hospital car park.'[1]

While the consultations suggested three life stages where planning for aged care occurs – namely retirement planning, post retirement low to medium level care to support independence at home, and post retirement acute or complex needs – ACFA considers that consumers should factor in a fourth stage, namely post retirement active years.

How consumers pay for aged care

The survey indicated that in order to pay their aged care costs consumers aim to use traditional cash flow sources first (age pension, superannuation, savings) and then their assets (private savings, superannuation). The most common combination of income streams and assets was age pension and personal savings (14 per cent), followed by age pension and superannuation (13 per cent), and then age pension, superannuation and personal savings (8 per cent).

Reverse mortgages and aged care loans were not commonly used by consumers to fund their aged care, with only five per cent of consumers indicating they currently access equity release products to fund their care needs.

The mechanisms through which consumers pay the accommodation cost in residential care, depends on what assets they have outside the family home such as other property, shares or savings.

Challenges with paying for aged care

The consumer survey indicated that half of consumers are not worried about paying for their aged care

> 'I always choose the best aged care services available, regardless of the price.'

However, half are worried and many consumers consider the cost of an aged care program when they are deciding whether to use that program.

Some of the factors influencing access to aged care include;

- the relativities between the aged care fee structure for commonwealth home support programme (CHSP) and home care;
- insufficient Australian Government aged care services resulting in an over reliance on informal care and services;
- early entry to residential aged care due to cost of living pressures;

- delays with selling the family home and the impact it has on affording residential aged care costs;
- transitioning from retirement living and having insufficient funds to afford residential aged care accommodation costs; and
- means testing arrangements for couples in residential aged care.

The consultations highlighted that the lack of preparation and planning for aged care can lead to financial stress for older Australians and their families across all program types.

As regards the sacrifices consumers are making (or expect to make) to pay for aged care, consumers primarily identified a reduction in leisure activities. Some consumers advised that they would reduce visits to GPs or other health professionals and/or will miss meals to pay for expenses, such as aged care fees.

Another area of concern raised during the consultations was around the increase in financial abuse of senior Australians by family, friends and carers and incorrect financial advice being provided by financial planners, consumer placement agencies and aged care providers.

It was also identified that consumers in rural and remote areas face challenges when it comes to financing aged care as many have little in terms of income outside of income support payments as well as minimal assets, giving them minimal scope to plan for aged care costs.

Financial products

The financial products available to help consumers pay for their aged care costs, including:

- Debt and equity release products:
    - Reverse mortgages
    - Aged care loans
    - Equity release alternatives
    - Land lease communities and downsizing
    - Pension Loan Scheme (PLS)
- Financial investments
    - Deposit and investment-based accounts
    - Account-based pensions
    - Deferred annuities and other income streams

The extent to which consumers are accessing financial products to finance their care varies significantly. Consumers use their cash flow sources first and then their assets, to pay for their aged care costs although many consumers may cash assets to pay for accommodation costs. They were less likely to use specific financial products to fund their aged care needs. In particular, consumers tend to be unwilling to take on debt in their retirement years. This may be because they feel they've worked for many years to pay off a mortgage and are in turn reluctant to 're-enter' into debt. In addition there is likely a fear that hard-earned equity will diminish and reduce the inheritance they can leave to the next generation.

Sources of information and advice

The way in which consumers seek information on residential aged care services and the level of support they need is dependent on the individual. Some consumers want information that they can use to make their own decisions, while others prefer to have someone navigate the aged care system on their behalf. To meet these individual needs, various information resources and advice services are available from Government, the financial planning industry, mortgage and credit brokers, aged care providers, placement agencies, and consumer groups.

Consumers and their families are predominantly using websites to access information, with 38 per cent accessing Government websites and 27 per cent accessing aged care provider websites. In addition consumers sought information directly from a provider through either website visits (16 per cent) and/or the telephone (16 per cent).

While the survey indicated that financial advisors were not widely consulted as a source of information or advice when planning aged care needs, those consumers who accessed these services reported them to be a useful source of information, closely followed by Government websites and family or friends.

Challenges with sources of information and advice

While consumers found the various sources of information and advice useful, a number of challenges were also identified, including:

- **My Aged Care:** some consumers were either not aware of and/or found it difficult to navigate the website. It was reported that information is presented through circular linking pages, which did not provide adequate resolution.
- **Financial information service:** it is increasingly difficult to obtain an appointment, which is an issue for consumers who need information urgently.

- **MoneySmart:** The steps identified to help consumers set their goals and advice needs lacks the concept of planning for aged care needs.
- **Department of Human Services:** waiting time to discuss means test assessments and issues with fee advice letters and errors in processing forms.
- **Financial planning industry:** access to financial advisors with specialisation in (or understanding of) aged care advice varies significantly and in some jurisdictions there are limited advisors from which to choose.
- **Aged care providers:** for consumers who enter residential aged care after a crisis, they are relied on as a key source of knowledge for aged care, which has led to consumers and their family members having an (incorrect) expectation that providers will provide financial advice.
- **Placement agencies:** while placement agencies do not provide financial advice, by negotiating residential care room prices, some consumers are under the impression that they are providing financial advice, thus causing confusion.
- **Benchmarking retiree income standards:** standards assume the consumer is in good health and do not include any significant costs for aged care services.

Recommendations

The recommendations are summarised below and are outlined in full in Chapter 10. They include:

Improving information sources

Ensuring retirement planning tools include future aged care needs

1. Government should work with relevant industry bodies to ensure that retirement plans enable greater life planning to include the post retirement stages of: active years; low to medium level care to support independence at home; and acute/complex needs either at home or in an aged care facility.
2. Government agencies ensure that the 2018-19 *Better Ageing – 45 and 65 year online checkup* measure, and 2018-19 *Preparing financially for a longer and more secure life – retirement income framework* measure, include aged care planning and costs.
3. Expanding the 2018-19 *Better Ageing – 45 and 65 year online checkup* measure to include a 70 year or 75 year online checkup.
4. Australian Securities & Investments Commission (ASIC) should expand their retirement planning tool available on the MoneySmart website to

include aged care costs and enable financial advisors to can record competency in aged care advice.

Raising the profile of equity release products to assist consumers with funding their aged care costs

5. The Government, in conjunction with financial institutions, raise the profile of equity release products to assist consumers with funding their aged care costs.
6. The 2018-19 *Preparing financially for a longer and more secure life – Expansion of the Pension Loan Scheme (PLS)* measure should be significantly promoted.

Access to information on My Aged Care

7. The Government in consultation with the aged care industry undertake a multi-pronged campaign with the aim of increasing consumer awareness of what could be the likely cost to consumers to access these services.
8. The aged care fee estimators be located in a more prominent location on the My Aged Care website landing page.
9. The planning content available on the My Aged Care website be lifted to a more prominent location on the landing page.
10. The information on the My Aged Care website regarding finances and aged care financial advice should be enhanced.

Misconceptions regarding retirement villages

11. State and territory Consumer Affairs Ministers should increase community education regarding retirement villages, particularly in how they differ from residential aged care including costs.

Improving fee advice letters from Department of Human Services (DHS)

12. Government agencies, specifically the Department of Human Services (DHS), need to undertake work to improve the clarity of the information provided in the fee advice notification letters.

Improve perceptions of aged care to support increased planning

13. The sector, in consultation with Government, should consider if there are appropriate ways to improve the understanding and perception of aged care and the services available to assist consumers plan for care.
14. The Government consider a targeted research project to determine the extent to which preventative health measures and alternative accommodation choices to residential care could provide consumers additional options to consider in planning for aged care.

Aged Care Fees

Improving consumer understanding of aged care fees

15. The Department develop a high level key features statement explaining relevant fees that providers are required to disclose to consumers prior to them entering aged care.
16. The Department develop aged care fee scenarios to provide consumers with a practical understanding of the aged care fees they may be asked to pay.

Improving interface between fees for CHSP and home care packages

17. Consumer fees for CHSP should be considered in conjunction with any future consideration of wider changes to consumer care fees.
18. Consumer fees for home care should be considered in conjunction with any future consideration of wider changes to consumer care fees.

Review of financial hardship assistance for home care packages

19. To determine if thresholds need to be adjusted, Government undertake a review of rejected hardship applications for the home care program.

Improving understanding of residential aged care accommodation payments

20. The Government should expand the information available on the My Aged Care website to provide clearer information to consumers in conjunction with the work being undertaken to improve the My Aged Care platform.

Improving understanding of additional service fees for residential aged care

21. Providers should be required to publish their additional service fees in the service finder available on the My Aged Care website and on their own website.

Financial abuse and complaints processes

22. Government agencies and states and territory governments should ensure that the work being undertaken to develop the National Plan to address elder abuse include aged care costs.

Advisors

Expansion of Financial Information Service (FIS)

23. Pending the outcome of the trial of full time aged care FIS officers at DHS, ACFA recommends implementing and expanding this service.

Ensuring financial planners are skilled to provide advice on aged care

24. Government review licensing requirements for financial advisors and that aged care be available as a specific component of financial adviser training, education and accreditation.

25. Consideration of the unique nature of aged care financial advice and licensing requirements, which should be done in conjunction with outcomes recommended by the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.

1. Introduction

1.1 The ACFA aged care consumer finance project

1.1.1 ACFA

The Aged Care Financing Authority (ACFA) is an independent statutory committee whose role is to provide independent, transparent advice to the Australian Government on financing and funding issues in the aged care industry.

1.1.2 Terms of reference for the project

The Minister for Senior Australians and Aged Care and Minister for Indigenous Health, the Hon Ken Wyatt AM, MP, tasked ACFA with providing a report on how consumers finance their aged care, including advice on whether there is scope to improve consumer support in making these important decisions.

To answer these questions, ACFA reviewed the sources of information and support available to consumers as well as the financial products that could be used to assist in paying aged care costs and consulted with aged care providers, peak bodies and the financial services sector to understand their different perspectives, as well as surveying aged care consumers to understand their experiences.

1.1.3 Project scope

The project sought to answer two key questions:

- How do consumers finance or pay for their aged care costs?
- Is there scope to improve support for consumers making financial decisions in relation to their aged care costs?

In addressing these key questions, a range of other questions and issues were considered:

- To what extent do consumers plan and prepare for financing their future aged care needs?
- Do consumers make sacrifices in relation to aged care costs, either:
  - compromising on their aged care because of the cost; or
  - making sacrifices elsewhere in order to pay for their aged care?
- What sources of information and support are available to support financial decision making in relation to aged care?
- What financial products are available that can be used to fund aged care costs?

- What factors might influence consumers' financial decision-making in relation to aged care (e.g. family situation, lifestyle considerations)?

In considering these questions, this report focuses primarily on how consumers of Australian Government funded aged care programs finance the costs of their aged care (i.e. the fees and charges they can be asked to pay under the different programs). This includes current consumers and people who expect to use Australian Government funded aged care in the next one to five years.

The costs of privately funded aged care e.g. nursing care, personal and domestic assistance, accessed outside Australian Government funded programs are also considered, although more in terms of the role privately funded care might play in consumers' financial decision making about aged care more broadly.

The project did not consider how consumers finance other costs associated with ageing or living in retirement, such as fees for retirement villages or the cost associated with staying healthy, although it did consider how these types of costs might impact consumers' decision-making and capacity to finance their aged care or alternative care options.

1.2 The need for this project

Aged care is inherently complex for consumers and expensive for the Australian Government and senior Australians. Yet, we know anecdotally that for a range of reasons many people do not plan for the cost of their aged care and are confronted with making significant financial decisions at a moment's notice, with limited resources.

> 'Most aged care planning takes place in the hospital car park.'[1]

Determining how people pay for their aged care, and the extent to which people plan for that event, will allow steps to be taken to improve people's awareness and preparedness for this eventuality.

Furthermore, the ageing of the Australian population and longer life expectancy will result in a significant increase in the number and proportion of Australians needing aged care. As noted in the *2018 ACFA Annual Report*, over the next 20 years, Australia will see the population size of the 70 years and over cohort increase by around one million people each decade. The 85 years and over cohort will increase from just under 500,000 people in 2018 to just over one million people by 2038.

The *ACFA Annual Report* also reported that at age 70, the probability of entering residential aged care in their lifetime is around 54 per cent for females compared with around 40 per cent for males. The probability of a consumer entering residential aged care gradually increases up to around age 85 as they experience more immediate aged care needs.

This rapid expansion in the number of older people, particularly in the oldest age groups, will result in a marked increase in demand for aged care services. While the Australian Government is the principal funder of aged care, consumers also make significant contributions towards the cost of their aged care and will play an integral role in the long term sustainability of the aged care system.

To deliver the care that aged consumers need and desire into the future, it is critical that the aged care sector is financially viable and sustainable. All stakeholders – Government, providers and consumers – have a key role in contributing to this objective.

For consumers to contribute to this objective, there is need for wider recognition that sustainable aged care funding arrangements will require those consumers who can afford to make a greater financial contribution towards their care costs to do so, complemented by greater choice of higher quality services. To understand which consumers can afford to make a greater financial contribution, it is necessary to comprehend how consumers currently pay for their aged care and if there are any areas of concern.

With such a significant number of people requiring aged care it is also important to have a sector that is efficient, effective and responsive. Having a more informed and better supported consumer will contribute to that objective.

1.3 Research objectives and methodology

1.3.1 Stakeholder consultation (qualitative research)

The initial qualitative research was undertaken by KPMG, on behalf of ACFA via stakeholder consultations in May and June 2018 to explore the relevant contextual factors that influence senior Australians' decision making around financing their aged care needs.

Consultations were conducted with a range of stakeholders across the aged care and financial services industry, including:

- consumer representative organisations
- consumer focus groups
- placement agencies
- aged care industry peaks
- aged care providers
- financial institutions, insurers and financial advisors

- departmental representatives
- other key industry stakeholders.

The consultations were semi-structured to guide participants whilst allowing for broad exploration of questions and observations. Consultation guides, tailored for each audience, were used to guide discussions.

The consultations sought to understand:

- how consumers prepare/plan to fund, and in turn actually fund, their aged care
- whether costs are a barrier to accessing care
- existing and in development financial products (including the take-up of these financial products)
- the information available to consumers to inform decision making
- existing aged care products available (including retirement and private aged care services, and their payment models)
- current challenges associated with these models, including transition challenges to aged care.

1.3.2 Consumer survey (quantitative research)

The quantitative research was undertaken by KPMG, on behalf of ACFA in August 2018, to identify and quantify:

- if/how consumers plan for aged care
- if/how they plan to fund their aged care needs
- how they actually fund their aged care needs
- if they make financial decisions on their own, with their partner or if a third party makes these decisions for them
- what sources of information they accessed when deciding to enter aged care
- if they utilised financial products to fund their aged care needs.

An online consumer survey was developed to gain consumer insights, combining online and CATI methodologies to ensure a representative coverage of all population segments of interest. To ensure the quality and representativeness of survey findings, sample design comprising the following was developed:

- a national representative sample of 1,000 persons aged 60 years or more
- a national representative sample of 500 family members, representatives or guardians (as defined under target population above)

- a top up sample of 100 aged care recipients from hard to reach population segments [i.e. Culturally and Linguistically Diverse (CALD)].

The survey data was collected and cleansed to ensure optimal data quality. To ensure the data was representative of the Australian population, state by age, and by gender weighting was used to reflect the latest ABS census.

Simple descriptive and inferential statistics techniques were undertaken to quantify general consumer behaviour. Specific cross-tabulations were applied to allow for the identification of particular trends across key variables.

1.3.3 Consumer in-depth questions (qualitative research)

Upon completion of the stakeholder consultations and consumer survey, 24 follow-up interviews (45-60 minutes) with consumers was undertaken to explore in greater detail the consumer experience in relation to funding of aged care needs. An interview discussion guide was developed in consultation based on preliminary findings from the online survey.

Participants were recruited from online survey respondents and consumer panels. A sampling framework was applied to accommodate different viewpoints based on gender, locality (using the Modified Monash Model (MMM), consumers from culturally and linguistically diverse backgrounds (CALD) and current and near future aged care consumers. Responses to each question were transcribed. Findings from consumer follow-up interviews have been provided in relevant sections of this report, generally in supporting other research methods, such as the consumer survey and broader stakeholder consultations.

2. Aged care services and consumer fees

This chapter outlines the types of aged care services, and alternative accommodation types, senior Australians are able to access through:

- Australian Government funded aged care
- non-Australian Government funded aged care
- informal care and services

This chapter also outlines the potential fee structure associated with these aged care services.

2.1 Australian Government funded aged care

Senior Australians can access a range of aged care services, from home-based care and support through to care provided in residential aged care settings.

This care is largely subsidised by the Australian Government. In 2016-17, the Australian Government's total expenditure on aged care was $17.1 billion and consumer expenditure was $4.8 billion (excluding lump sum accommodation deposits)[2]. However, these numbers do not take into account consumer spending on private or additional care services.

Australian Government expenditure on aged care is projected to increase as a share of the economy from 1 per cent (currently) to around 1.7 per cent of GDP by 2055[3].

Table 1 shows the total Australian Government expenditure broken down into home support, home care and residential care in terms of cost per consumer.

Table 1: Australian Government expenditure, per consumer, 2016-17

	Commonwealth expenditure	Number of consumers	Average expenditure per consumer
Home support	$2,271m	784,927	$2,893
Home care	$1,586m	97,516	$16,264
Residential care	$11,903m	239,379	$49,724

Table notes:

1. Residential care consumers include permanent residents only.
2. Does not include Commonwealth expenditure for flexible aged care and 'other' aged care.
3. The figure for home support includes $188m for Home and Community Care (HACC) in Western Australia which was not part of the CHSP.

In 2016-17[4], the consumer expenditure is broken down as follows:

- Commonwealth Home Support Program (CHSP) - consumers contributed approximately $204 million toward the cost of their care.
- Home care package - consumers contributed approximately $150 million toward the cost of their care through basic daily fees and income-tested care fees.
- Residential aged care - consumers contributed approximately $4.4 billion towards their living expenses, care and accommodation (excluding lump sum accommodation deposits).

2.1.1 Setting consumer fees and charges

Australian Government funded aged care services are subsidised and regulated by the Australian Government, with consumers being asked to contribute to the cost of their care, where they have the capacity to do so.

For both home care and residential care, means testing arrangements introduced from 1 July 2014 have been designed to improve the long-term sustainability of aged care in terms of affordability for Government and taxpayers.

The maximum fees payable for home care, transition care, short-term restorative care, National Aboriginal and Torres Strait Islander flexible aged care program, residential respite care, Multi-Purpose Services (MPS) and residential care are set out in the *Aged Care Act 1997* and subordinate legislation, and are indexed. The *Consumer Contribution Framework* and the *National Guide to the CHSP Consumer Contribution Framework* set out principles to guide CHSP providers in setting and implementing their own consumer contribution policy.

2.1.2 Levels of consumer fees and charges

A summary of Australian Government funded aged care programs and the contributions that are required to be made by consumers are detailed in Table 2 and Appendix A: Government and non-government aged care programs and services.

Table 2: Australian Government funded aged care programs and consumer contributions

Commonwealth funded program	Consumer contributions/fees			
Commonwealth Home Support Programme (CHSP)	Variable - determined on an individual consumer basis between the consumer and the provider (based on consumer affordability and provider objectives)			
Home care packages		Aged care fee	Level 1	Level 2 - 4
	Fully supported (likely pensioner)	basic daily fee	$3,766.80	$3,766.80
	Partially supported (likely part-pensioner)	basic daily fee income-tested care fee	$3,766.80 $0 to $5,392.91	$3,766.80 $0 to $5,392.91
	Self-funded retiree	basic daily fee income-tested care fee	$3,766.80 $5,392.91 to $8,270.90	$3,766.80 $5,392.91 to $10,785.85
Transition care program	• Home setting: basic daily fee $10.32 per day or $3,766.80 per year Residential setting: basic daily fee $50.16 per day or $18,308.40 per year			
Short-term restorative care (STRC)	• Home setting: basic daily fee $10.32 per day or $3,766.80 per year Residential setting: basic daily fee $50.16 per day or $18,308.40 per year			

Commonwealth funded program	Consumer contributions/fees				
National Aboriginal and Torres Strait Islander Flexible Aged Care Program	• Home setting: basic daily fee $10.32 per day or $3,766.80 per year • Residential setting: basic daily fee $50.16 per day or $18,308.40 per year				
Residential Respite Care	• basic daily fee $50.16 per day or $18,308.40 per year				
Residential care		**Basic daily fee**	**Extra service fee/ additional service fees**	**Accommodation**	**Cost of care (means-tested care fee)**
	Fully supported	$18,308.40	Fees may apply	$0.00	$0.00
	Partially supported	$18,308.40	Fees may apply	Accommodation contribution	$0.00
	Self-funded	$18,308.40	Fees may apply	Accommodation price agreed with provider	Means-tested care fee (MTCF) $0.00 to full cost of subsidy and supplements (up to annual and lifetime caps)
Multi-Purpose Services Program (MPS)	• basic daily fee $50.16 per day or $18,308.40 per • accommodation price agreed with provider				

Table notes:

1. Fees are current as at 1 July 2018

2. Program overview is located at appendix A: Government and non-government aged care programs and services

2.2 Non-Australian Government funded care

When selecting the care and services that best meet their needs, senior Australians may choose to pay for aged care services that do not receive any Australian Government funding. These are referred to as private care services.

The private services accessed and their pricing are negotiated between consumers and the service provider.

Privately funded aged care services may either be used to supplement Australian Government funded aged care or offer an alternative source of care. The consumers do not need to obtain an aged care assessment team (ACAT) assessment to access these services.

Other than staying in the family home, retirement villages and land lease communities are two of the most common private accommodation options for senior Australians and are increasingly offering private care services to consumers, however other care services and options are starting to emerge to increase the range and diversity of services.

2.2.1 Retirement villages

Retirement villages were typically accommodation options for independent living but have increasingly moved towards offering care services to substitute (to some degree) for residential care. They are reinventing the way they do business in response to market developments, particularly influenced by the increasing age of consumers and the increase in the number of home care packages.

The retirement village fee structure varies significantly across providers however, some commonalities exist:

- Accommodation:
    - Ingoing contribution: there is typically an initial dwelling purchase price set by the provider and it is often linked to median house prices.
    - General service charge: ongoing monthly fee to cover maintenance and upkeep of amenities
    - Deferred management fee: exit fee typically based on either ingoing or outgoing dwelling price which is approximately 20 per cent to 36 per cent
    - Outgoing consumers are generally charged refurbishment costs and may receive a share of capital gain or loss under some arrangements.

- Supported services:
  - While residing in a retirement village, consumers may access and pay for privately contracted home care services. The ACFA consumer survey indicated that 30 per cent of respondents are currently accessing private aged care services, either individually or in combination with other services.
  - Alternatively, they may access supported living or serviced apartments via an agreement with the provider of the retirement village.
  - Consumers may also access Australian Government funded home care while residing in a retirement village.

State and Territory Governments are responsible for regulating retirement villages under their various Retirement Village Acts, and as such structures and rules may differ based on the consumers' location.

2.2.2 Land lease communities

Land lease communities (also commonly referred to Over-50s parks) are an alternative to retirement villages, but the consumer owns the dwelling and only rents/leases the land on which the dwelling sits.

The fee structure can vary across providers however, some commonalities exist:

- Accommodation:
  - Consumers will initially pay the cost of a relocatable home offered by the provider or exiting consumer.
  - Typically, there are ongoing land lease fees and consumers who receive Centrelink/Veterans' Affairs income support payments may be eligible for Commonwealth Rent Assistance.
  - Some land lease communities impose ongoing monthly fees for maintenance of the amenities.
  - Some states enable exit fees – however, typically, no exit fees are a selling point.
- Supported services:
  - While residing in a land lease community, consumers may access and pay for privately contracted home care services.
  - Consumers may also access Australian Government funded home care.

State and Territory Governments are responsible for regulating land lease communities under the various Mobile Home or Caravan Park Acts, and as such structures and rules may differ based on the consumers' location.

2.2.3 Group homes

An emerging accommodation option to residential aged care is the concept of a group home. These are private homes that provide both accommodation and care services for older people or people living with disabilities.

They do not fall under the Aged Care Act and therefore are regulated by the various state consumer protection legislation and contract laws.

Consumers pay for services privately but may also have access to Government funded home care packages which can be used to pay all or some of the consumer's relevant care costs.

2.2.4 Private in-home services

Consumers can also purchase private home care services such as 24-hour nursing care, in-home care, live-in care, overnight care or help with certain activities.

These may be provided by the same service providers as those that provided Government funded services but may also be offered by alternative providers. The fees are negotiated with the provider on normal commercial terms.

2.3 Informal care and services

Twenty nine per cent of consumers canvassed in the ACFA consumer survey received informal care and services through family, friends and carers. This low percentage is likely due to consumers not accounting for the things that their partner, family and friends support them with on a daily basis such as cooking and assisting with running errands. While this type of support is at no cost to the consumer, it may have a cost to the family, friends and carers in regards to the time taken away from recreational activities and/or paid work.

Survey results indicate that consumers are more likely to access informal care services from age 60–64, with 36 per cent of respondents in this cohort indicating they are currently receiving informal support. This is compared with:

- 25 per cent of consumers aged 65-69
- 33 per cent of consumers aged 70-74
- 25 per cent of consumers over the age of 75.

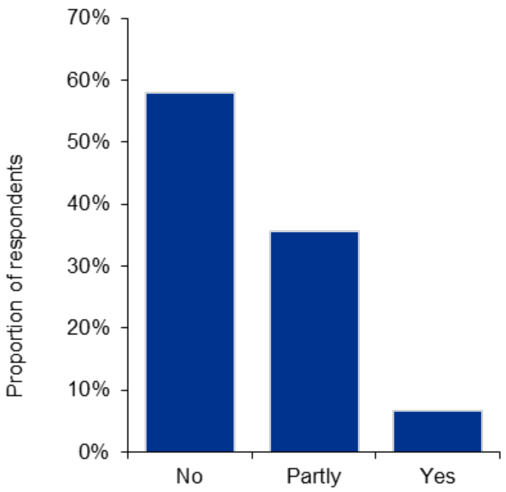
The reduction in older ages may indicate that the community around senior Australians is lacking. By building more structured communities, senior Australians would be able to seek care and support from other members of the community at a point in time when their care needs have increased but their family and friends capacity to help contracts.

The level of access to informal support may also be correlated to the level of household income. Of the survey respondents who receive the full age pension, 30 per cent indicated they are currently accessing informal support. When examining the cohort of consumers accessing informal support, 25 per cent receive a household income of less than $20,000 compared with 39 per cent with income more than $80,000. The data suggests that consumers who are younger (and potentially less complicated care needs) are more likely to access informal care and support.

One-on-one consumer follow up consultations further emphasised the role of informal support for consumers. Most reported receiving informal support for daily tasks (including personal care, gardening and maintenance) and for accommodation. Accurately quantifying the number of people accessing informal care services is problematic, as often there is no data or information available for some consumers. It is also likely that opinions vary as to what constitutes informal care.

Research undertaken by YourLifeChoices identified that 42 per cent of respondents would either fully or partly rely on family to care for them in their final years.

Figure 1: Response to 'Will you rely on your family to care for you in your final years?'



Source: YourLifeChoices survey 2018

3. How consumers plan to fund aged care

This chapter provides a summary of the findings from the ACFA consumer survey regarding how consumers plan to fund their aged care needs.

When senior Australians surveyed had a plan or budget they stated that they also tended to include aged care costs within their plan or budget. Many of them anticipated needing to access aged care in their medium term future (within five years) rather than in the short-term (within next two years), while some felt that they would never access residential aged care. There were three key life stages where planning occurs for aged care.

The consumer survey did not test whether the amounts perceived to be needed were realistic to pay for their aged care, nor did it define planning.

3.1 Planning stages

The findings presented within this chapter identify three life stages where planning occurs. These are: retirement planning; post retirement when the consumer starts to become frail; and when they are frail and have acquired acute or complex health needs.

3.1.1 Retirement planning

Typically, Australians aged between 45 and 65 years are planning for retirement, including when they can retire, and how they will fund their retirement lifestyle. At this point in life, the consumer's goal is investment maximisation and wealth building. As a result, financial advisors focus on these aspects and will generally provide advice on products such as superannuation funds and investment accounts.[5]

Consumers in this phase may also consider downsizing their home. Research undertaken by National Seniors Australia suggests that this cohort is most likely to consider downsizing between 50–64 years of age. Factors leading to downsizing are complex and varied and reflect the heterogeneity of senior Australians and the diversity of their backgrounds and circumstances.[6]

3.1.2 Post retirement: low to medium level care to support independence at home

Once retired, consumers move away from seeking information about how to grow their wealth and start to focus on financing their planned retirement lifestyle. Some consumers have considered estate planning and have started to enhance their connectedness with the community.

Primarily, when a consumer first enters retirement, they are focused on living their planned retirement lifestyle. However, as they approach frailty, many consider the need to access aged care services. As noted in section 3.2, 94 per cent of consumers surveyed who are not currently accessing any aged care services anticipate needing to access care within the next five years. It is at this point that consumers become more involved in planning how to fund their aged care, as supported by the findings outlined in section 3.5.

3.1.3 Post retirement: acute/complex needs

Consumers who experienced a gradual decline in their health and have accessed low to medium level care to support independence at home, are more inclined to engage in planning to transition to residential aged care.

Furthermore, as identified in section 3.2, consumers who have a financial plan are more likely to include their ongoing aged care costs through to the costs associated with living in an aged care home in their plan. However, the adequacy of this planning was not tested.

3.2 Personal finances and aged care planning

During 2016–17 the Australian Securities & Investments Commission (ASIC) undertook a project to explore the financial issues impacting senior Australians in order to better understand the diversity in the rapidly growing senior population and how best to support their education and information needs. Around half of the senior Australians surveyed by ASIC have a financial plan for the next five years, and one-third have a financial plan for the next 10-15 years.

19 per cent of the ASIC survey respondents stated they had an older family member or friend aged 55+ who they felt was in need of more information, advice and assistance when making financial decisions about their future. The greatest information need was identified as obtaining layman's explanations of: the financial elements of the aged care system, pension changes, and power of attorney and enduring guardianship as well as access to assets and pension calculators.

The ASIC survey identified that the financial priorities for consumers were:

- paying day-to-day household bills and expenses (78 per cent)
- having enough money to enjoy life and do what they want to do (69 per cent)
- making sure they can access money for emergencies or something unexpected (54 per cent)
- paying healthcare or medical costs (45 per cent)
- saving for a holiday or travel (42 per cent).[7]

The ACFA consumer survey sought to determine the extent to which senior Australians are planning for their ageing needs. In determining if they had a plan, a series of questions were asked regarding:

- what aged care they were currently receiving and intending to access in the future
- the costs they had incurred for their current aged care
- if they have a plan or budget to manage their finances.

Of the 61 per cent of consumers who identified as having a plan, 47 per cent indicated the plan included funds to meet their current aged care costs, while 57 per cent indicated that it included funds to meet future aged care costs. This number is higher than other published research. The survey did not cover whether consumers had a realistic assessment of aged care costs nor did it define what constitutes a financial plan, so the results may be impacted. In chapter 6, we note that around half of the respondents state they are worried about future plans and affordability of care.

One-on-one consultations with consumers aligned more closely with results from other research. Specifically, most consumers had under-estimated the extent to which income and assets would cover retirement needs. Most reported undertaking no formal planning for funding their aged care needs, but with hindsight planning would have been undertaken earlier. Particular reasons given for this were to:

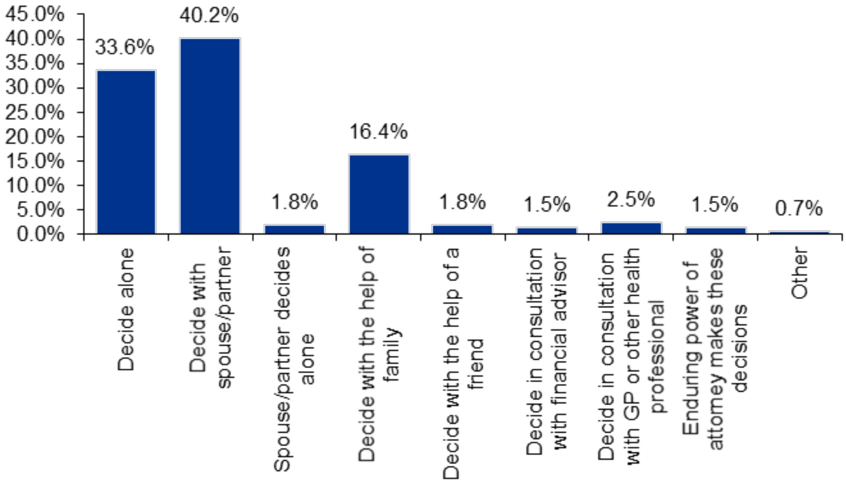
- have more money saved to fund their aged care needs
- access services that they wanted (either the number of services and/or quality)
- provide more certainty, independence and flexibility to cover unexpected costs associated with health care.

This suggests that those consumers who felt that they had prepared for the costs of aged care were in fact not well informed or well prepared.

3.3 Support accessed during the planning process

When asked who the decision-maker is with regard to financing aged care, a significant proportion of consumers indicated they make the decisions either on their own (37.7 per cent) or with their spouse or partner (39.7 per cent). Only a small proportion (1.5 per cent) indicated that they made financial decisions about their aged care with the assistance of a financial advisor.

Figure 2: Consumer aged care decision-making



Source: ACFA consumer survey (2018)

3.4 When consumers plan to access aged care

Of respondents who indicated they were not currently accessing any aged care services, 94 per cent indicated that they would expect to in the future. Of these respondents (643), 48 per cent reported they expected to access aged care services in the next 3-5 years.

Table 3 below, shows when respondents expect to access aged care services by age group.

Table 3: When respondents are expecting to access aged care by age group

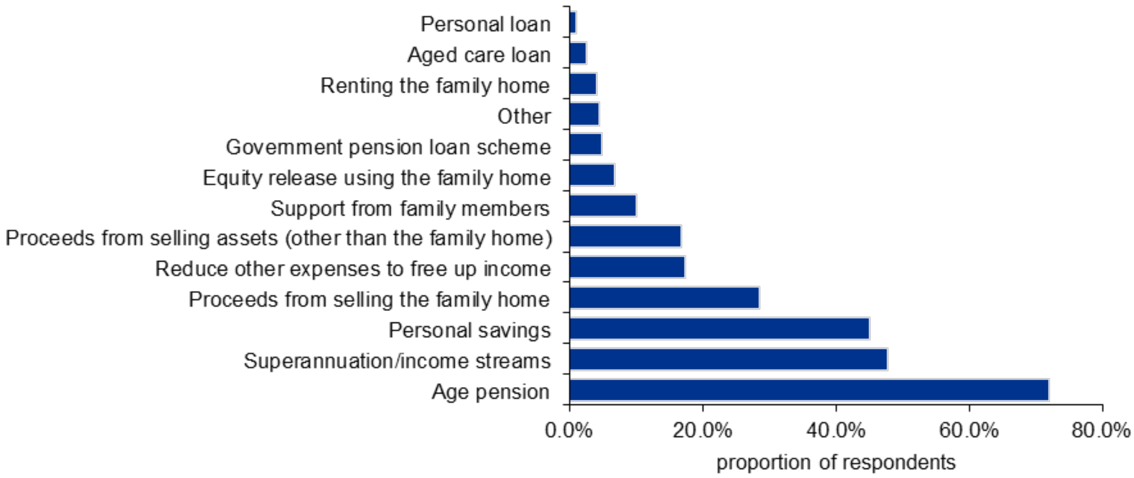
Expecting to access aged care services	60-64 years	65-69 years	70-74 years	75+ years
In the next year	4.3%	12.9%	10.2%	13.3%
1-2 years from now	12.7%	19.1%	16.8%	20.4%
3-5 years from now	67.2%	42.3%	45.6%	46.4%
Unsure	15.8%	25.7%	27.4%	19.9%

When asked to weight their feelings with the statement *they have been planning for retirement and aged care for most of their adult life*, 50 per cent of respondents either disagreed or strongly disagreed, compared with 26 per cent who agreed or strongly agreed.

3.5 How consumers plan to fund aged care

ACFA's consumer survey also sought information on what income sources consumers expected to have available to fund their future aged care needs. Seventy two per cent of respondents indicated that the age pension was likely to be their main income source, while 48 per cent indicated that they would utilise their superannuation. It was also common for consumers to identify the need to sell the family home to fund their future aged care accommodation costs (29 per cent).

Figure 3: Income sources consumers expect to have available to fund aged care



Source: ACFA consumer survey (2018)

Chapter 5 discusses in detail how consumers actually fund their aged care.

4. Challenges with planning for aged care

This chapter provides a summary of the findings from the ACFA consumer survey and stakeholder consultations regarding the challenges identified with planning for aged care.

While chapter 3 identified that some consumers are planning for their aged care needs, this chapter identified that some consumers are unaware that they may need to contribute towards Australian Government funded aged care and in turn are not planning. This chapter also explores the misconceptions that may be a barrier to consumers engaging with the planning stages identified in chapter 3.

4.1 Lack of forward planning for care

While approximately half of the consumers covered in the consumer survey identified that they had planned to access aged care prior to accessing aged care services, 31 per cent of consumers had not undertaken any planning prior to accessing aged care.

As discussed in chapter 3, one in three consumers who are not currently accessing residential aged care is unsure if they will access it in the future. This may suggest that a segment of senior Australians are using preventative measures in order to avoid the need to move to residential aged care, rather than engaging in planning for this possibility. It may, however, be linked to the current perceptions of residential aged care, as consumers are unlikely to plan to access a service that is unattractive to them. It may also reflect some consumers being in denial about the consequences of aging.

In contrast to the results from the consumer survey, stakeholder consultation participants indicated that senior Australians are not actively planning for residential aged care, prior to the need arising. Rather, the observation is that planning often starts when triggered by a crisis that is linked to deterioration in health or mobility and results in imminent access to care.

> 'Most aged care planning takes place in the hospital car park.'[1]

As a result, the responsibility usually rests with family members to assess needs and investigate options for their parents or older relatives, as well as working out the financial implications and arranging access to residential aged care.

Given this reactive nature, aged care providers commented that potential consumers and their families often rely on them to be the key source of aged care knowledge, including advice on the costs associated with aged care. While most providers have material tailored to their service regarding aged care fees, they are not in a position to offer financial advice and generally refer consumers to My Aged Care or a financial advisor to seek further advice.

Other reasons that were identified in stakeholder consultations as to why consumers are not planning ahead for aged care include:

- Consumers perceiving they are too young to be planning for aged care.
- Negative perceptions associated with aged care, particularly residential aged care, and a preference to maintain independence and not consider advanced care planning and mortality.
- Differences in attitudes across generations in terms of planning. Children are more likely to plan for their parents to access and fund aged care than their parents are to plan for themselves.
- Lack of awareness of the benefits of planning ahead.
- Lack of understanding of the aged care system, the choices and where assistance is available.

When consumers were asked for reasons why they were not motivated to financially plan for aged care, the survey collected varying (free text) reasons, which highlighted the following trends:

- **Living day-to-day means they do not have money to develop a plan or seek advice:**
  - I am not able to put money aside due to my age.
  - My husband had to retire at 52 for ill health and I had to stay home and look after him which caused us to not have the savings that we would have liked to have.
  - No money to plan.
  - Because no amount of planning would make any difference to our situation.
- **Aged care is not a priority:**
  - I have a few health issues so I won't get to the mid 80's.
  - I just don't think about it until I start getting older.
  - Don't have any major health problems and neither does my wife.
  - I am living every day as it comes and will downsize if it comes to that.
  - I am too old to worry about it.
- **People with minimal assets will get the same care as people with assets (i.e. own their own home):**
  - Friends in aged care with min. assets & $'s are receiving the same care as if you had to pay your $400 - $500K to go in, so no need to worry.

- **They have financial means which they feel will fund future aged care:**
    - We have a house that would cover anything if need be
    - We can afford to cover anything we have or will need
    - I feel financially secure, and gave up worrying a long time ago.

4.2 Lack of financial awareness

The level of confidence amongst consumers varies, but the survey results suggest a link between consumer confidence, planning and the consumers' financial position.

The consumer survey showed a link between consumers who are confident in their ability to pay aged care fees (59 per cent) with consumers who had conducted aged care planning (50 per cent).

Higher confidence levels (75 per cent) were reported for consumers who had yet to access aged care but had undertaken some planning to access aged care services in the future. However, as the consumer survey did not test whether the amounts perceived to be needed would be realistic, it is unclear whether their plans would be sufficient to meet their future aged care needs.

One-on-one consultations with a sample of consumers showed that those who felt they had prepared for the costs of aged care where often not well informed or well prepared for these costs. This misplaced confidence may be a barrier to some consumers planning effectively for their future aged care needs.

The confidence of consumers participating in the consumer survey appeared to be linked to household income and home ownership.

Of the survey respondents who receive an annual household income up to $50,000, 65 per cent are not confident they can continue to pay their current aged care costs, and 67 per cent are not confident they can pay their future aged care costs.

This compares with consumers with household incomes over $50,000, where only 16 per cent of respondents are not confident they can continue to pay their current aged care costs, and 22 per cent are not confident they can pay their future care costs.

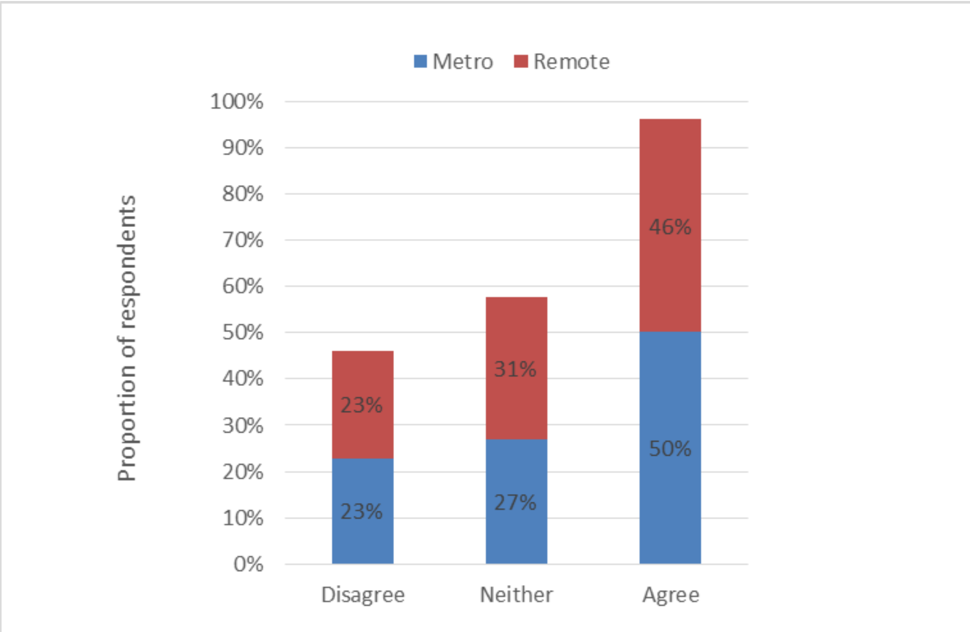
Of the respondents who indicated they own their home without a mortgage, 56 per cent were confident they could continue pay for their aged care and 66 per cent were confident they could pay for future aged care needs. The results reduced if the consumer still had a mortgage, with only 25 per cent of this group being confident they could continue to pay their current aged care, and 20 per cent being confident they could pay their future aged care. In contrast, for those who are renting, only 19 per cent were confident they could meet the costs of their current care and 14 per cent were confident they could meet the costs of future care.

4.3 Awareness of the system

Stakeholder consultations advised that awareness of the system was generally viewed to be poor amongst senior Australians in rural and remote locations. However, the survey indicates that location does not improve consumers' awareness of paying for their aged care needs. This suggests that overall awareness of aged care costs is low, irrespective of location.

When engaging with service providers, most consumers are unaware of what types of supports and services they can access under the Australian Government care at home programs (i.e. CHSP and home care). They also have little awareness of the different programs and their rules. This can be particularly problematic when it comes to asking consumers to contribute to the financial cost of their care, and consumers' ability to make informed choices about what supports to access.

Figure 4: Responses to 'I consider myself well informed on how to pay for aged care needs' by locality



4.4 Planning stages

While chapter 3 presented the three life stages where planning occurs, this section explores the misconceptions that may be a barrier to consumers engaging with the planning stages, and poses a fourth stage where planning could occur.

4.4.1 Retirement planning

There is limited information available for individuals planning for their retirement which enables them to also plan for the financial implications of aged care. Financial advice to this cohort generally focuses on investment maximisation and wealth building for retirement (only) and estate planning, but misses the frailty period.

The current retirement income benchmarks (discussed further in chapters 8 and 9) compound the lack of information. While these benchmarks enable senior Australians to plan their retirement lifestyle by indicating what income a typical person needs to live on in retirement and what level of savings may be needed to generate that income, they tend to assume the person is in good health and do not include any significant costs of aged care services. Potentially, this focus may be linked to a general unwillingness to contemplate future health and ageing needs or to a historical approach for analysing expenditure which does not take into account changes and advancements.

The 2018-19 *Preparing financially for a longer and more secure life – retirement income framework* measure, aimed at creating a retirement income framework may increase consumer awareness of the retirement income products they can choose from and the information they need to make a choice and boost their living standards. However, it is unclear if this increase choice for retirees, which is aimed to help boost living standards, will also incorporate aged care costs.

Furthermore, the 2018-19 *Better Ageing – 45 and 65 year online checkup* measure will help people review their superannuation and other assets, access the income they will need in retirement and the steps they can take now to ensure they have the financial resources they need for the future. However, in its current form, this measure lacks aged care planning. ACFA considers that further work may be required to ensure this tool will support consumers to plan for their future aged care needs.

4.4.2 Post retirement: active years

Stakeholder consultations highlighted that many senior Australians are reluctant to plan for the costs of aged care because, in doing so, they would have to come to terms with frailty and their eventual mortality. This can create a significant emotional barrier to planning for, and accessing, aged care.

Financial advisors advised that consumers who are planning for their retirement or are in early stages of retirement, are still typically engaged in terms of wealth management and asset growth strategies. When planning for aged care is raised, the consumers often disengage. Aged care is seen as something too remote or too unpleasant to consider. Most people hope to not experience periods of frailty. As a result, when the need does arise, it may lead to high levels of stress and consumers not accessing appropriate supports and/or finding themselves unable to meet the financial cost of their care.

However, as discussed in chapter 3, consumers are more likely to consider planning for aged care in later years of retirement as they approach frailty. As such, current retirement planning tools need to be expanded to enable better planning post retirement. In particular, if consumers were advised that planning for their future aged care needs gave them greater choice and control over the services they received or highlighted the real costs of aged care, they may be more likely to incorporate this into their retirement plans. As such, retirement plans should enable greater life planning and reflect the following retirement stages:

- post retirement: active years
- post retirement: low to medium level care to support independence at home
- post retirement: acute/complex needs

The 2018-19 *Better Ageing – 45 and 65 year online checkup* measure will assist people prepare for active living for a longer life. The focus will be on assisting people to stay connected to their community, help them assess their financial position and the best way to manage their retirement income, and promote good health.

The Government should consider expanding the 2018-19 *Better Ageing -45 and 65 year online checkup* measure to include a 70 year or 75 year web check. This web check would focus the consumer's current health needs and (potential) ageing needs, at a point where this information is particularly relevant for them.

4.4.3 Post retirement: low to medium level care to support independence at home

Some of the misconceptions that exist around this stage of retirement include:

- **Ownership of home care budgets:** There is a tendency for some consumers who receive home care packages to limit their spending on care needs because unspent funds are viewed as their own money that they are able to pass on to their families, while others are saving in case they need greater care in the future.
- **Eligibility for Australian Government funded aged care:** Some consumers are unaware of their eligibility for Australian Government funded aged care, and instead are accessing either privately funded services or informal caring arrangements provided by family or friends.
- **Interaction with retirement villages as needs increase:** There is a misconception among some consumers that retirement villages are aged

care services (rather than supported community living) and there will not be a future need to transition to residential care. Some consumers residing in independent living units that are co-located with residential facilities believe they will automatically transition to residential care, without further cost when the need arises.

The 2018-19 budget has generated a number of measures that will assist senior Australians with planning to access low to medium level care to support independence at home post retirement.

Furthermore, the 2018-19 *Better Access to Care – aged care system navigator* measure which will create 30 aged care information hubs will help provide locally targeted information and build capacity to engage with the aged care system; and 20 community hubs will enable members to support each other in navigating aged care and healthy ageing.

4.4.4 Post retirement: acute/complex needs

Some of the key factors and misconceptions influencing this stage of retirement include:

- **Residential respite care:** Consumers are able to access residential respite care on a planned or emergency basis. *ACFA's report on respite for aged care recipients* indicates that some providers will only offer planned respite care to secure income streams. However, accessing residential respite care is often not planned as it is often required at short notice due to carer stress levels.

  The implications of respite care are covered more fully in the *ACFA report on respite for aged care recipients October 2018*.

- **Accommodation payment choices:** consumer payment choices (lump sum, daily payment or a combination) are not fully understood. Further issues include:
  - **RADs are refundable:** Many consumers are unaware that the lump sums will be returned upon exiting care (less any agreed drawdowns). This may lead to a reluctance to move into residential care due to the high perceived loss of capital.
  - **Drawdowns:** Consumers are often unaware that they can ask their provider to draw down certain aged care fees from their lump sum.

The general misunderstanding of accommodation payment options may lead to perceived concerns over the high cost or unaffordability of residential aged care. Alternatively it may result in decision-making based on selecting the cheapest care service. In some cases, this lack of awareness is reinforced through misinformation provided by residential aged care providers who encourage the payment method they would like to receive

- **Aged care is viewed as part of the health system:** Consumers often think aged care is a fully Government funded service whereby they do not need to make contributions, similar to public hospitals. This belief partly contributes to the unwillingness by some consumers to contribute to the costs of their care or to plan ahead.

  This is supported by research undertaken by McCrindle, on behalf of Absolute Care & Health[8], which indicates that 75 per cent of people surveyed have not taken any steps to ensure they will receive their preferred future aged care. In relation to the question of funding, 18 per cent believe that the Government will pay for care and 20 per cent have no idea how future care will be funded.

- **Leaving the family home:** One of the barriers most commonly raised by consumers and families against moving into residential aged care is the emotion associated with leaving and selling the family home.

  Emotional attachment is often placed on the physical building, for both home owners and renters, but a move into care can also mean leaving behind various aspects of a person's life including a loved one, a pet, lifestyle, privacy, garden, a lifetime of possessions, reputation, familiarity, space, neighbours, and access to neighbourhood or familiar services. This heightens the emotions experienced at this time.

  Stakeholder consultations advised that consumers and families sometimes insist they cannot afford aged care fees, including the RAD, due to a desire to maintain the home as a legacy for children/family, while others indicate a general reluctance to sell the family home, due to emotional attachment.

  The emotional concerns with selling the family home were particularly relevant for CALD consumers. Some cultures consider leaving assets to family to be part of their legacy leaving deep emotional ties to the family home. Some consumers within these groups have purchased multiple properties over their lifetime with estate planning in mind (i.e. one for each of their children), and, as such, they are often reluctant to liquidate these assets to fund aged care needs.

  ACFA considers that further analysis is required to better understand the extent to which liquidating assets impacts on a consumer's ability to move into residential aged care.

- **Cultural and linguistic diversity:** There is an expectation among some cultures that children/families will care for older generations and therefore, the concept of formal 'aged care' is an unknown.

  This was identified as a factor that can intensify the emotional response to having to sell the family home to fund care.

The *2018-19 Better access to care – aged care system navigator* measure will assist senior Australians with planning to access acute/complex care post retirement by introducing six full time aged care Financial Information Services Officers (FISOs). Through this measure the Australian Government aims to give additional information to support people with the complex financial decisions they need to make when entering aged care.

5. How consumers pay for aged care

This chapter outlines how consumers are paying for their contributions towards of the aged care services that they have accessed through:

- Australian Government funded aged care
- non-Australian Government funded aged care
- informal care and services.

This chapter also discusses the consumer's wealth profile to determine their ability to pay the aged care costs.

5.1 How consumers pay for aged care

The ACFA consumer survey sought to determine how senior Australians pay for their aged care costs. In determining how they pay, a series of questions were asked regarding which aged care services they were receiving or planning to access, which aged care fees they were currently paying, their annual household income and their home ownership status, including if they have a mortgage. However, the survey did not test the consumer's current expenditure, nor did it collect the value of the home or value of other assets.

The findings of the survey are presented within this section.

The way in which consumers pay for aged care varies significantly, based on their individual circumstances. However, there are some identifiable choices that senior Australians make when deciding how to pay for their aged care which is consistent across all care types. They are:

- **Pension:** for consumers who have the age pension, it is consistently reported across all program types as the main source of funds used to pay aged care fees.
- **Superannuation:** for consumers who have superannuation funds, it is consistently reported across all program types as the main source of funds used to pay aged care fees.
- **Life savings:** life savings were also consistently reported as a primary source of funds used to pay aged care fees. In particular, this rate was higher for consumers accessing residential aged care.
- **Loans:** personal loans and aged care loans (including reverse mortgage loans) are not commonly used by consumers to fund their aged care. Only five per cent indicated they currently access equity release products to fund their care
- **Selling the family home:** many consumers may elect to use the proceeds from selling the family home to finance residential aged care.

- **Shared equity:** consumers are choosing to pool funds and purchase communal living environments.

Appendix B provides a detailed breakdown of the income sources used by the respondents in the survey to fund their contributions towards aged care.

The survey and consumer follow-up consultations indicate that consumers aim to use traditional cash flow sources first (age pension, superannuation, savings) and then their assets, to pay their aged care costs. The most common combination of income streams and assets was age pension and personal savings (14 per cent), followed by age pension and superannuation (13 per cent), and then age pension, superannuation and personal savings (8 per cent).

Appendix B also provides insight into how consumers utilise the equity within their home to pay for privately funded aged care fees. Consumers indicated that they would liquidate other assets to finance their aged care needs in preference to accessing equity release products.

5.1.1 Paying for CHSP and home care packages

The survey indicates that of the consumers who are paying aged care fees for CHSP and home care, they are primarily funding their aged care fees through existing cash flow, as per Table 4 below.

Table 4: Income sources used to pay CHSP and home care fees

Care type	Most common income/asset source	Second most common income/asset source	Third most common income/asset source
Government funded in home support	Age pension (42 per cent)	Superannuation (10 per cent)	Personal savings and proceeds from selling the family home (6 per cent)
Government funded home care package	Age pension (63 per cent)	Superannuation (15 per cent)	Proceeds from selling the family home (6 per cent)

5.1.2 Paying for residential aged care fees

Consumers have a range of options to pay for their residential aged care costs. Table 5 below shows the main income sources used to residential aged care fees.

The diagram at Appendix C illustrates how consumers are paying for particular costs based on responses from the survey. There are a variety of methods an individual can use to fund aged care; the diagram is based on the most frequent responses.

All residents pay a basic daily care fee and may also be asked to pay a means-tested care fee as well as an extra services fee or additional service fee. For these ongoing costs, the age pension, superannuation/income streams and personal savings were the most frequently used to fund the service, as per Table 5 below. In addition, consumers need to pay personal expenses, health insurance premiums and ongoing home costs if the home is still retained.

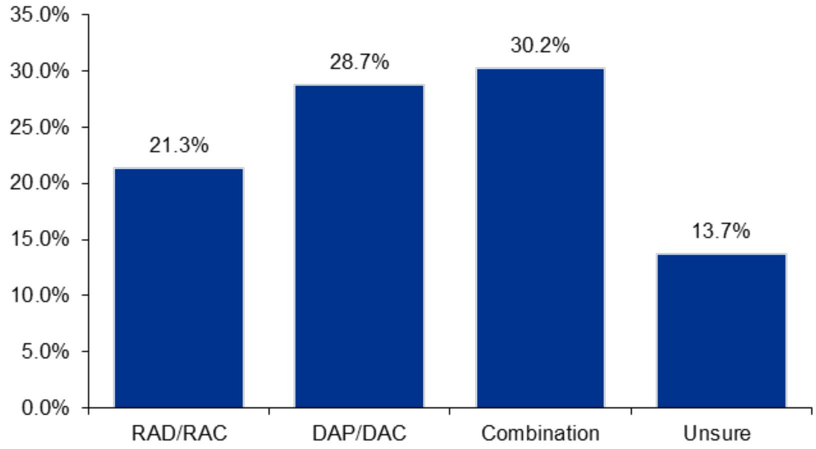
Table 5: Income sources used to pay residential aged care fees

Care type	Most common income/asset source	Second most common income/asset source	Third most common income/asset source
Government funded residential aged care	Age pension (50 per cent)	Superannuation (20 per cent)	Personal savings and proceeds from selling the family home (10 per cent)

5.1.3 Paying for residential aged care accommodation costs

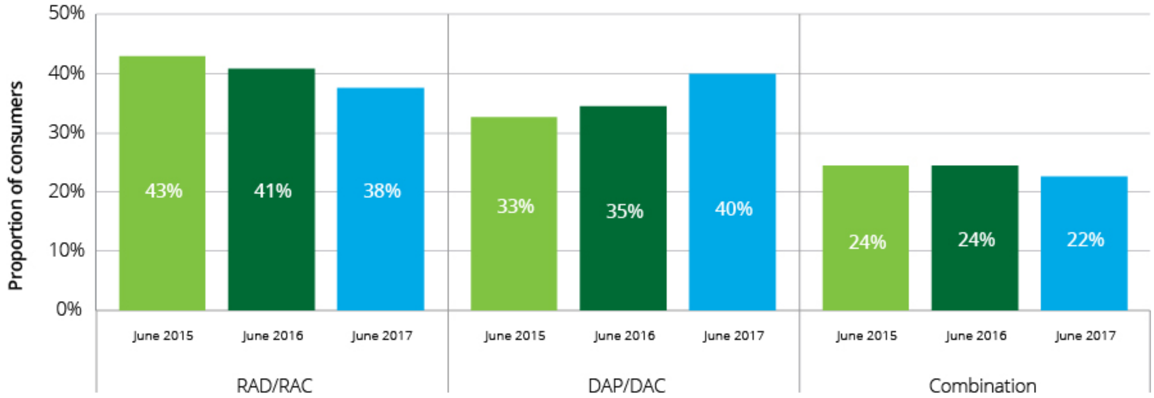
Analysis was undertaken to determine how consumers choose to pay for their accommodation in residential aged care. The consumer survey (see Figure 5) indicated that consumers most commonly use a combination of lump sums and daily payments (30 per cent). This is higher than data in the 2018 ACFA Annual Report which shows 22 per cent of accommodation payments in 2016-17 were paid for as a combination (see Figure 6).

Figure 5: Consumer funding of accommodation in residential care



Source: ACFA consumer survey (2018)

Figure 6: Resident method of accommodation payment, June 2015 to June 2017



Source: 2018 ACFA Annual Report on Funding and Financing of the Aged Care Sector

A number of factors were identified as potentially influencing the decision around how to pay the accommodation payment. These include; the rate of the MPIR[1] (if interest rates fall, equivalent daily payments will fall and vice versa), expected length of stay (if shorter then more likely to pay by daily

[1] The MPIR is the rate used to calculate the equivalent daily payment of a lump sum. The lump sum amount is multiplied by the MPIR and divided by 365 days to calculate the equivalent daily payment. The MPIR is determined in accordance with Section 6 of the *Fees and Payments Principles 2014 (No. 2).* The MPIR is available on the Department of Health website and is reviewed every three months.

payment), personal financial circumstances and the length of time it takes to sell the family home.

Finally, low-means consumers often do not have the liquid assets to pay the refundable accommodation contribution (RAC) and may need to pay the daily accommodation contribution (DAC) or choose a combination option. In addition, the methodology for calculating the accommodation contribution payable by partially supported residents means the amount payable will fluctuate. As a result, consumers within the RAC/DAC space generally pay for accommodation via a daily payment or combination model.

Low means consumers who are members of a couple may not be comfortable locking away money in the form of a lump sum and depriving their partner of access to those funds, preferring to utilise the daily and combination options.

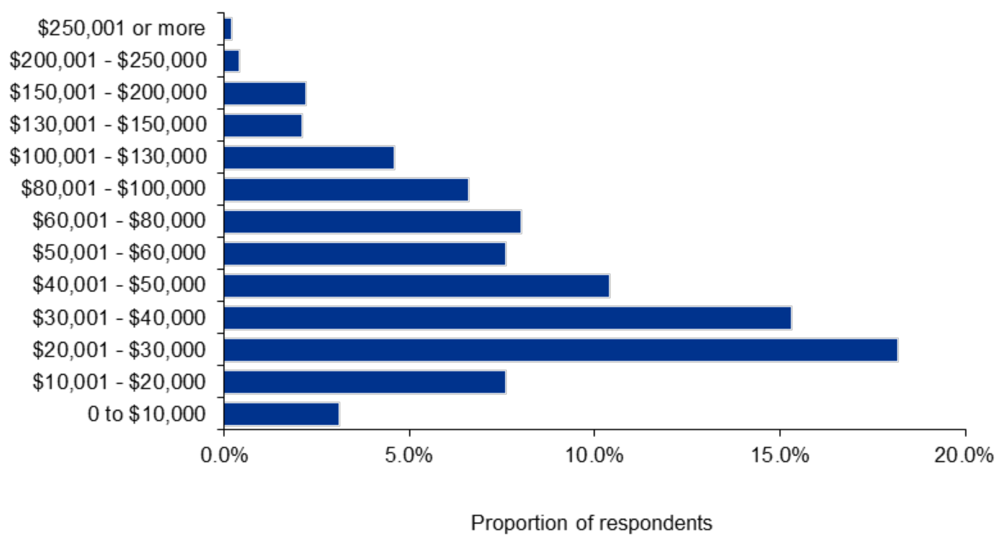
5.2 Wealth profile of consumers

Reviewing consumers' income levels, income sources, home ownership status and ownership of other assets, will aid in building the wealth profile of senior Australians. This profile can then be used to determine consumers' ability to pay their aged care fees, be it through current income sources, accessing equity within their home, or liquidating other assets.

5.2.1 Income status of respondents

Nearly half (44 per cent) of the consumers in the ACFA consumer survey indicated they have yearly household income less than $50,000. The highest proportion (18 per cent) indicated their yearly household income is between $20,000-$30,000.

Figure 7: Household income before tax



Source: ACFA consumer survey data

5.2.2 Average superannuation balance

Research undertaken by the Association of Superannuation Funds of Australia (ASFA), based on data from the Australian Bureau of Statistics Survey of Income and Housing reported the following for 2015-16[9]:

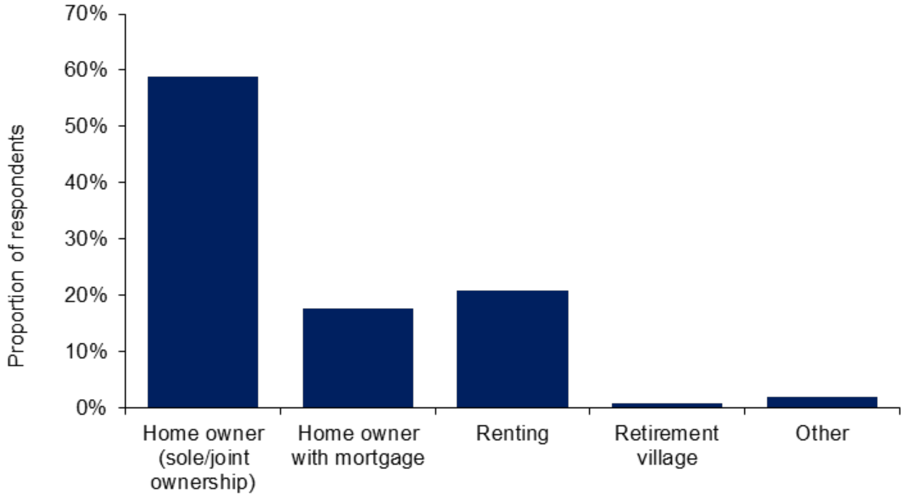
- Average superannuation balances achieved for all persons aged 15 years and over were $111,853 for men and $68,499 for women.
- Average superannuation balances at the time of retirement (assumed to be age 60 to 64) were $270,710 for men and $157,050 for women.
- There is still a significant proportion of the population who do not have any superannuation, with around one in four men and one in three women reporting they have no superannuation savings.

While the superannuation system continues to build balances as it matures, helping to manage longevity risk, there are specific cohorts that have low balances and further measures are required to encourage the accumulation of superannuation savings.

5.2.3 Home ownership

In the consumer survey, more than half (57 per cent) of consumers own their home, with 19 per cent indicating they are currently paying a mortgage and 22 per cent are currently renting. The data also indicates that two per cent of respondents own a residence in a retirement village. It is possible that the survey results are reflective of a general perception by consumers living in retirement villages that they 'own their own home' and do not make the distinction between home ownership and a retirement village.

Figure 8: Home ownership status



Source: ACFA consumer survey data

This data shows that 58 per cent of respondents potentially have a large asset that they could sell or borrow against to fund their future aged care needs. However, for aged care purposes, the consumer's family (or principal) home is excluded from the means test assessment if it is occupied by a protected person[2], as this can limit the availability as a financial resource.

91 per cent of consumers who owned their own home (with a mortgage) shared their home with a protected person.

ABS Census data indicates that in 2016, 35 per cent of the population's homes were owned with a mortgage, making this the most common type of housing tenure. Outright ownership and renting were only slightly less common (31 per cent each). While these proportions remained relatively similar to recent Censuses, 25 years ago it was more common to own a house outright. In 1991, 41 per cent of households were owned outright. The proportion of households being owned with a mortgage or being rented has increased from 54 per cent in in 1991 to 65 per cent in 2016.[10]

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[2] For aged care purposes a protected person is:

(a) the *partner or a *dependent child of the person; or
(b) a carer of the person who:
(i) had occupied the home for the past 2 years; and
(ii) was eligible to receive an *income support payment at the time; or
(c) a *close relation of the person who:
(i) had occupied the home for the past 5 years; and
(ii) was eligible to receive an *income support payment at the time.

5.2.4 Other assets

Survey respondents were asked to report assets that they have access to. The top five asset combinations are as follows:

- Home owner (20 per cent)
- Home owner and cash (11 per cent)
- Home owner, shares, and cash (9 per cent)
- Cash (7 per cent)
- Home with mortgage (6 per cent)

As discussed previously, the home is the primary asset to which consumers have access. However, if the spouse or other protected person is living there, the access may be limited. The consumer survey did not ask respondents for balances and value of assets.

5.3 Consumer profiles

Drawing on the information discussed in section 5.2, some consumer profiles around homeownership are identifiable which may require specific consideration when financing aged care needs. Key variables in the analysis included home ownership, pension status and location. This analysis covered 72 per cent of total survey respondents and is presented in the below.

Table 6 below.

Table 6: Consumer profiles

Cluster		Rural and remote	Metropolitan	Total
Home owner (sole/joint ownership)	Receive a part age pension	3%	9%	36%
	Receive the full age pension	9%	15%	
Home owner with mortgage	Receive a part age pension	1%	3%	11%
	Receive the full age pension	2%	5%	

Cluster		Rural and remote	Metropolitan	Total
Renting	Receive a part age pension	0%	2%	14%
	Receive the full age pension	4%	7%	
Self-funded retiree	N/A	3%	8%	11%

There were 297 ACFA consumer survey respondents who selected a single income/asset source to fund their care. When cross-referenced with gender, the following observations are noted:

- Females are more likely to use the age pension to fund their care (65 per cent) compared to males (35 per cent).
- Only males accessed equity release to fund their care.
- Males are much more likely to use personal loans to fund their care (75 per cent) compared to females (25 per cent).
- Males are significantly more likely to fund care by selling assets outside the family home (90 per cent) compared to females (10 per cent).
- Males are more likely to sell the family home to fund care (80 per cent) compared to females (20 per cent).
- Females are more likely to access support from family and friends to fund their care (67 per cent) compared with males (33 per cent).

5.4 Combination of aged care services accessed

There were 407 respondents who reported accessing a combination of aged care services. The top five are reported in Table 7 below. Help at home from family, friends or carers appeared in all of the top five combinations. This was in conjunction with at least one other form of paid service.

Table 7: Combination of aged care services used

Service 1	Service 2	Service 3	Total %
Help at home from family, friends or carers	Privately funded in home support		15%
Help at home from family, friends or	Government funded in home support		7%

Service 1	Service 2	Service 3	Total %
carers			
Help at home from family, friends or carers	Government funded in home care package		6%
Help at home from family, friends or carers	Retirement village (independent living)		4%
Help at home from family, friends or carers	Privately funded in home support	Government funded in home support	3%

Of those who are currently accessing aged care services, 26 per cent (288 people) are only accessing government funded aged care services.

6. Challenges with paying for aged care

This chapter provides a summary of the findings from the ACFA consumer survey and stakeholder consultations regarding the challenges identified with paying for aged care.

While chapter 3 identified that half of consumers are not worried about paying for their aged care, half are therefore worried. It is unknown whether the half that are not worried have a sufficient understanding of the issues and costs as this was not examined. This chapter explores different challenges consumers face when paying for aged care and the impact their chosen aged care service has on their ability to pay.

While some identified challenges can be attributed to the care type, general challenges for rural and remote consumers, special needs groups, and financial abuse have been identified.

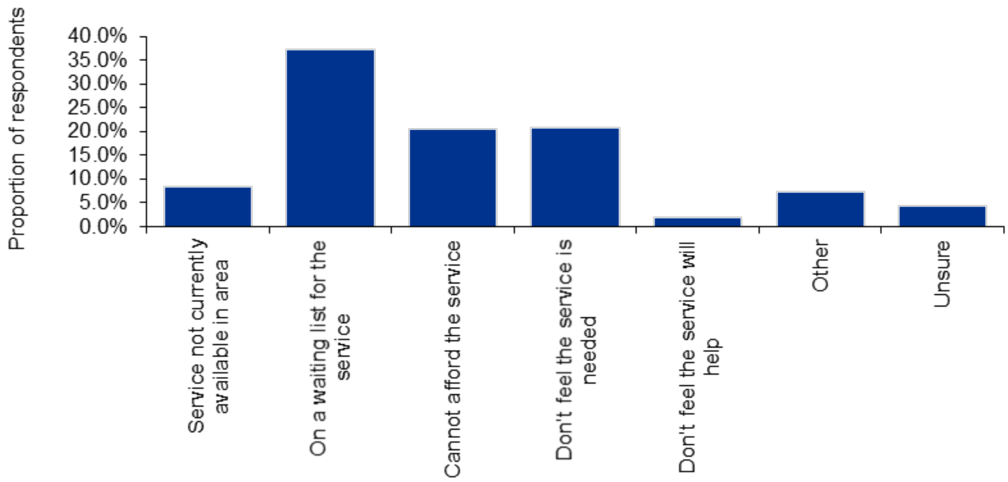
This chapter also explores how these challenges may be a barrier to consumers engaging with the planning stages identified in chapter 3.

6.1 Costs as a barrier to accessing aged care

Consumer attitudes towards paying for current or future aged care vary. However, the consumer survey identified some trends that may raise concerns.

In stakeholder consultations, it was identified that some consumers were refusing aged care services that they were eligible for. The survey sought to understand why this occurred and whether this was due to the aged care costs. Twenty per cent of respondents who had refused services felt that they could not afford the service.

Figure 9: Reasons why consumers are not accessing services they have been assessed as needing



Source: ACFA consumer survey (2018)

For those respondents who indicated they are not accessing services they have been assessed as needing because of affordability issues, two-thirds reported earning less than $80,000 per annum. There were no significant differences in responses by females and males (46 and 54 per cent respectively).

The survey indicates that for some consumers, cost appears to be an influencing factor when choosing their care, with 38 per cent either somewhat or strongly disagreeing with the statement *'I always choose the best aged care services available, regardless of the price'*.

6.2 Barriers for low to medium level care to support independence at home

Identified barriers to accessing low to medium level aged care included; the aged care fee structure for CHSP compared to home care as well as insufficient Australian Government aged care services resulting in an increased reliance on informal care and services.

- **CHSP and home care interface:** Stakeholder consultations advised that consumer contributions are not always collected for services delivered through CHSP, and as a result, it is often viewed as a free or low-cost support that offers excellent value. This contrasts to home care packages, where potential fees are higher than CHSP fees and potentially viewed as less value for money.

The reality (or perception) of lower fees for CHSP, for a similar type of care and services, has resulted in the following consumer behaviours:

- Consumers may decline lower level home care packages in favour of receiving a similar level of care through CHSP for a lower, or no, cost.
- Consumers may increase their CHSP services to create their own pseudo home care package at a lower, or no, cost.
- Consumers may accept a lower level (interim) package in addition to CHSP services while they wait for a higher level package to become available.

- **Home care packages:** Stakeholder consultations advised that the flat structure of home care fees has resulted in a perception that consumers do not receive value for money from the lower level packages. This is particularly pertinent for consumers who pay an income-tested care fee. As such, consumers may decline lower level packages in favour of retaining CHSP services or accessing private (fee-for-service) care and services. However, it was also reported that these consumers would typically accept a higher level package when available, because of the perceived higher value.

  The flat structure of home care fees may also compound perceptions of what constitutes value for money, particularly for consumers who pay the maximum income-tested care fee. This perception may also be a contributing factor for consumers accepting a higher level package prematurely which, in turn, may be leading to a corresponding increase in unspent funds from $3,667 per consumer, at 30 June 2016 to $4,613 per consumer at 30 June 2017. As noted in the 2018 ACFA Annual Report, ACFA considers that a review of policies concerning unspent funds and the implications for the home care program funding is warranted.

  These perceptions and behaviours are likely to be impacting on the national prioritisation queue. This arises from consumers in receipt of a lower level package remaining in the queue, because they are waiting to receive the perceived increased value of the higher-level packages. As noted in the 2018 ACFA Annual Report, ACFA considers that further analysis is required to better understand the extent to which the queue represents actual unmet need and whether the current home care package fee structure is compounding waiting times.

- **Financial hardship assistance for home care packages:** From 1 July 2014, home care consumers are able to apply for financial hardship assistance with their fees. However, approval rates remain low. This is likely due to the essential expenses threshold being the same threshold used for residential aged care and as such, does not allow for differences in full income needs. ACFA considers that a review of rejected hardship applications for the home care program should be undertaken to determine if this threshold needs to be adjusted.

- **Informal care and services:** Stakeholder consultations reported that consumers whose home care packages are insufficient to cover their care needs may rely on informal care arrangements unless they can afford private (fee-for-service) care and services.

  Previous research has shown that this care burden is more likely to fall on female family members who are then less likely to engage in the workforce due to the care burden.[11]

  Consultations with stakeholders revealed anecdotes of family members taking time off work, reducing working hours, resigning from employment and/or working 'shifts' with other family members to care for the ageing relative.

  It was noted that the carer is likely to experience a personal financial impact, and in some instances may create a source of family conflict.

- **Emerging strategies for home care fees:** Stakeholder consultations advised that some home care providers, especially new providers, reported that they have commenced advertising no-fee home care packages whereby they do not collect the full, or any, basic daily fee. Stakeholders agree that many consumers see this as a positive measure to make care affordable and accessible, however, it is not clear if consumers realise they will receive a lower level of care and services as a result, and may represent a false economy for some consumers.

  Another emerging advertising strategy from some providers is to offer consumers 'deferred fee' home care, where services are provided to a consumer approved for a home care package, but who is still waiting for its allocation. Services are provided to the consumer at no immediate cost, and once the package is allocated 'payment' is progressively deducted from the available package.

  These strategies are driven by competitive behaviours of providers in marketing activities to attract consumers, who are in turn being influenced by the perceived cheaper costs as a way of managing the financial impact.

A number of recommendations from the *Legislated Review of Aged Care 2017* may assist with these issues. Specifically:

- **Recommendation 11:** intends to enable individuals to compare home care pricing on the My Aged Care website. Potentially, this comparability should be extended to CHSP to further remove some of the disparity between these programs.

- **Recommendation 12:** intends to make the basic daily fee proportionate to the value of the home care package level. Potentially, this proportionality should be extended to the income-tested care fee.
- **Recommendation 16:** intends remove some of the aged care fee disparity between the CHSP and home care programs.

6.3 Barriers for acute/complex needs

Early entry to residential care: Stakeholder consultations advised that some consumers have elected to move into residential aged care earlier than needed due to cost of living pressures.

- It has been noted that some consumers with low means (i.e. receiving the age pension as the sole, or major, source of their income) and the inability to rely on informal care may have no longer been able to afford the cost of living (such as higher utility costs during winter), in addition to their home care fees. As such, they decided to move into residential care where the cost of living was known and potentially cheaper and could be managed on a fixed income. However, such residents often attract a lower Aged Care Funding Instrument (ACFI) score and, as such, may not be as attractive to providers.
- **Residential respite care:** When consumers access respite care, they often struggle to pay for their aged care fees in addition to maintaining the costs of daily living in the community. As such, consumers will apply for financial hardship assistance with these fees with 56 per cent of applications for financial hardship assistance (for respite care recipients) being approved during the 2017/18 financial year.

  The implications of respite care are covered more fully in the *ACFA report on respite for aged care recipients October 2018*.
- **Delays with selling the principal (family) home:** Consumers may choose to sell the family home to pay fees but this may create difficulties if long delays in selling are experienced. In some areas it may take longer than six months to sell. Relief is generally not available during this period as there is a waiting period for property to be classed as an unrealisable asset under the financial hardship assistance rules. Some jurisdictions are experiencing house prices that are lower than average RAD prices in the same area, consequently impacting the consumer's ability to pay the full RAD for their accommodation. However, ACFA notes that the flexibility in the accommodation payment options means that residents are not restricted by their net assets when considering accommodation as they can pay by lump sum, daily payment or a combination of the two.

- **Accommodation choices:** Consumers transitioning from retirement living or land lease communities can struggle to afford the accommodation costs of residential aged care. This may be due to estates being reduced by fees associated with retirement living contracts, delays in selling, settling or receiving funds from operators, or due to the market value of these homes being well under the expected residential aged care accommodation payment.

  Consumers who fall outside of the partially supported threshold by a small margin find the costs of residential care significant, which impacts heavily on their financial position until they are able to apply for financial hardship assistance.

- **Additional service fees:** There is uncertainty in relation to additional service fees. This information is not required to be published on My Aged Care unlike other fees that a provider charges and is not always prominent or clear on a provider's website or in a residential agreement. Consumers often do not know whether they will be required to pay an additional service fee, what their rights are in relation to the services that they are paying for, or indeed what services they are actually purchasing.

- **Means testing for couples:** Couples where both partners are entering care face a range of unique challenges which include:

  - Each member of the couple will need to complete the means test assessment, with half the combined income and assets of both members of the couple being included in each assessment, irrespective of who earns the income or whose name in which the asset is held. This can be a particular concern for second and subsequent marriages and blended families.
  - Each member of the couple pays individual accommodation costs, basic daily fees, and means-tested care fees (if applicable).
  - Couples may not be able to stay in the same room within the residential aged care home or even the same residential aged care home.
  - If they enter on different dates, the aged care fees payable for the first member of the couple may increase upon entry of the second member of the couple. However, their low-means status (if applicable) will not change. Note that for the period of time that one partner is in care and the other is not this will mean that they are required to fund two households with the same resources that were previously being used to fund one.
  - If the second member of the couple exhausts their combined income and assets to pay for their RAD, there may be insufficient income to pay both sets of aged care fees.

6.4 Financial stress and sacrifices

The ACFA consumer survey indicates that the lack of preparation and planning for aged care can lead to financial stress for older Australians and their families across all program types.

> Financial stress is a *condition that is the result of financial and/or economic events that create anxiety, worry, or a sense of scarcity, and is accompanied by a physiological stress response*[12].

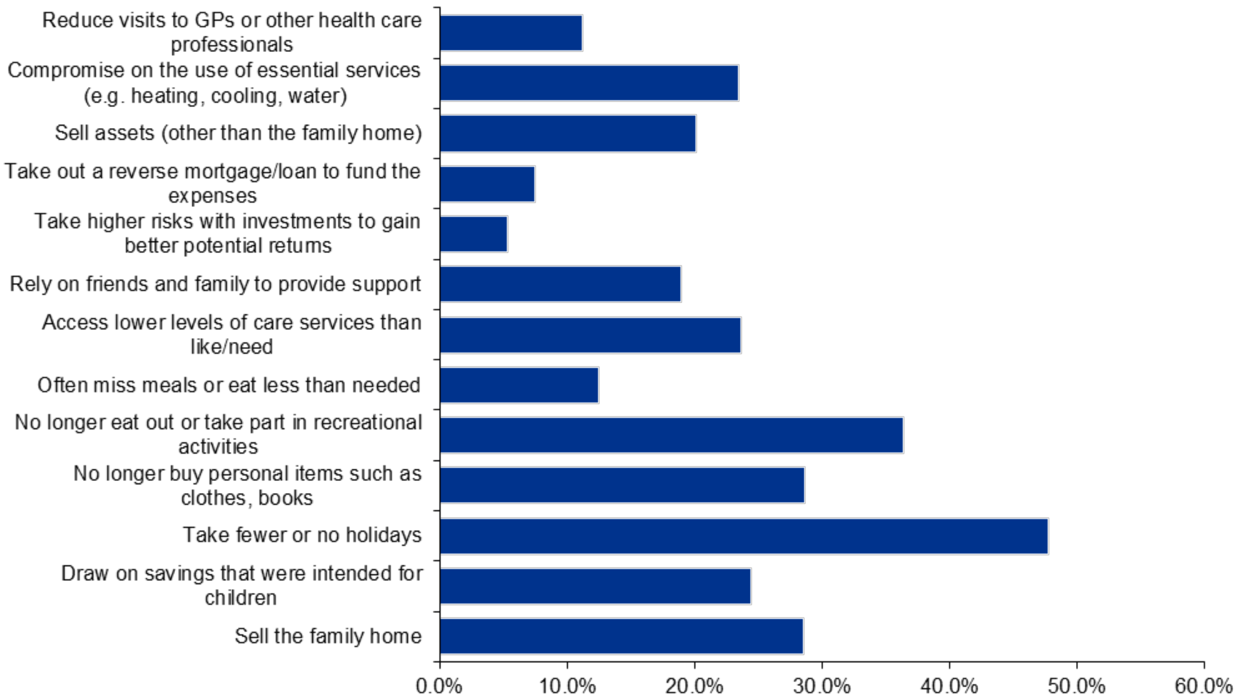
To determine if consumers experience financial stress with paying their aged care fees, they were asked to weight their feelings with the statement '*I worry everyday about affording the care I need*', nearly half (49 per cent) either somewhat agreed or strongly agreed.

Fifty three per cent of consumers either strongly disagreed or somewhat disagreed with the statement '*I am not worried about the ability to pay for my care, I have more than enough*'.

Consumers were asked what sacrifices they are making (or expect to make) to pay for aged care. Largely, the response was to reduce discretionary or leisure expenditure with 47 per cent indicating they would reduce expenditure on holidays (or fewer holidays) and/or 36 per cent no longer eating out or taking part in recreational activities.

While a reduction in leisure activities could be expected, more concerning are the expectations that the reductions will occur in visits to GPs or other health professionals (11.2 per cent) and/or missing meals (12.5 per cent).

Figure 10: Sacrifices made or expected to be made to fund aged care



Source: ACFA consumer survey (2018)

The financial pressures and need to make sacrifices affects both couples and singles, but appeared to be slightly more prevalent in couples, with over half (56 per cent) of those who indicated that sacrifices had been made being either married or in a de-facto relationship.

The incidence is however, highly correlated to income levels. Table 8 below shows expenditure sacrifice by income bracket. Consumers across all household income brackets indicated the need to make sacrifices to pay for aged care. However, the data suggests that those with household income less than $20,000 are most likely to need to make sacrifices. Those with household income between $20,001 and $80,000 indicate a lower (but still significant) need to make sacrifices.

Table 8: Expenditure sacrifices to pay for aged care, by income bracket

Survey question	Household income					
'I have to make sacrifices in daily spending to be able to pay aged care needs'	**less than $20,000**	**$20,001 - $30,000**	**$30,001 - $40,000**	**$40,001 - $50,000**	**$50,001 - $80,000**	**More than $80,000**
Strongly disagree	*13.1%*	*13.3%*	*7.7%*	*14.6%*	*12.1%*	*4.1%*
Somewhat disagree	*9.8%*	*15.0%*	*23.7%*	*13.9%*	*22.1%*	*16.2%*
Neither	*22.0%*	*30.3%*	*34.6%*	*26.8%*	*29.3%*	*27.2%*
Somewhat agree	*34.4%*	*25.3%*	*27.9%*	*28.3%*	*25.7%*	*37.1%*
Strongly agree	*20.7%*	*16.1%*	*6.0%*	*16.4%*	*10.8%*	*15.4%*

6.5 Elder abuse and changing family dynamics

A significant number of stakeholders, including aged care providers, peak bodies, financial advisors and CALD representatives expressed concern around the increase they are seeing in financial elder abuse from family members and carers across all programs. These concerns are outlined below.

6.5.1 Family abuse

Senior Australians are in a vulnerable position in terms of their finances if they become more reliant on children/family members/carers to help them manage their day-to-day finances.

Aged care providers advised that in some instances:

- Enduring Power of Attorneys (EPoAs) have taken control of a family member's finances and used the money for personal gain
- Family members, who are registered nominees for Centrelink purposes, changed the banking details attached to a person's pension to their own banking details to 'assist the senior Australian to manage their finances'
- Family members have convinced senior Australians to sell the family home and disperse the estate prior to accessing aged care.

These actions may result in the consumers being unable to pay their aged care fees or buy essential daily items due to financial resources having been exhausted. In some cases, the strategies to disperse assets may be a deliberate attempt to reduce fees when the move to aged care occurs.

Aged care providers also advised that in some instances, consumers are prevented from accessing higher levels of care (e.g. residential care) because family members do not want to lose the supports associated with home care, such as lawn mowing and home maintenance and/or pooled income streams.

Aged care providers in particular commented that there is a lack of information in terms of how to report and escalate instances of elder abuse and that the tribunal process to appoint a guardian can be slow and emotionally draining, and not always in the family's or the consumer's best interests.

6.5.2 Family dynamics

Changing family dynamics can be a significant contributor to the elder abuse issue. There are several unique challenges for older Australians who are, for example, in a second marriage or living with a partner but not married, including people who are lesbian, gay, bisexual, transgender, and/or intersex (LGBTI).

Stakeholders reported that often inadequate planning or arrangements to deal with the estate planning implications can cause difficulties, particularly in relation to the family home if one member of the couple enters care or passes away. The combined treatment of assets and income for a coupled (who do not always pool resources) for aged care means testing purposes can also create difficulties. Estate management can become complicated for instance, if the children from a first marriage do not recognise the ownership/occupation rights of the new spouse, which may render that person homeless.

6.5.3 Abuse by carers

CALD representative bodies noted that CALD communities are particularly vulnerable to elder abuse. Specifically, people who do not speak English as their first language, do not speak English, or have lost their ability to speak English through a loss of cognitive function (such as dementia) are particularly vulnerable.

Aged care providers and CALD representative bodies reported that they were aware of instances when carers who were relied on to provide translation for the consumer, manipulated the consumer to name them as a beneficiary in their will or to provide them with money for personal use.

ACFA notes that the Australian Law Reform Commission released the *Elder Abuse – A National Legal Response*[13] report in May 2017, in which it identified financial abuse as the most commonly reported type of elder abuse. The report recommends the Australian Government, in cooperation with state and territory governments, should develop a National Plan to combat elder abuse. On 20 February 2018, the Attorney-General announced the National Plan to address elder abuse will be developed in conjunction with the Australian Government and state and territory attorneys-general.

6.6 Regional, rural and remote

The ACFA consumer survey and stakeholder consultations identified that consumers in regional, rural and remote areas face unique challenges when it comes to financing aged care. These challenges are outlined below.

6.6.1 Accessibility of the system

Stakeholder consultations advised that consumers in more remote locations can find it difficult to access RAS and ACATs in a timely manner, leading to delays in the assessment process and financial pressure in financing interim supports.

Aboriginal and Torres Strait Islander consumers also experience a range of cultural barriers in navigating the My Aged Care contact centre. It is only with additional support from a provider or appropriate advocate that many consumers are able to progress through the system.

Home care was more problematic because it requires an ACAT, rather than an assessment that can be completed over the telephone.

6.6.2 Availability of services

Stakeholder consultations noted that the availability of aged care services in regional, rural and remote settings is limited, both in terms of number of service providers and types of services available.

Most consumers in more remote locations have limited choice in the types of services available, and the number of providers available to them. Subsequently, competition in these thin markets is reduced and not only limits consumer choice, but also leads to a higher cost of service. This is especially true for home care services, where consumers are often charged higher rates than consumers who reside in metropolitan areas. These increased costs are driven by factors such as increased travel costs and difficulties in service provision, but also the lack of competition in some areas. This increased cost limits the quantum of services accessible from a home care package for consumers. For example, a number of providers identified consumers who may only be provided with 10 hours of services per week on a level four package due to the costs associated with travelling to them and the administration charges.

Aged care providers indicated that the block funding nature of the national Aboriginal and Torres Strait Islander flexible aged care program (NATSIFACP) and multi-purpose services (MPS) enables them to deliver a flexible and more financially viable model of care for consumers in a rural setting. Aged care providers noted that these programs ensure a constant income stream which provides them with stability of income and the flexibility to manage the delivery of aged care services to meet the needs of the community.

In addition, MPS services may provide a lower cost option to consumers, as the collection of the basic daily fee and accommodation payments are left to the discretion of the MPS provider which is often government owned or not for profit and, as a result, may result in the consumer not being asked to pay these aged care fees.

New platform home care provider options may also open up the range and access in rural and remote areas and drive competition in pricing and flexibility of services.

6.6.3 Ability to finance aged care

Stakeholder consultations highlighted that the ability to plan and contribute to the cost of care was lower for consumers in rural and remote areas. Some consumers in more remote locations have little in terms of income outside of income support payments and are unable to plan for financing their aged care. One provider identified 70-80 per cent of their consumers fitting into this category.

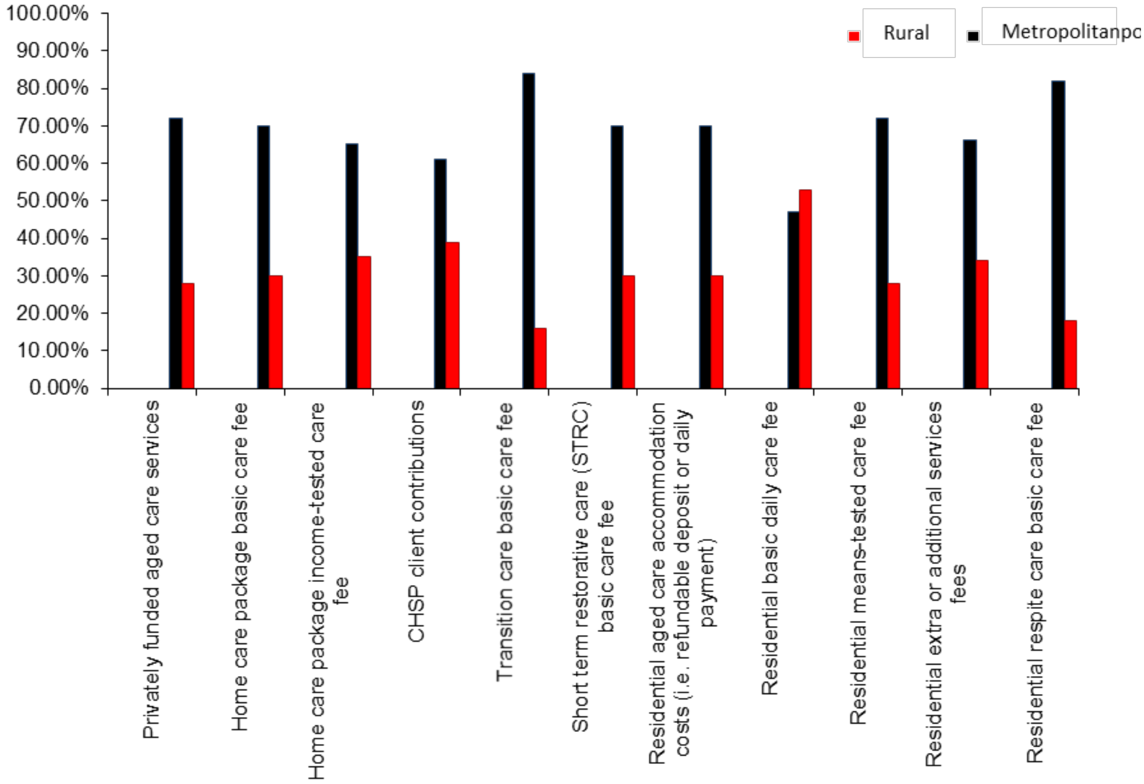
Over half of respondents in rural regions (57 per cent) receive a yearly household income of $0-$40,000, compared with 39 per cent of those living in metropolitan regions. The two cohorts are comparable in the $40,001-$50,000 bracket with 10 per cent of metropolitan respondents and 10 per cent of rural respondents falling into this category. In the higher income brackets (from $50,001-$250,000) there were consistently more metropolitan respondents in each bracket.

Survey results indicate that there is a difference in the aged care cost incurred by people living in metropolitan areas compared with rural areas as shown in Figure 11 below. Those in rural areas, currently receiving aged care are less likely to incur costs for their care. For example, of the survey respondents who are paying a home care package basic care fee, 70 per cent are living in metropolitan areas, compared with 30 per cent living in a rural area.

This trend is similar for those consumers paying a home care package income-tested care fee, with 65 per cent of consumers residing in a metropolitan area compared with 35 per cent in rural areas. This is supported by stakeholder consultation with various providers which indicate that ability to plan and contribute to the cost of care was noted to be lower for consumers in rural and remote areas.

The consumer survey highlighted that consumers from regional, rural and remote areas are generally less confident in their ability to pay their aged care costs compared to their metropolitan counterparts. In addition to the specific challenges discussed, this might be linked to the difference in property values, and lower household incomes.

Figure 11: Payment of aged care fees by program type for rural and metropolitan



Source: ACFA consumer survey data

During stakeholder consultations, it was noted that people living in rural areas often face long waiting times to sell property, leading to uncertainty and stress in planning how to pay for care fees. While hardship provisions may apply, the six months waiting period for property to be classed as an unrealisable asset under the financial hardship assistance rules, may leave consumers in limbo for that period.

Some rural and remote areas are experiencing house prices lower than average RAD prices in the same area. Without awareness of the options for funding accommodation, it may create a perceived financial barrier for some consumers from seeking residential care.

Other rural consumers, such as farmers with significant land assets, are often unable to easily liquidate them. This creates issues and concerns with funding their accommodation costs in residential care as well as care fees and other ongoing costs. The ownership structures and use of trusts may create unexpected and unintended consequences and lead to financial hardships and stress for farming families.

Additional complexities arise when Aboriginal and Torres Strait Islander consumers live in a group/share home, with a carer and access social housing support. In these circumstances barriers may arise to limit the consumer transitioning to residential care because the other people co-sharing the accommodation are reluctant to lose some of the pooled income.

7. Financial products

This chapter provides a summary of the different financial products available to help senior Australians pay their aged care costs through:

- debt and equity release products
- financial investments

7.1 Debt and equity release products

It is often said that many senior Australians are 'cash poor and asset rich' whereby their wealth is tied up in assets (typically the family home).[14] Debt and equity release products allow senior Australians to access the equity in their home to assist with the cost of living, including financing aged care needs, while still living in their home.

7.1.1 Reverse mortgages

Reverse mortgage and equity release loans work by allowing consumers to borrow against a portion of the equity in their home while allowing them to remain living in the home and continue to own the home. These funds are then used by the consumer to, amongst other things:

- pay ongoing living expenses
- maintain or upgrade their house to remain safely living within the community
- prepare a house for rental or sale
- pay accommodation costs to enter an aged care home (RAD or DAP).

Reverse mortgages and equity release products can be taken as a lump sum, a regular income stream, a line of credit or a combination of these options and are generally repayable upon the sale of the home, however, conditions vary across providers.[20]

7.1.2 Aged care loans

Some reverse mortgage loans may require repayment if the consumer leaves the home, making them unsuitable for funding residential aged care. In recent years, product development has also seen the emergence of aged care loans which are a variation on reverse mortgages in that the borrower does not have to remain living in the home but the loan is usually for a limited term e.g. five years.

7.1.3 Equity release alternatives

Alternative products that are available to access equity in the home that are not debt related include partial sale schemes.

Under these schemes, the consumer enters into a deferred sale contract to sell the lender a percentage of the future sale price of the home in exchange for an upfront lump sum payment. The consumer continues to live in the home. Once the property is sold, the scheme operator will receive the original agreed percentage from the sale proceeds.

7.1.4 Land lease communities and downsizing

Land Lease communities are another alternative to equity release products. In these communities, residents rent the land on which their home sits, so they only need to purchase the physical building and not the land.

Downsizing of property often does not release as much equity as consumers expect due to sale and relocation costs (including stamp duty) as well as the fact that while consumers may downsize in size of the home, they often upgrade in terms of location and/or amenities.

Land lease communities may allow consumers to sell their home and move to alternative accommodation that may be cheaper than other real estate options so equity can be released.

7.1.5 Pension Loan Scheme (PLS)

The Australian Government provides a subsidised reverse mortgage scheme for part-pensioners and self-funded retirees by way of the Pension Loan Scheme (PLS). The PLS allows eligible recipients to unlock equity in their home to increase their regular fortnightly payments, for a short or indefinite period. Repayments can be made at any time or the debt can be left, including the accrued interest, to be recovered from the person's estate. The loan is secured against the value of any Australian real estate they own[15].

Take-up of the PLS is low and declining further from 805 loans in 2013 to 650 currently.

The 2018-19 *Preparing financially for a longer and more secure life – Expansion of the Pension Loan Scheme* measure will expand the eligibility of the PLS to all Australians of age pension age and will allow senior Australians to access up to an additional $11,800 for a single person and $17,800 for a couple, thus increasing their income stream by up to 50 per cent of the full pension. This is seen as a positive measure that may encourage consumers to consider the use of equity in the home to improve quality of life in the later stages of retirement.

7.2 Financial investments

7.2.1 Deposit and investment based accounts

Whilst not specific to financing aged care, deposit accounts assist consumers in terms of providing cash reserves for short term needs and preservation of capital. These are often used to deposit the proceeds of asset sales (including the sale of the home) that are surplus to the needs for funding aged care.

Longer term investments (including term deposits, unit trusts and shares) may be used for capital growth and to protect against inflation. These investments can also be used to provide additional sources of income.

Providers of these investment products include banks, insurance companies, funds management companies and brokerage houses.[16]

7.2.2 Account-based pensions

An account-based pension is created with a lump sum from a superannuation fund. This is usually done by transferring money from an accumulation superannuation account to an account-based pension account, after the consumer has reached their preservation age and met a condition of release. The consumer will be required to withdraw a minimum pension amount each year, depending on their age. If they have met a full condition of release (e.g. terminating meaningful employment), the consumer may elect to withdraw the entire balance and close the account-based pension. This can have estate planning benefits as well as provide capital to fund aged care needs.

7.2.3 Deferred annuities and other income streams

An annuity pays a guaranteed income for a set period of time. Consumers can choose the payment period, whether it be a lifetime or a set number of years. Unlike other retirement phase income products, annuities provide certainty in terms of return and timeframe.

Annuities are typically purchased from a superannuation fund or a life insurance company with a lump sum. Deferred lifetime annuities (DLAs) are an emerging form of lifetime annuity where income payments are delayed for a set amount of time. For example, a 65-year-old retiree may purchase a DLA that will provide a steady income stream after the retiree turns 85 to guarantee income more than just the Age Pension for the remainder of the retiree’s life.

As part of the 2018-19 *Preparing financially for a longer and more secure life – Retirement Income Framework* measure, the Australian Government announced they will introduce a retirement income covenant in the *Superannuation Industry (Supervision) Act 1993*, requiring trustees to develop a strategy that would help members achieve their retirement income objectives.

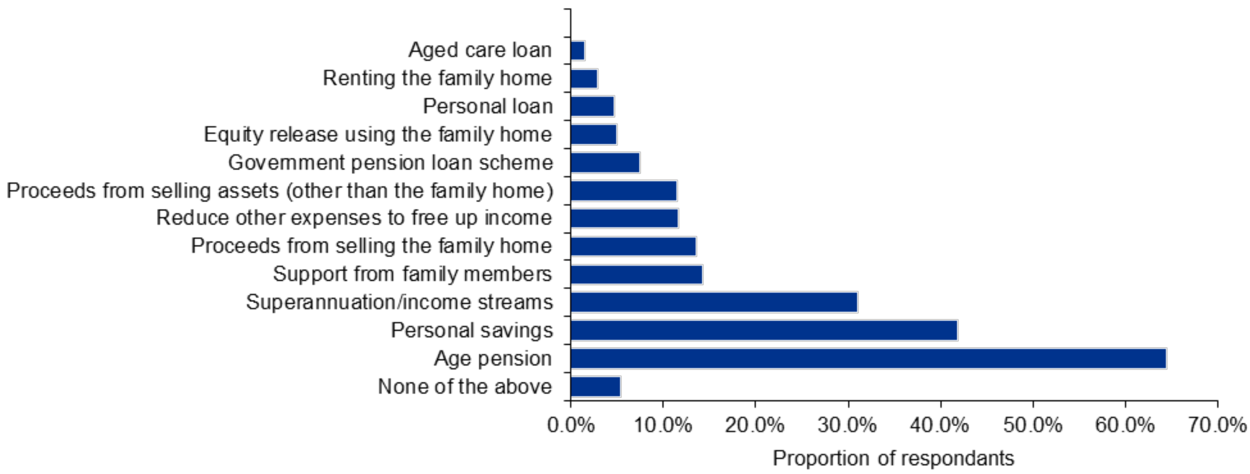
This will focus the industry on supporting a higher standard of living for retirees.

The covenant will require trustees to offer Comprehensive Income Products for Retirement (CIPRs): products that provide individuals income for life, no matter how long they live.

7.3 Challenges with financial products

The extent to which consumers are accessing financial products to finance their care varies significantly. While consumers are able to use cash flow and/or accumulated wealth and equity to fund their aged care needs, the ACFA consumer survey and consumer follow-up consultations indicate that consumers aim to use traditional cash flow sources first (age pension, superannuation, savings) and then their assets, to pay their aged care costs (as discussed in chapter 5 and shown in Figure 12 below). They were less likely to use specific financial products to fund their care, with only 2 per cent of respondents indicating they currently use an aged care loan, 5 per cent indicating they use a personal loan and 5 per cent using an equity release product.

Figure 12: Income streams used to pay aged care costs



Source: ACFA consumer survey

While consumers accessing CHSP and home care can rely more heavily on cash flow to fund their aged care costs, once a consumer enters residential care, in addition to accessing their cash flow, they may need to restructure their assets to meet their aged care costs, in particular the accommodation costs in residential aged care.

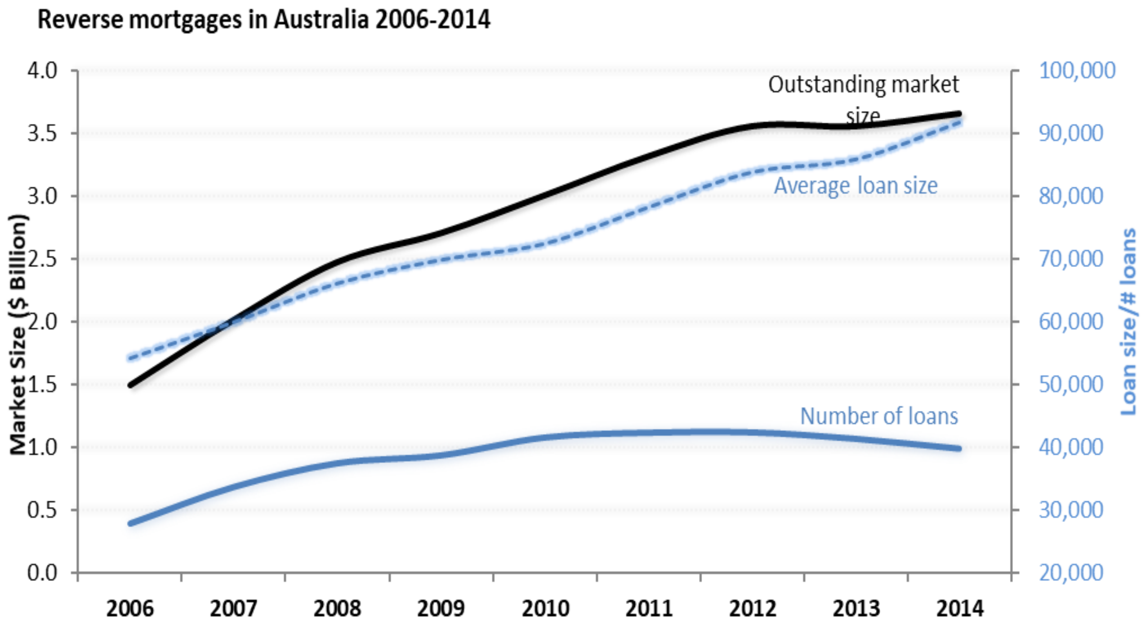
7.3.1 Challenges with equity release

The survey also indicated that consumers aged 60-64 years are the most likely to use equity release products with 8 per cent of this cohort currently using equity release to fund their care. This is compared with 3 per cent of consumers aged 65-69 years, 5 per cent of consumers aged 70-74 years and 4 per cent of consumers aged 75 years and over.

However, consumers overall tend to have an unwillingness to take on debt in their retirement years. If consumers have worked for many years to pay off a mortgage, there is a reluctance to 're-enter' into debt. In addition, there is a fear that hard-earned equity will diminish and reduce the inheritance they can leave to the next generation.

Take-up of equity release products is generally low in Australia. At 31 December 2014 there were approximately 40,000 reverse mortgages in Australia worth a total of $3.6 billion.[17]

Figure 13 growth in the reverse mortgage market between December 2006 and December 2014



Source: Deloitte Reverse Mortgage Survey 2014

While the reverse mortgage market expanded during the mid-2000s, growth slowed substantially following the global financial crisis and has since flattened out, with the number of loans actually decreasing between 2011 and 2014.

The Productivity Commission suggests that there has been a modest revival in the market, and that a number of providers are now offering products specifically for aged care purposes, demand for which has been slowly growing since the 2014 reforms to aged care[18]. However, recent announcements in the market have a major bank lender preparing to exit this area which means none of the big four banks will be operating in this market.

The Productivity Commission also suggests that both demand and supply issues are constraining a higher take up of equity release products.

- **Consumers:** demand is impeded by preferences affecting the family home and debt; negative perceptions of the products; poor financial literacy and information; high costs and risks; and disincentives arising from the tax and transfer treatment of the principal residence.
- **Providers and investors:** little interest in the products due to the relatively small market size; the risks caused by the uncertain timing and value of returns; costly prudential and regulatory requirements; the lack of a consistent regulatory framework across ERPs; and the reputational risk inherent in offering the products[19].

A recent review conducted by ASIC, indicated that the longer-term challenges associated for consumers remain with consumers continuing to have poor understanding of the risks and future costs of their loan, and generally failing to consider how their loan could impact their ability to afford their possible future aged care needs.[20] Improved awareness among consumers, of the costs associated with aged care may lead to more consideration of equity release products as a viable option to fund future aged care needs, particularly for funding home care services.

Senior Australians accessing these products also need to consider the impact on other people living within their home, changes to their pension and estate planning before accessing these products.

ACFA notes that consumers in some areas may face difficulties in using reverse mortgages to fund aged care costs due to lending restrictions in some postcodes (especially rural and remote regions) and loan-to-value ratio restrictions.

The Aged Care Sector Committee's Roadmap envisages a greater role for consumer contributions in return for greater consumer choice and control and competition in the provision of services leading to higher quality services. To support this growth, the Roadmap also envisages that the market will provide an expanded range of financial products to provide flexible ways for people to pay for their aged care.

To ensure consistency with other potential reforms changes, ACFA notes that any changes to enhance the profile of equity release products should be made in conjunction with outcomes as recommended by the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.

8. Sources of information and advice

This chapter provides a summary of the information products and advice services that are available to support senior Australians to navigate the aged care system and understand how they will pay for their current and future aged care needs. These include:

- Government information services
- financial planning industry
- mortgage and finance brokers
- aged care providers and placement agencies
- consumer groups and other services
- benchmarking retiree income needs

This chapter also outlines the potential fees associated with these services

8.1 How consumers access information and advice

Stakeholder consultations and the ACFA consumer survey sought to understand what information products and advice services are available to support senior Australians to navigate the aged care system and understand how they will pay for their current and future aged care needs.

The way in which consumers access information and the level of support they need is dependent on the individual. Some consumers want information that they can use to make their own decisions, while others prefer to have someone navigate the aged care system on their behalf. As a result, various information resources and advice services are available from Government, the financial planning industry, mortgage and credit brokers, aged care providers, placement agencies, and consumer groups, to meet these individual needs.

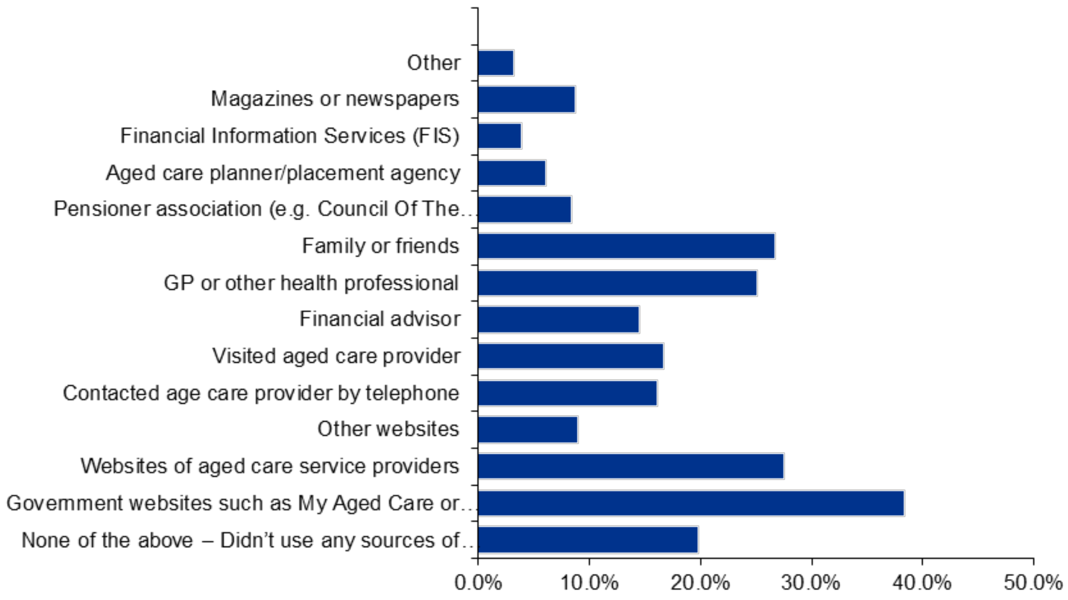
The findings of the stakeholder consultations and the consumer survey are presented within this section in relation to the main sources of information and advice available to help consumers make informed decisions about financing, planning and accessing aged care.

To determine how consumers decide to pay for aged care, the survey sought to understand who the consumer would seek advice from, which sources of information they used to help decide how to fund their aged care, and which sources they found to be most useful. However, the survey did not test how consumers determined which aged care service would best meet their needs, or how they then accessed that service.

ACFA's consumer survey indicates that consumers and their families are predominantly using websites to access information, with 38 per cent accessing Government websites and 27 per cent accessing aged care provider websites. The survey also indicates that consumers will seek information directly from a provider through either site visits (16 per cent) and/or the telephone (16 per cent).

While the survey indicated a significant proportion of consumers are seeking information and support in terms of planning to fund their care this does not reflect general trends identified in other research and surveys and may indicate a misconception in what it means to plan for aged care. For example, survey research undertaken by McCrindle and Absolute Care found that more than one in five feel uninformed (22 per cent not really/not at all informed) about the care options available.

Figure 14: Sources of information accessed when deciding how to pay for aged care



Source: ACFA consumer survey 2018

Of the 20 per cent of consumers who advised that they did not seek advice prior to accessing aged care services (as shown in Figure 14):

- 50 per cent reported that they want to do it in time, but have not done so yet
- 18 per cent reported that they were not aware of the various sources of information available
- 15 per cent did not feel that the information was relevant to their situation
- 6 per cent indicated they did not trust the sources of information
- 13 per cent felt they already had enough information.

This data indicates that further opportunities are available to support consumers with accessing relevant and timely information that will assist with making decisions about financing aged care needs. ACFA's view is that the confusion and lack of awareness of what was available that was expressed by consumers indicates that improvements can be gained with further analysis on how and when the information and advice sources were used and how linkages can be more effectively formed.

8.1.1 Information accessed

Table 9 below lists the sources of information reported as being accessed and indicates whether the consumer found the information useful. The most useful sources of information were financial advisors (46 per cent), government websites (41 per cent) and family or friends (38 per cent).

Table 9: usefulness of information accessed

Information source	Proportion reporting information source as useful
Government websites such as My Aged Care or Money Smart	41%
Websites of aged care service providers	19%
Other websites	17%
Contacted age care provider by telephone	20%
Visited aged care provider	27%
Financial advisor	46%
GP or other health professional	26%
Family or friends	38%
Pensioner association (e.g. Council Of The Ageing, National Seniors Association)	11%
Aged care planner/placement agency	17%
Financial Information Services (FIS)	20%
Magazines or newspapers	15%

This data indicates that consumers may be looking for advice to facilitate decision-making, not just information which they need to interpret on their own. Financial advisors need to be encouraged to provide advice and the reasons why the extent of advisors working in this area is limited should be explored further.

8.2 Government information services

ACFA's consumer survey indicates that Government websites such as Money Smart and My Aged Care were reported as the highest source of information accessed, with 41 per cent of consumers indicating they used these websites when planning aged care needs.

8.2.1 My Aged Care

The My Aged Care contact centre and website has been established to help senior Australians, their families, carers and other interested consumers to navigate and understand the Australian Government funded aged care system, including the fees payable.

Two key features of the My Aged Care website that assist consumers to understand the application of the rules and fees payable are:

- Two fee estimators (www.myagedcare.gov.au/estimate-fees-for-aged-care-services) which can be used by prospective home care and residential care consumers to calculate their expected aged care fees.
- Aged Care Service Finder (www.myagedcare.gov.au/service-finders) which can be used by consumers to identify aged care providers across CHSP, home care packages and residential care and compare the various prices for accommodation and care services.

In addition to information on fees, the My Aged Care contact centre and website also helps consumers to navigate and understand the Australian Government funded aged care system. This includes detailed information on CHSP, short-term restorative care (STRC), transition care, home care package program, residential respite care, and residential aged care. Detailed material includes: Steps to enter an aged care home, Your guide to home care package services, and Your guide to Commonwealth home support program services, and provide consumers with information on how to access the program and potential aged care fees.

8.2.2 Financial Information Service

The Financial Information Service (FIS) provided through Centrelink is a free information service that aims to support people to make informed decisions about their current and future financial needs. This includes education regarding lifestyle matters such as accommodation options in retirement, and fees and charges associated with accessing aged care services.

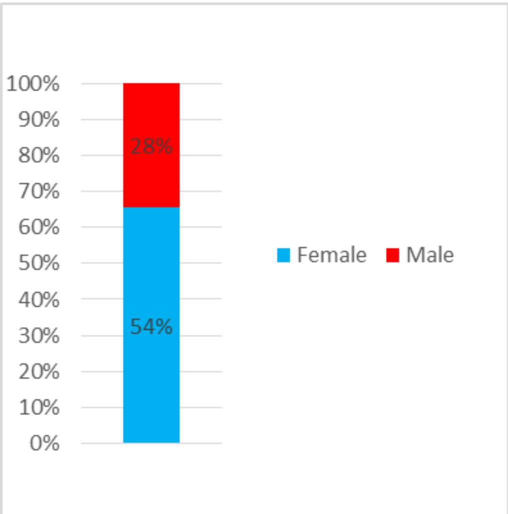
FIS is independent, free and confidential and provides services over the telephone (FIS Phone service), by appointment and through the delivery of a national seminar program.

While the mandate of FIS officers does not extend to the provision of advice, recommendations of financial products or referrals to specific financial advisors, they provide information to help people to[21]:

- make informed financial decisions
- understand the results of their decisions in the short and long term
- prepare for retirement
- take control of their finances to increase lifestyle choices
- understand the aged care system.

ACFA's consumer survey indicated that the use of the FIS was low, with only 4 per cent of consumers indicating they had accessed this service. The Department of Human Services (DHS) provided additional information on the 5,521 consumers who were seeking information on aged care for the period 1 July 2017 - 30 April 2018. This information showed that a majority of the consumers attending FIS were women (66 per cent), and of these women, approximately 69 per cent identified as single. However, the ACFA consumer survey indicated no significant difference between male and female seeking services from a FIS officer (15 and 14 per cent respectively).

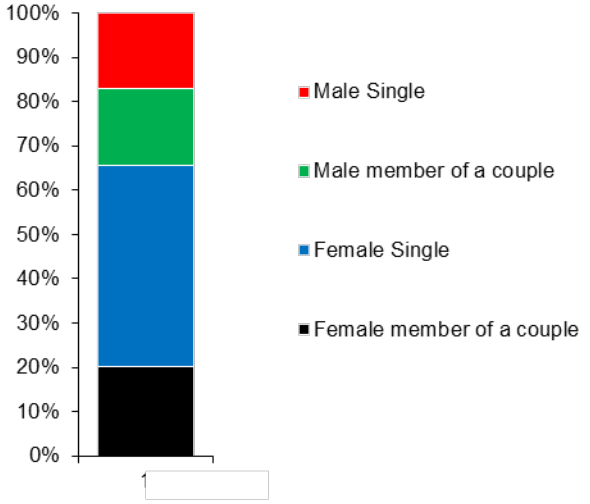
Figure 15: FIS interview participant numbers - Gender



Source: Department of Human Services

During this period, FIS officers also conducted 231 aged care seminar presentations, of which 4,562 people attended.

Figure 16: FIS interview participant numbers - Marital Status



Source: Department of Human Services

8.2.3 MoneySmart

The Australian Securities and Investments Commission's (ASIC) MoneySmart website provides information to help consumers manage their money. MoneySmart provides information on retirement planning, reverse mortgages, budgeting tools and credit card calculators.

In 2017 ASIC undertook a National Financial Literacy Strategy Consultation to determine the next phase of their work plan to support senior Australians to make informed financial decisions. The findings were released in the 2018 National Financial Capability Strategy. In particular, the Strategy aims to provide additional to support: women, to be more confident with money; young people, to find the information they need when required; older Australians, to receive the support they need; and Indigenous Australians to access appropriate financial products and services.

As such the MoneySmart website contains tools to help family and friends support older consumers with taking control of their finances by working out what assets and liabilities they have and knowing where there legal and financial paperwork is kept. It also suggested consumers should plan for the future by ensuring that they have a current will, appoint a power of attorney and that they should consider getting financial advice to develop financial goals and create the necessary plan to achieve them[22].

MoneySmart also connects consumers who are having financial difficulties with free and confidential financial counselling to help them negotiate with their creditors if they have debts, organise their finances and create a budget.

8.2.4 Department of Human Services

While the Department of Health has policy responsibility for means test assessments, the Department of Human Services (DHS) has administrative responsibility for conducting the test. As such, DHS has a website which provides further information to consumers on aged care fees and issues fee advice notifications to consumers, their nominee (if they have one) and the service provides once their means are known. DHS also maintain a provider enquiry line as well as a consumer enquiry line which enables consumers to discuss issues in relation to their means test assessments, or to directly update their information with DHS.

8.3 Financial planning industry

The financial planning industry has only largely started to focus on aged care issues since the change to aged care fees in July 2014. Before that date it was a specialisation taken up by a limited number of financial advisors, many of whom were advisors who had personal experience of aged care with older family members.

ACFA's consumer survey indicates that financial advisors were not widely consulted as a source of information or advice when planning aged care needs. When specifically asked what sources of information were used when planning to fund their aged care 14 per cent of consumers indicated they had used this source.

However, as shown in Table 9 in section 8.1.1, of the consumers who accessed information, financial advisors ranked as the most useful source (46 per cent).

8.3.1 Role of financial advisors

Financial advisors assist people to achieve financial goals across both wealth accumulation and retirement phases of life, including accessing aged care and estate planning.

A growing interest and focus is being placed on aged care advice by financial advisors. A small proportion of financial advisors in the Australian industry have chosen to specialise solely on aged care advice but increasing numbers of advisors are including a specialisation in aged care within their service offer. Other advisors just gain enough expertise to create awareness with clients and then outsource advice when needed to a specialist in aged care or refer clients to FIS or placement services.

Financial advisors who provide advice on aged care tend to focus on advice regarding how consumers can fund their aged care and cash flow management, for example, determining the impacts of paying a RAD or a DAP or a combination of the two and evaluation of which assets to liquidate to fund their fees. These advisors also help consumers to understand the options and processes for accessing care including options for living arrangements such as retirement villages, own home or residential aged care. Some advisors may assist with selecting a care provider and negotiating fees or a residential care place.

8.3.2 Advice models and pricing of services

Fee structures for financial advisors vary significantly however a typical payment structure is outlined below:

- Free initial meeting: Discuss the consumer needs and the adviser will determine what assistance they can provide. This may be a telephone meeting or a face to face meeting.
- Advice preparation fee: Once the consumer has agreed to proceed with advice, the advisor is required to develop the advice and funding strategies and formally document in either a strategy paper or statement of advice (SOA). The cost of the advice can vary significantly depending on the scope of the advice and how the advisor charges fees.
- Advice implementation fee: A fee may be charged for implementing the advice, but usually only if a consumer is investing in a new product.
- Ongoing advice fees are less common with aged care advice (to date) but may be charged for:
  - regular reviews with the financial adviser
  - regular reports on the investment portfolio

8.3.3 Licensing requirements and compliance issues

Under the Corporations Act, personal advice that impacts on a financial product requires authorisation under an Australian Financial Services Licence (AFSL). This is regulated by the Australian Securities and Investment Commission (ASIC).

If advice is provided on credit products and loans, authorisation under an Australian Credit Licence (ACL) is required. This includes advice on a reverse mortgage or the Pension Loan Scheme. Some advisors are authorised under an ACL as well as an AFSL.

The majority of financial advisors belong to a professional body which regulates the professional standards and codes of conduct and set requirements for ongoing education.

8.3.4 Education and training

There is no mandated requirement by ASIC or professional bodies for education or accreditation in aged care for financial advisors providing aged care advice.

However, as AFSL holders have a responsibility to ensure that authorised advisors are competent and capable of giving advice on the authorised areas, AFSL holders are increasingly imposing education and training policies for authorised advisors who wish to provide advice on aged care.

A number of education and commercial organisations provide training and education for professionals working in the aged care sector. This training can range from short webinars to comprehensive accreditation training courses. Universities and tertiary education providers are also starting to introduce aged care subjects into their subject ranges.

8.4 Mortgage and finance brokers

8.4.1 Role of mortgage and finance brokers

Mortgage and finance brokers can help consumers to choose and arrange finance from a variety of lenders. They may manage the process on behalf of the consumer through to the loan settlement.

Some brokers may include equity release loans (such as reverse mortgages) in their offer to help seniors access their home equity. There are a small number of brokers who specialise in seniors equity release options.

Under the *National Consumer Credit Protection Act 2009*, recommendations on loan products (including reverse mortgages and the Pension Loans Scheme) require authorisation under an ACL. This is regulated by ASIC.

Through the stakeholder consultation process, reverse mortgage advisors advised that while they provide consumers with information on reverse mortgages, they do not provide financial advice. Rather, they will refer a consumer on to a financial advisor for this support.

8.4.2 Advice models and pricing of services

Typically, reverse mortgage brokers are paid a fee/commission directly by the financial institution through which the loan product is taken. There is usually no direct cost to the consumer however fee structure and arrangements can vary significantly and some may charge service fees.

8.5 Aged Care providers and placement agencies

8.5.1 Aged care providers

Through the stakeholder consultation process, residential aged care providers advised that consumers with whom they have contact often have no previous experience with the Australian Government funded aged care system prior to requiring care and as a result, need support with navigating the aged care system. This support is often undertaken by providers during the admittance process for home care and residential care and, as a result, is not something that they can charge the consumer for.

Aged care providers are currently exempt from requiring a credit licence for accommodation bonds and refundable accommodation deposits (RADs), which enables them to discuss accommodation pricing with consumers without breaching the Corporations Act. However, they are not able to provide financial advice regarding how a consumer should fund their accommodation costs and sometimes these lines can become blurred.

Where consumers need advice, the providers may refer consumers to a financial advisor. Some providers have developed formal or informal panels of financial advisors which consumers can use to select an appropriate advisor to avoid conflicts of interest. Referrals may also be made to FIS for information and explanations.

ACFA's consumer survey identified that 28 per cent of respondents sought information about funding their care accessed the website of an aged care provider, 16 per cent contacted a provider by telephone and 16 per cent visited a financial advisor.

8.5.2 Placement agencies

Aged care placement agencies have emerged and expanded over the last decade. Many are small individual businesses while others are larger organisations. They may be attached to aged care providers or financial advisory businesses, or operate on their own.

Placement agencies help senior Australians and their families find the right aged care services to meet their needs. To date, this has focussed mainly on residential care, but it is expanding into home care services. The services include supporting the consumer and their family manage the stress, emotional and practical issues relating to entering aged care which may include negotiating the accommodation room price with the aged care provider on the consumer's behalf. However, they should not provide financial advice.

The fee structure for aged care placement consultants depend on each business and may range from a flat fee for service to an hourly rate.

8.6 Consumer groups and other services

A number of consumer groups provide information on aged care to help consumers understand how to navigate the system and understand aged care costs. The extent of information and method of delivery varies. Some of the key groups are discussed below.

8.6.1 Seniors Information Service

Seniors Information Services exist in each state and territory. Funded by each state and territory government, their objective is to provide senior Australians and their families and carers with information on the range of services and options available to them.

8.6.2 National Seniors Australia

National Seniors Australia (NSA) is the consumer lobby group representing senior Australians with a view to influencing key policy to improve outcomes, including in aged care. NSA operates a membership model, enabling members access to information for a fee, and currently has over 130,000 members[23].

NSA offers their members a financial information desk, which provides independent, confidential services to members on superannuation, investments and aged care costs.

8.6.3 Council of the Aged (COTA)

COTA Australia is a policy development, advocacy and representation organisation for senior Australians, representing COTAs in every state and territory and through them over 500,000 senior Australians[24].

Each state and territory COTA works to protect and promote the well-being, rights and interests of all senior Australians in their respective state and territory. This is achieved through services such as the community education program which encourages and enables senior Australians to minimise the risks to their health and well-being. By delivering these services on a 'peer education' model, people are able learn about the services available within their local area from someone who is speaking from experience[25].

8.6.4 Informal sources of information

Throughout stakeholder consultations, it became apparent that consumers rely heavily on informal sources of information about aged care and the associated fees. Predominantly, this is in the form of conversations with and provision of information from friends, family, neighbours and acquaintances.

Information gained through consumer follow-up interviews indicate that this reliance on informal supports is predominantly related to the consumers' inherent trust in the information provided by friends and family and their ability to quickly and easily clarify points of confusion or ask follow-up questions.

8.6.5 Elder abuse supports

Most states and territories have dedicated resources to prevent elder abuse, including financial abuse of elders. For example in NSW, the Elder Abuse Helpline and Resource Unit (EAHRU) provides a confidential helpline offering information, advice and referrals for people who experience, witness or suspect the abuse of senior Australians living in their homes in NSW[26].

A similar approach is taken in various other states and territories across Australia with Queensland, Northern Territory, South Australia, Tasmania, Western Australia and ACT all providing an elder abuse helpline along with various other supports.

8.6.6 Advance care planning

Advance care planning involves consumers discussing with their families and trusted supports their future wishes surrounding future care, and health interventions in the advent of serious illness and injury. These wishes and directions are recorded in an appropriate advance care planning format, which is provided to health and aged care providers.

For some consumers, the advance care planning process is the first time they have considered their future health needs and forms a routine part of a person's health care. When a person's values are discussed openly, their healthcare preferences can be respected at a time when they cannot voice their decisions. It is an ongoing process that needs cooperation between consumers, their families, care workers, and health professionals as well as community organisations and healthcare organisations.

Advance Care Planning Australia is a national program funded by the Department of Health that provides information and resources to consumers, care workers and healthcare professionals to improve this cooperation.[27]

Consumer follow-up consultations identified that knowledge and awareness of advanced care planning is low. When asked if they participate in advanced care planning, respondents did not understand what this meant, and when further explained consumers largely indicated they had not undertaken any planning of this nature.

8.6.7 General Practitioners

As font line health workers, general practitioners (GPs) combine physical, psychological and social aspects of care and often notice a decline in their patient before family members notice. However, stakeholder consultations identified the need for GPs to have more of an educative role in the aged care planning process. This is due to the interaction GPs have with consumers prior to their entry into the aged care system and, as a result, it was felt that GPs were in the best position to assist senior Australians and their families to access early planning for aged care. Consumer follow-up consultations identified that GPs were seen as a key source of information, and GP practices and waiting rooms were a good mechanism to promote and view information.

Previously, the Department has undertaken e-marketing to GPs following the 2017 campaign to increase connection between GPs and the My Aged Care system. The Department has also distributed resources and developed videos aimed at senior Australians for GP waiting rooms.

8.7 Benchmarking retiree income needs

Various organisations have conducted surveys to benchmark income needs for retirees. These benchmarks aim to help consumers with planning for retirement by indicating what income a typical person needs to live on in retirement and what level of savings may be needed to generate that income.

The various benchmarks create different outcomes depending on the assumptions and methodology used. However, it is important to note, that these benchmarks still tend to assume the consumer is in good health with high levels of independence and do not include any significant costs of aged care services.

9. Challenges with sources of information and advice

This chapter provides a summary of the findings from the ACFA consumer survey and stakeholder consultations regarding the challenges identified with sources of information and advice. When consumers sought advice it was primarily in relation to residential care and as such this chapter primarily discusses the challenges associated with accessing residential aged care. This includes challenges with:

- Government information services
- financial planning industry
- aged care providers and placement agencies
- benchmarking retiree income needs
- lack of forward planning for care

9.1 Government information services

9.1.1 My Aged Care

Stakeholders reported that My Aged Care was a useful tool for initial enquiries about entry into the aged care system. In particular, aged care providers identified that consumers and family members who had accessed My Aged Care are more informed in terms of the critical questions to ask of providers, including financial aspects, and in arranging the necessary forms and applications.

However, some consumer groups advised that consumers are often either not aware of the website or find it difficult to navigate. In particular, those with a CALD background and Aboriginal and Torres Strait Islander people advised that they often require additional and culturally appropriate assistance to navigate the system.

Consumers expressed confusion about the roles and responsibilities of various stakeholders that are presented on My Aged Care. These include: health professionals; My Aged Care contact center; Department of Human Services; Department of Veterans' Affairs; assessors; and aged care providers.

My Aged Care does mention very briefly the importance of seeking financial advice. The issue for consumers is in finding an adviser who is experienced and accredited in aged care advice. The website provides a link to the ASIC Money Smart Financial Advisers Register but the problem is that because aged care advice is not listed as a competency within the Corporations Act, advisers cannot indicate that they provide aged care advice. This makes it difficult for consumers to identify who they should contact.

While the My Aged Care website was recently redeveloped to better map consumer pathways, some stakeholder consultations advised that frequent changes to the website make it hard to develop and maintain familiarity with the resource and can be a barrier to proactively engaging with the system. Furthermore, when they navigate the My Aged Care website, the information is sometimes presented through circular linking pages, which does not provide adequate resolution.

The 2018-19 *Better Access to Care – improving access to aged care through My Aged Care* measure provided funding to make it easier for senior Australians to use My Aged Care by enhancing self-service options and improving website and aged care service finder functionality. My Aged Care will be improved to make it easier to use, along with simplifying the forms required to apply for aged care services. A comprehensive navigator for the aged care system will be designed and trialled, including outreach services to help older Australians make informed choices about their aged care needs.

9.1.2 Financial information service (FIS)

A minority of aged care service providers indicated that they refer senior Australians and their families to the FIS for financial information and explanations (this service offered by the FIS was not widely known amongst providers). However, they also identified that it is increasingly difficult to obtain an appointment with a FIS Officer which is an issue for consumers who need information urgently.

Some stakeholders were concerned with reports that (on occasion) some FIS officers had advised consumers not to seek additional advice from financial planners. FIS officers are unable to provide financial advice, and while it is not necessary to seek advice from a financial planner, particularly when financial affairs are relatively simple, consumers should not be dissuaded from seeking such advice if they desire it. Conversely, ACFA is aware that FIS officers can and do recommend that consumers seek financial advice in some situations.

The Department of Health has discussed this matter with the Department of Human Services.

9.1.3 MoneySmart

While ASIC's MoneySmart website provides information to help consumers manage their money, the steps identified to help consumers set their goals and advice needs lacks the concept of planning for aged care needs. As with other retirement planning tools, it suggests consumers long term planning stops at achieving a certain level of income in retirement.[28]

ACFA considers that further work is required on this tool to encourage and enable consumers to plan for their future aged care needs.

9.1.4 Department of Human Services

Stakeholder consultations advised that a significant amount of time is spent on hold to the Department of Human Services (DHS) provider and consumer enquiry lines waiting to discuss incorrect means test assessments. Some reported waiting up to half an hour before their call was answered but noted that their issues were often then quickly resolved.

However, financial advisors report that the errors and inconsistencies in recorded data between Centrelink records and aged care records is difficult and time consuming to rectify. Some advisors have found they need to employ staff to deal with the DHS interactions and resolve issues for clients.

The quality of the information provided in the fee advice notification letters was also raised as an issue for consumers. It was reported that the letters did not clearly inform the consumer if they needed to agree an accommodation price with their provider or if they were required to pay an accommodation contribution. This resulted in large debts accruing until the misunderstanding was resolved.

The 2018-19 *Better Access to Care – simpler forms* measure will simplify the means test assessment form and establish a Forms Taskforce to create a simpler short form for consumers who have straightforward financial affairs. It is anticipated that this new form will be implemented in May 2019. In addition, the Taskforce will also make recommendations on simplifying the means testing forms and process for all aged care consumers, including for consumers with more complex financial affairs.

9.2 Financial planning industry

The key challenges that consumers experience when accessing financial advice are discussed in this section:

9.2.1 Access to advisers

- **Access is dependent on location:** access to financial advisors with specialisations and accreditation (or understanding) in aged care advice varies significantly and in some jurisdictions there are limited advisors to choose from.

  As discussed in section 9.1.1, consumers can search the Money Smart (ASIC) Financial Advisers Register but identifying a suitable advisor is difficult. Aged care advice is not listed as a competency within the Corporations Act so advisers are not able to indicate that they provide aged care advice in this register.

9.2.2 Service variability

- **Quality and service offering:** some advisors only provide support with filling out forms (such as the means testing form), some will provide a Statement of Advice (SoA), while others provide comprehensive case coordination through the aged care system. Consumers may not be aware of this difference in service.
- **Costs are variable:** costs for services (and the value provided) vary widely with the ACFA consumer survey indicating that:
  - twenty two per cent paid less than $500
  - over half (58 per cent) paid between $500 and $4999,
  - two per cent paid more than $10,000.

  The compliance processes needed to provide advice and produce the relevant documentation create an overlay and add to the costs of advice delivery, making it difficult to deliver cheaply. When a consumer is unable to afford these costs, they then rely on FIS for free information, family members, friends and their accountant.
- **Consumers use them as an information service:** financial advisors noted a significant proportion of their time is spent explaining the basics of residential aged care fees and income and asset assessment when first engaging with a consumer. This lack of awareness creates an issue in that it either limits the amount of time to engage with consumers to identify and solve the real needs and add true value or it increases the cost of providing advice due to the increased time involved.
- **Current clients are unwilling to engage in aged care planning:** financial advisors reported that they are unable to engage their mainstream consumers with planning for their aged care needs as their consumers felt they were not old enough for these services.
  - Aged care providers commented that consumers who have accessed financial advice often transitioned into aged care more easily which resulted in better outcomes for them and their family. As such, they suggested that financial advisors be more proactive in focusing and initiating conversations with their consumers around aged care costs, structures, and implications for other areas of advice such as superannuation and estate planning.
  - Specialist aged care advisors also felt that most advisors focus on wealth accumulation, pre-retirement and post-retirement planning, and do not balance this with consideration of aged care affordability and planning.

9.2.3 Education and compliance issues

Compliance and regulation of financial advisors presents a number of challenges for access to financial advice for consumers.

Financial advice is regulated by ASIC under the Corporations Act, but the focus is on financial product advice rather than strategic advice. As a result, and as mentioned in section 8.3.4, financial advisors are not subject to minimum legislated educational requirements for aged care. Instead, the current education requirements focus on asset classes and product types and not on consumer interaction skills or strategy development.

Among the financial services stakeholders, there were mixed views about an additional layer of qualification for 'aged care' advisors. Some thought that this was a logical step, while others felt there were adequate mechanisms in place that drove quality. This included competition, referral networks to specialist accredited advisors, and quality and training programs initiated by licensees.

Aged care advice provided to consumers usually considers the outcomes from different courses of action they could choose to take to finance their contributions. This may not result in a definitive recommendation, but rather in several viable options and a facilitated discussion to help consumers choose the most appropriate course of action for their needs and preferences. However, there is debate and different views across the financial services industry around what form the documentation of advice needs to take and this creates significant obstacles (as well as additional expense) for many advisors when trying to provide advice.

ACFA believes there is scope for ASIC to work more closely with sections of the financial services industry that are involved with aged care advice to provide greater guidance on the limitations of advice without an AFSL and the specifics needed in advice documents that deal with strategic advice and no sale of products.

9.3 Aged care providers and placement agencies

9.3.1 Aged care providers

Aged care providers reported that because consumers often enter residential aged care after a crisis with little pre-planning, they are relied on as a key source of knowledge for aged care, including associated costs. As a result, this has led to consumers and their family members having an expectation that providers will provide financial advice.

To manage this expectation, aged care providers have developed strategies to address consumers' concerns by either having a formal or informal panel of financial advisors to which they refer consumers. For the aged care providers who maintain informal arrangements, they have a list of advisors that they use, but without formal arrangements such as a contract, formal panel arrangement or commission. However, it should be noted that other stakeholders raised concerns that some aged care providers were providing financial advice, beyond appropriate scope.

Aged care providers have advised that they provide consumers with general information about the aged care system, but are less likely to provide advice on more complex or context specific matters. These information requests from consumers often include explanations about how aged care fees are calculated or charged, how consumers access aged care services, and how to complete DHS forms. While the majority of stakeholders noted that consumers and their carers are often directed to My Aged Care or DHS with their queries, service providers thought that the information consumers received from these sources was sometimes inadequate, difficult to understand, incomplete and/or inconsistent.

Some aged care providers use calculators to model the fee outcomes under different courses of actions (e.g. sell house or keep and rent house or various accommodation payment options). The concern is that this could border on advice which is given without the appropriate controls and requirements of financial advice.

Aged care providers also identified the lack of culturally appropriate information, skills or support services to assist in responding to cultural needs, as an information gap. To mitigate this gap, one aged care provider indicated that due to their consumer focus, they have employed an Aboriginal Liaison Officer.

9.3.2 Placement agencies

ACFA's consumer survey data suggests that utilisation of consumer placement agencies is relatively low with six per cent indicating that they have used this type of service.

The extent to which the information sources and support available to consumers are being used varies significantly as does the availability of placement agencies varying across jurisdictions, while the fee structure ranges from commission-based referral fees to fee-for-service.

Consultations indicated that when consumers have used a placement agent, they value the help they are given with navigating the aged care system, completing relevant forms, undertaking research and competitor analysis and negotiating residential care room prices.

Importantly, placement agencies should not provide financial advice. However, by negotiating residential care room prices, some consumers are under the impression that they are providing financial advice, thus causing confusion. As a result, some aged care providers and financial advisors raised concerns that some placement agencies are not being clear enough that the consumer may still need to seek independent financial advice to determine how they will fund their aged care costs and the implications across their full financial situation, including estate planning.

ACFA considers that better information on the respective roles of different bodies in dealing with aged care issues may be required.

9.4 Benchmarking retiree income needs

There is limited information available for individuals planning for their retirement which enable them to financially plan for potential future aged care needs. As a result, financial advice to this cohort usually does not take aged care funding into account.

Compounding this is current retirement income benchmarks (discussed further in chapter 8). While these benchmarks assist senior Australians to plan their retirement lifestyle by indicating what income a typical person needs to live on in retirement and what level of savings may be needed to generate that income, they tend to assume a person in good health with high levels of independence and do not include any significant costs of aged care services. Potentially, this focus may be linked to a general unwillingness to contemplate future health and ageing needs.

The 2018-19 *Preparing financially for a longer and more secure life – Retirement Income Framework measure* will assist retirees in having more retirement income products to choose from and the information they need to make a choice. However, it is unclear if the increased flexibility and choice for retirees, which is aimed to help boost living standards will also incorporate aged care costs.

Furthermore, the 2018-19 *Better Ageing 45 and 65 year online checkup* measure will help people review their superannuation and others assets, the income they will need in retirement and what steps they can take now to ensure they have the financial resources they need for the future.

9.5 Lack of forward planning for care

As discussed in section 4.1, some consumers do not plan to access aged care prior to needing it. Compounding this, 20 per cent of consumers indicated that they believed they would not be moving into an aged care home. This lack of forward planning increases the need for sources of information and advice to be clear and concise as they are being accessed at a point in crisis.

Further to the other challenges identified in this chapter, the sources of information and advice function in separate stages, and as such, it may not be obvious to the consumer that they may need to contact multiple organisations for assistance. In turn, once the consumer finds a source that is able to give them some information, they then apply pressure seeking assistance in further stages. This results in the blurring of boundaries and confusion i.e. placement agent negotiates a room price but is unable to provide financial advice – from whom does the consumer seek that information?

10. ACFA's conclusions and recommendations

10.1 Responding to concerns

Aged care is inherently complex for consumers and expensive for the Australian Government and senior Australians. Furthermore, the ageing of the Australian population and longer life expectancy will result in a significant increase in the number and proportion of Australians needing aged care. As noted in the *2018 ACFA Annual Report*, over the next 20 years, Australia will see the population size of the 70 years and over cohort increase by around one million people each decade. The 85 years and over cohort will increase from just under 500,000 people in 2018 to just over one million people by 2038.

To deliver the care that aged consumers need and desire into the future, it is critical that the aged care sector is financially viable and sustainable. All stakeholders – Government, providers and aged consumers – have a key role in contributing to this objective.

While the Australian Government is the principal funder of aged care, consumers also make significant contributions towards the cost of their aged care and will play an integral role in the long-term sustainability of the aged care system. However, a central finding from this report is that consumers are not adequately planning for their aged care and as such, are not ensuring they can fund the level and quality of aged care that they would prefer.

> 'Most aged care planning takes place in the hospital car park.'[1]

For the consumers who do plan for their retirement, the current retirement planning tools do not include aged care costs, further hindering their ability to adequately plan for their future aged care needs. As such, further work is required to enhance retirement planning tools to enable consumers to incorporate aged care costs into their long-term retirement plans.

Another major factor limiting planning is a lack of awareness as to the aged care system in general, in addition to how much it may cost them. This lack of awareness can partially be attributed to aged care being seen as a service that is delivered in an unattractive and uninviting institution - as consumers have no desire to access these types of services, they will not form part of their long term retirement plans.

There are many misconceptions around what aged care services are available and who is responsible for their funding. Some consumers believe aged care is part of the health system, and as such the costs associated with aged care is often a shock for them, with some reporting that they have experienced financial stress due to their aged care costs. This is further compounded by different fee structures across the aged care programs and the perceived value for money that some programs provide over others, resulting in some consumers not transitioning to higher level programs when their needs change.

Consequently, a central focus of Government initiatives to assist consumers in planning for their aged care should be on increasing consumer awareness of the range of aged care services available and the cost to consumers.

10.2 Recommendations

To better support consumers in making financial decisions in relation to their aged care needs, improvements are needed in the following areas: enhancing current information sources on retirement planning to ensure aged care is included and more visible; increasing understanding of the cost of aged care and the choices consumers can make; and ensuring advisors are properly equipped to assist consumers with planning their aged care needs.

10.2.1 Improving information sources

For consumers to truly understand the range of aged care services available and the cost of these services, and to facilitate both their incentive and capacity to plan for their current and future aged care needs, various information sources need to be improved, including: retirement planning tools; equity release products; My Aged Care website; retirement villages; and fee advice letters issued by DHS; as well as improving the general perception of aged care.

Ensuring retirement planning tools include future aged care needs

1. The critical role of planning for future aged care requirements needs to be recognised by all stakeholders, especially the Government, financial advisors and consumers. If consumers were advised that planning for their future aged care needs gave them greater choice and control over the services they received, they may be more likely to incorporate these needs into their retirement plans. The Government should work with relevant industry bodies to ensure that retirement plans enable greater life planning and reflect the following retirement stages:
    a. retirement planning
    b. post retirement: active years
    c. post retirement: low to medium level care to support independence at home
    d. post retirement: acute/complex needs either at home or in an aged care facility.

2. Government agencies, particularly the Department of Health and the Department of Social Services (DSS) should ensure that the online checkups initiative announced in the 2018-19 *Better Ageing – 45 and 65 year online checkup* measure, and retirement income framework initiative announced in the 2018-19 *Preparing financially for a longer and more secure life – retirement income framework* measure, include aged care planning and costs.
3. The Government should expand the online checkups initiative announced in the 2018-19 *Better Ageing – 45 and 65 year online checkup* measure to include a 70 year or 75 year online checkup. The additional online checkup would focus on the consumer's current health needs and (potential) ageing needs, at a point where this information is particularly relevant for them.
4. ASIC should expand their retirement planning tool available on the MoneySmart website to include aged care costs which may help consumers with planning for their future aged care needs and enable financial advisors to record competency in aged care advice.

Raising the profile of equity release products to assist consumers with funding their aged care costs

5. The Government, in conjunction with financial institutions, should develop initiatives to give greater awareness of equity release products and the role they can play in giving consumers a greater range of options to fund their aged care needs while enabling them to continue living in their own home longer. This includes a need to review the regulatory environment that governs equity release products and consult with industry on any reforms that will give greater awareness of these products. This will, in turn, facilitate product development by industry.
6. ACFA supports the 2018-19 *Preparing financially for a longer and more secure life – Expansion of the Pension Loan Scheme* (PLS) measure to expand eligibility of the PLS to all Australians of age pension age. ACFA recommends that the expansion of the scheme be significantly promoted so that all consumers are aware of this funding option and shift perceptions about the role of the home and its availability as a source of equity to improve quality of life.

Access to information on My Aged Care

7. The current misconception that aged care is part of the health care system prevents some consumers from understanding the different costs they may be asked to pay when accessing aged care services. A multi-pronged campaign is required with the aim of increasing consumer awareness in relation to the likely cost to consumers to access aged care services. This

campaign should be undertaken by the Government in consultation with the aged care industry.

8. ACFA supports the work being undertaken to improve the My Aged Care platform and the enhancement of self-service options for consumers, but recommends that the aged care fee estimators be located in a more prominent location on the My Aged Care website landing page.
9. ACFA recommends that the planning content available on the My Aged Care website be lifted to a more prominent location on the landing page so as to better facilitate consumers in planning for their future aged care needs.
10. ACFA recommends that the information on the My Aged Care website regarding finances and aged care financial advice be improved so that consumers are aware how to access these services and the value they can receive.

Misconceptions regarding retirement villages

11. The current misconception that retirement villages are aged care services prevents some consumers from fully planning for their aged care needs as the separation of care and housing is not well understood. In addition, when estates are reduced by fees associated with retirement living contracts or there are delays in selling, settling or receiving funds from operators, some consumers experience difficulty with paying for their residential aged care accommodation costs. Further work is needed by state and territory Consumer Affairs Ministers to increase community education regarding retirement villages, particularly in how they differ from residential aged care including on costs.

Improving fee advice letters from DHS

12. ACFA supports the 2018-19 *Better Access to Care – simpler forms* measure which will simplify the means test assessment form and establish a Forms Taskforce to create a simpler short form for consumers with straightforward financial affairs. However, ACFA considers that work is also required by DHS to improve the clarity of the information provided in the fee advice notification and other letters for consumers.

Improving perceptions of aged care to support increased planning

13. Perceptions by consumers that residential aged care is delivered in unattractive and uninviting institutions, is likely to result in consumers not planning to access these services and in some cases actively planning to avoid aged care without considering alternative options. This is compounded by the emotional attachments consumers understandably have to their current lifestyle which includes their family home, personal possessions, loved ones, pets, and gardens (amongst other things). As

such, the sector, in consultation with Government, should consider if there are appropriate ways to improve the understanding and perception of aged care and the services available to assist consumers plan for care.

14. The Government consider a targeted research project to determine the extent to which consumers envisage and plan for their senior years, including what type of preventative health measures and alternative accommodation choices to residential care they to consider in planning for aged care. The outcomes from this research will assist the Government to support the use of products and services that address planning, life quality and ultimately less dependence on Government funded aged care.

10.2.2 Aged Care Fees

ACFA considers that in order to assist consumers in understanding aged care fees, not only is better information required but changes should be made to the aged care fees themselves. ACFA recommends changes to: improve consumer understanding of aged care fees; the fee structures of CHSP and home care; financial hardship for home care packages; residential accommodation payment options; additional service fees; and financial abuse and complaints processes.

Improving consumer understanding of aged care fees

15. Aged care fee structures are complex with a variety of fees within and across care types. To facilitate a greater understanding of fees, including which fees are negotiable, ACFA recommends the Department develop a high level *key features statement* explaining relevant fees that providers are required to disclose to consumers prior to entering aged care.
16. ACFA recommends the Department develop aged care fee scenarios to provide consumers with a practical understanding of the aged care fees they may be asked to pay, i.e. which aged care fees may apply to them.

Improving the interface between fees for CHSP and home care packages

17. Consumers should make an appropriate contribution towards the costs of their aged care where they can afford to do so, with appropriate support from Government where they are not able to contribute. Currently, consumer contributions for CHSP consumers are not always collected, and as a result, it is often viewed as a free or low-cost support. To ensure consistency with other potential reforms, consumer fees for CHSP should be considered in conjunction with any future consideration of wider changes to consumer care fees.
18. The current flat structure of home care fees has resulted in a perception that consumers do not receive value for money from the lower level packages and is compounding perceptions of the greater value of CHSP

compared with home care. This is particularly pertinent for consumers who pay an income-tested care fee. To ensure consistency with other potential reforms, consumer fees for home care should be considered in conjunction with any future consideration of wider changes to consumer care fees.

Review of financial hardship assistance for home care packages

19. Since 1 July 2014, home care consumers are able to apply for financial hardship assistance with their fees. However, approval rates remain low, with only 26 per cent of applications being approved during 2017-18. This is likely due to the fact that the essential expenses threshold being used is the same threshold used for residential aged care. ACFA recommends that a review of rejected hardship applications for the home care program be undertaken to determine if this threshold needs to be adjusted.

Improving understanding of residential aged care accommodation payments

20. The current payment choices for residential aged care accommodation continue to be misunderstood by consumers. Specifically, many consumers are unaware that lump sum accommodation payments will be returned upon exiting care (less any agreed drawdowns) and that they may be able to draw down on their lump sum payments to pay other aged care fees (if agreed by the provider). This results in a perceived lack of affordability which can lead to decisions to select the cheapest care service. The Government should expand the information available on the My Aged Care website to provide clearer information to consumers in conjunction with the work being undertaken to improve the My Aged Care platform.

Improve understanding of additional service fees for residential aged care

21. The lack of transparency for additional service fees in residential aged care is confusing for consumers. Consumers often do not know whether they will be required to pay an additional service fee, what their rights are in relation to the services that they are paying for, or indeed what services they are actually purchasing. At the same time Government should take steps to provide greater clarity to providers in relation to additional service fees. In conjunction with the work being undertaken to improve the My Aged Care platform, providers should be required to publish their additional service fees in the service finder available on the My Aged Care website and on their own website.

Financial abuse and complaints processes

22. There is often confusion regarding how to raise concerns about the treatment of consumers by a third party. These concerns can relate to financial abuse by family, friends and carers but it can also relate to incorrect or inadequate financial advice being provided by financial advisors, consumer placement agencies and aged care providers. ACFA notes that the Government has announced $22 million to protect older Australians from abuse, including funding trials of specialist elder abuse support services. This work will be undertaken in conjunction with the National Plan to address elder abuse. ACFA recommends that Government agencies should ensure that this work includes aged care costs.

10.2.3 Financial advisors

ACFA considers that further work is required to encourage financial advisors to more widely upskill and include aged care advice into services, both in the pre-retirement and post-retirement planning phases.

Expansion of Financial Information Service (FIS)

23. ACFA supports the *2018-19 Better Access to Care – aged care system navigator* measure which trials six full time aged care FIS Officers who will provide additional support to consumers with the complex financial decisions they need to make when entering aged care. Pending the outcome of the trial, ACFA recommends implementing and expanding this service. However, attention needs to be paid to the role and scope of these services to ensure the threshold between information and advice is maintained.

Ensuring financial planners are skilled to provide advice on aged care

24. Current retirement planning focuses on wealth accumulation and generating an income stream which does not account for the consumer’s increased costs if they become frail and require aged care services. An early focus by financial planners on potential aged care costs would assist consumers being in a better position to be able to meet these costs when they access aged care. However, current licensing requirements and lack of aged care specific training and accreditation prevent more financial planners expanding into this area. ACFA recommends that the Government review licensing requirements for financial advisors with the aim to promote aged care planning and that aged care be available as a specific component of financial adviser training, education and accreditation.

25. Consideration of the particular needs of aged care advice given that it is not investment product based and the limitations on the ability to give advice due to Australian Credit Licence (ACL) and Australian Financial

Services Licence (AFSL) requirements needs. This consideration needs to be done in conjunction with outcomes recommended by the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.

Appendix A: Government and non-government aged care programs and services

A.1 Living independently in retirement

Retirement Living
Senior Australians may choose to move to retirement living facilities for many reasons, including to downsize, access to improved or additional amenities and services, or to improve connectedness with a community. The types of villages range from loan/lease models (or loan license) to rental models, with the former being the prevalent model in Australia. Senior Australians living within retirement villages may still be eligible to receive CHSP, home care, transition care and STRC, to assist them with maintaining their independence and remaining in the retirement home/village for longer[29]. Consumer contribution The actual net cost to consumers can range significantly from village to village based on commercial contract terms. Under loan/lease models, consumers typically pay entry, exit, ongoing maintenance and service fees. The fees are as follows: 1. Entry fees: are a lump sum, upfront payment set at the market value of a home which is refundable upon a property being sold. 2. Maintenance fees: are charged on a monthly basis to cover the costs of amenities and services at the village. 3. Exit fee: usually in the form of a Deferred Management Fee (DMF), is deducted from the upfront payment and may be calculated based on a combination of occupancy term, new market value and refurbishment costs.

Residential landlease communities
Residential landlease communities are an alternative way for senior Australians to downsize while gaining access to improved or additional amenities. These communities consist of manufactured or mobile homes situated within a residential park of other homes. Consumer contribution

Residential landlease communities
Consumers purchase the physical asset of the home, but do not own the land on which it stands. Land is leased through a weekly or fortnightly site contribution in return for access to a range of amenities. In contrast to retirement living, there are usually no exit fees as they operate off a rental model. There are also unlikely to be buy-back clauses.

A.2 Care to support independence

Private care arrangements
A range of aged care services and supports may be purchased privately. Approved home care and residential aged care providers may also offer services on a fee-for-service basis in addition to what is included in the Government funded arrangement. For example, consumers may choose to pay for additional services in a residential care setting outside of the scope of the Quality of Care Principles. These are optional and include varying items agreed between the provider and the consumer. Consumer contribution Fee structures vary across providers, but are typically characterised by a pay per service arrangement or structured as a membership model, whereby consumers pay a membership fee in addition to a flat fee for each service required.

Commonwealth Home Support Programme
The CHSP provides entry-level home support to senior Australians who need assistance to remain living independently at home[30]. Services funded under the CHSP include: • General support – domestic assistance, personal care, home maintenance, social support. • Carer support – in-home respite, community access, centre-based respite, residential respite. • Housing support – assistance with care and housing for the homeless. • Service system development – sector support and development activities The CHSP is a block funded program administered outside of the *Aged Care Act 1997* (the Act) and funds services service providers to deliver the CHSP through a grant agreement. Consumer contribution Consumers are asked to pay a contribution towards the cost of their care. Consumer contributions vary across service providers and are determined on a

Commonwealth Home Support Programme
consumer basis between the consumer and the provider, depending on what the consumer can afford to pay[31].

Home Care Packages Program
The Home Care Packages (Home Care) Program provides senior Australians who want to stay at home with access to a range of ongoing services and supports to help them with their day-to-day activities. It is designed to offer a more coordinated package of care and services above what can be provided by the CHSP. There are four levels of Home Care, increasing in level of support and funding from Level 1 – supporting people with basic care needs – to Level 4 – supporting people with high care needs[32]. Services funded under Home Care include: • Personal Care: hygiene needs (showering, bathing), feeding assistance (meal preparation and eating). • Support Services: washing, ironing, cleaning, basic home modifications (hand rails), and transport. • Clinical Care: nursing and allied health support The Australian Government pays approved providers a home care subsidy on behalf of the consumer. Additional supplements may also be paid depending on the consumer's circumstances. Consumer contribution All consumers are asked to pay a basic daily care fee, which equals 17.5 per cent of the basic single rate of age pension ($10.32 per day or $3,766.80 per year as at 1 July 2018). From 1 July 2014, if the consumer is a part-pensioner or a self-funded retiree, an income-tested care fee may also apply, to which annual and lifetime caps apply. This fee is determined through an Income Assessment, depending on a consumer's circumstances.[33]

Residential Respite Care
Residential respite provides short-term care on a planned or emergency basis[34]. Care recipients are entitled to 63 days of subsidised care in financial year if ACAT approved. It is generally used to provide carers with a break from their caring duties or to transition a consumer into permanent residential care. The Australian Government pays approved providers a residential care subsidy for each day a consumer is in care. Consumer contribution Consumers can be asked to pay a basic daily care fee, which equals 85 per

Residential Respite Care

cent of the basic single rate of age pension ($50.16 per day or $18,308.4 per year as at 1 July 2018).

Transition Care Program

Transition Care provides a time-limited and therapy-focused services to support senior Australians transition to home after a hospital stay. The Australian Government pays approved providers a flexible care subsidy—care provided as transition care on behalf of the consumer. Additional supplements may also be paid depending on the consumer's circumstances.

Consumer contribution

Consumers are asked to pay a contribution towards the cost of their care. Consumer contributions vary across service providers and are determined on a consumer basis between the consumer and the provider, depending on what a consumer can afford to pay. The caps set on contributions are as follows:

- Home setting: consumers can be asked to pay a basic daily care fee, which equals 17.5 per cent of the basic single rate of age pension ($10.32 per day or $3,766.80 per year as at 1 July 2018).
- Residential setting: consumers can be asked to pay a basic daily care fee, which equals 85 per cent of the basic single rate of age pension ($50.16 per day or $18,308.4 per year as at 1 July 2018).

Short-term Restorative Care

STRC is a 12 week program designed to enable senior Australians to regain independence after a setback, such as an illness or fall. Entry to STRC is from the community. The Australian Government pays approved providers a flexible care subsidy—care provided as short-term restorative care on behalf of the consumer. Additional supplements may also be paid depending on the consumer's circumstances.

Consumer contribution

Consumers are asked to pay a contribution towards the cost of their care. Consumer contributions vary across service providers and are determined on a consumer basis between the consumer and the provider, depending on what the consumer can afford to pay. The caps set on contributions are as follows:

- Home setting: consumers can be asked to pay a basic daily care fee, which equals 17.5 per cent of the basic single rate of age pension ($10.32 per day

Short-term Restorative Care
or $3,766.80 per year as at 1 July 2018). • Residential setting: consumers can be asked to pay a basic daily care fee, which equals 85 per cent of the basic single rate of age pension ($50.16 per day or $18,308.4 per year as at 1 July 2018).

National Aboriginal and Torres Strait Islander Flexible Aged Care Program
NATSIFACP funds organisations to provide culturally appropriate aged care to Aboriginal and Torres Strait Islander people close to their home/community. Care is delivered in either a residential or home care setting. NATSIFACP is administered outside of the Aged Care Act, and funds service providers through a grant agreement which is based on the number of allocated places in each setting. Unlike other flexible care types, the funding is not determined by the occupancy of those places. Consumer contribution Consumers are asked to pay a contribution towards the cost of their care. Consumer contributions vary across service providers and are determined on a consumer basis between the consumer and the provider, depending on what a consumer can afford to pay. The caps set on contributions are as follows: • Home setting: consumers can be asked to pay a basic daily care fee, which equals 17.5 per cent of the basic single rate of age pension ($10.32 per day or $3,766.80 per year as at 1 July 2018). • Residential setting: consumers can be asked to pay a basic daily care fee, which equals 85 per cent of the basic single rate of age pension ($50.16 per day or $18,308.4 per year as at 1 July 2018).

A.3 Complex care

Multi-Purpose Services Program
The MPS is a joint initiative between the Australian Government and state and territory governments. It is an integrated model that delivers a mix of aged care and health in rural and remote settings where they may not be able to support a stand-alone hospital or aged care home. Care is delivered in a residential care setting. The Australian Government pays approved providers a flexible care subsidy for care provided through a multi-purpose service. Consumer contribution Consumers can be asked to pay a basic daily care fee, which equals 85 per cent of the basic single rate of age pension ($50.16 per day or $18,308.4 per year as at 1 July 2018) and an accommodation payment (based on a means

Multi-Purpose Services Program
test assessment undertaken by DHS).

Residential Care

Residential care provides care and support to senior Australians who are unable to live independently in their own home.[35] Services provided in residential care include:

- accommodation.
- day-to-day services such as meals, cleaning, laundry.
- personal care such as assistance with dressing, grooming, toileting.
- 24-hour nursing care such as nursing assessment, pain management, wound care and catheter care.[36]

The Australian Government pays approved providers a residential care subsidy for each consumer. Additional supplements may also be paid depending on the consumer's circumstances.

Consumer contributions

Consumers are asked to pay a contribution while they are in residential care. Contributions are as follows:

1. Daily living contributions: All consumers are asked to pay a basic daily care fee, which equals 85 per cent of the basic single rate of age pension ($50.16 per day or $18,308.4 per year as at 1 July 2018).
2. Care contributions: Pending the result of an Income and Assets Assessment, consumers may be required to pay a means-tested care fee.
3. Accommodation contributions: Some consumers are required to pay for either part or all of their accommodation costs. For consumers who are not eligible for support, they can pay their accommodation costs through a Refundable Accommodation Deposit (RAD), a Daily Accommodation Payment (DAP), or a combination of both. For consumers who are eligible for partial support, they can pay their accommodations through a Refundable Accommodation Contribution (RAC), Daily Accommodation Contribution (DAC), or a combination of both. Some consumers are able to have all their accommodation costs covered by the Government if their income and assets are below a certain amount. The maximum RAD amount that can be charged is $550,000 without prior approval from the Aged Care Pricing Commissioner. Extra service fee: residents may choose to occupy an extra service place.
4. Extra service status is granted by the Department of Health to some aged care places to enable the provision of higher than average standards of accommodation, food and non-care related services. Residents are

Residential Care
charged an extra service fee on a daily basis if they choose to occupy an aged care place with extra service status. 5. Additional service fee: Additional services (e.g. hairdressing, wine with dinner) beyond those the provider is required to provide, which the resident has agreed to receiving.

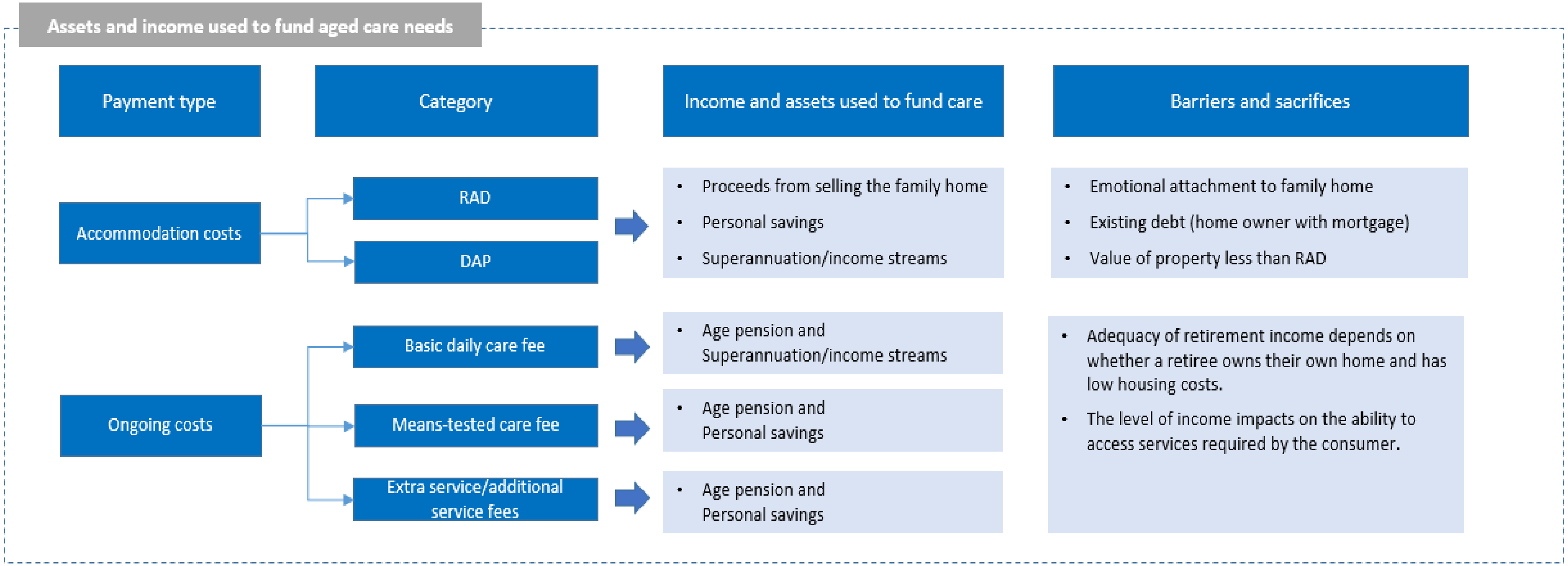
Appendix B: Income stream(s) used to finance aged care

Table 10: Aged care service type accessed and the income stream(s) used to finance

	Superannuation other income streams	Age pension	Proceeds from selling other assets	Proceeds from selling family home	Personal savings	Equity release using the family home	Pension loan scheme	Personal loan	Support from family members	Reduce other expenses (free up income)	Renting the family home	Aged care loan	Other	None of the above
Privately funded in home support	36%	60%	15%	13%	48%	7%	9%	7%	15%	16%	3%	2%	2%	5%
Retirement village (independent living)	27%	57%	17%	23%	45%	8%	17%	9%	17%	12%	5%	2%	2%	2%
CHSP	34%	72%	14%	14%	41%	7%	11%	5%	18%	13%	4%	1%	4%	4%
Home care package	35%	68%	16%	15%	45%	6%	9%	4%	15%	12%	4%	1%	2%	3%
Short-term care following a hospital stay, illness or injury	44%	55%	23%	19%	46%	10%	11%	8%	14%	15%	10%	3%	1%	3%
Respite (short-term) residential care	38%	56%	26%	17%	47%	9%	17%	8%	24%	11%	5%	5%	4%	4%
Residential aged care	42%	63%	25%	36%	52%	8%	16%	8%	19%	14%	8%	4%	1%	8%

Appendix C: Paying for residential aged care

Figure 17 Assets and income used to fund aged care

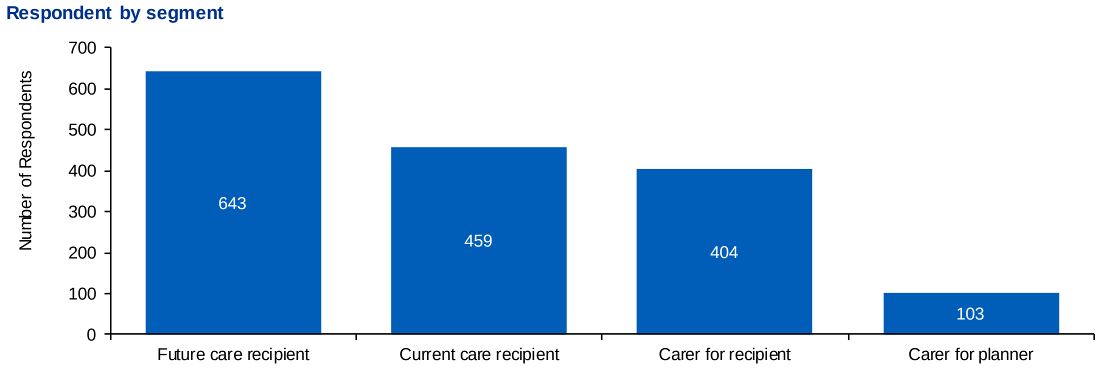


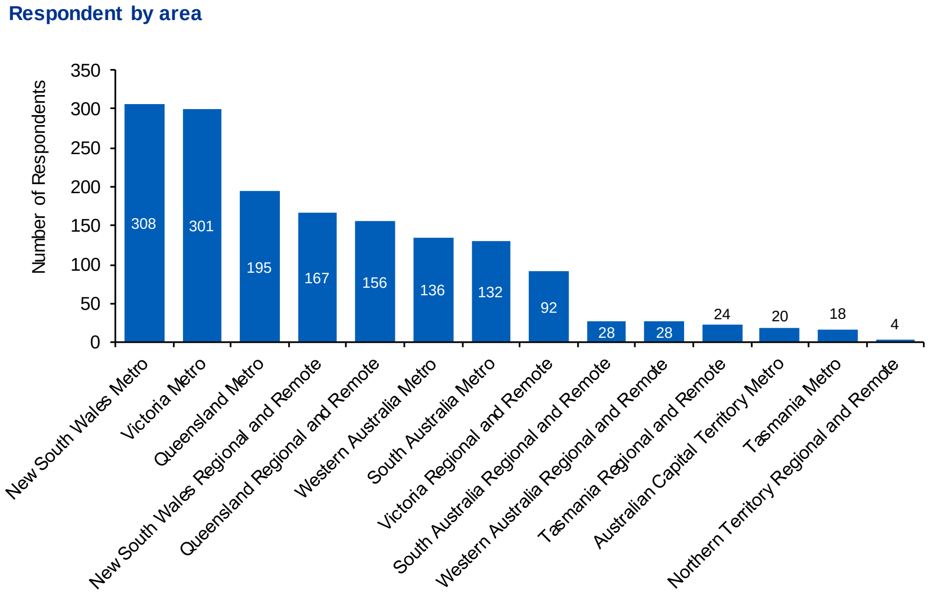
Appendix D: Consumer survey results

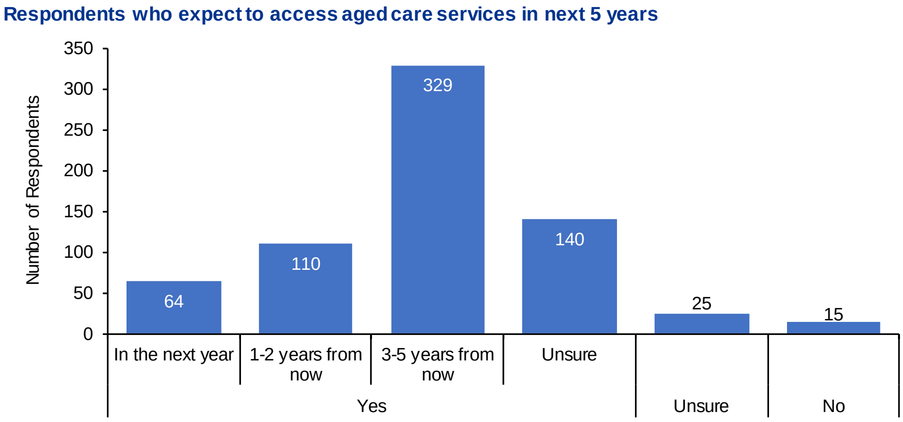
ACFA's consumer survey was completed by a range of consumers. The demographics of the respondents are summarised in the charts below:

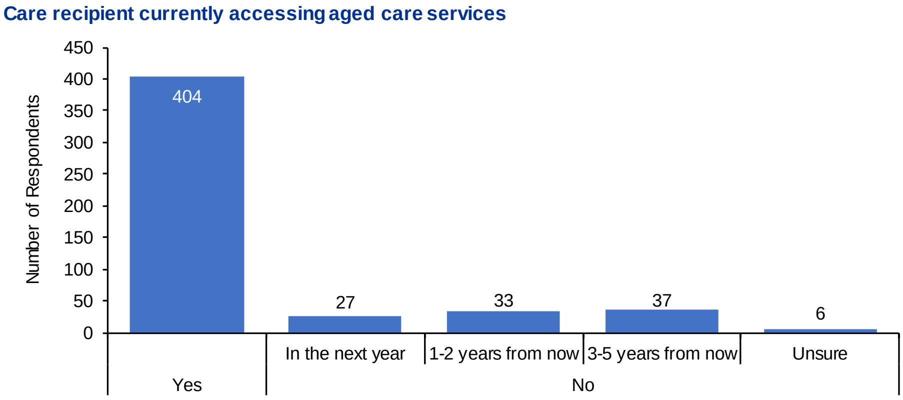
A.4 Demographics

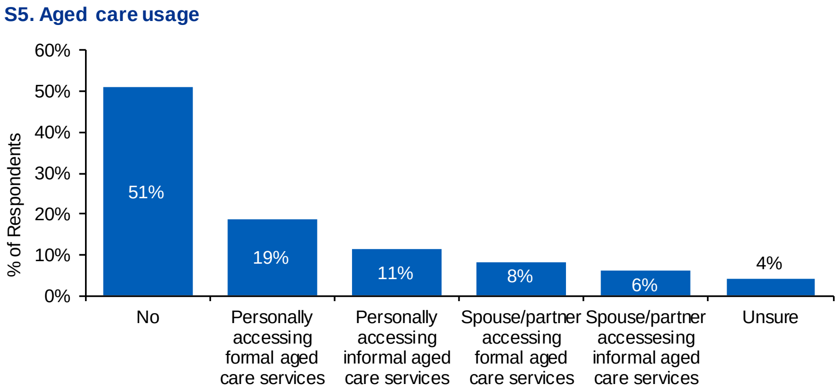
Demographics





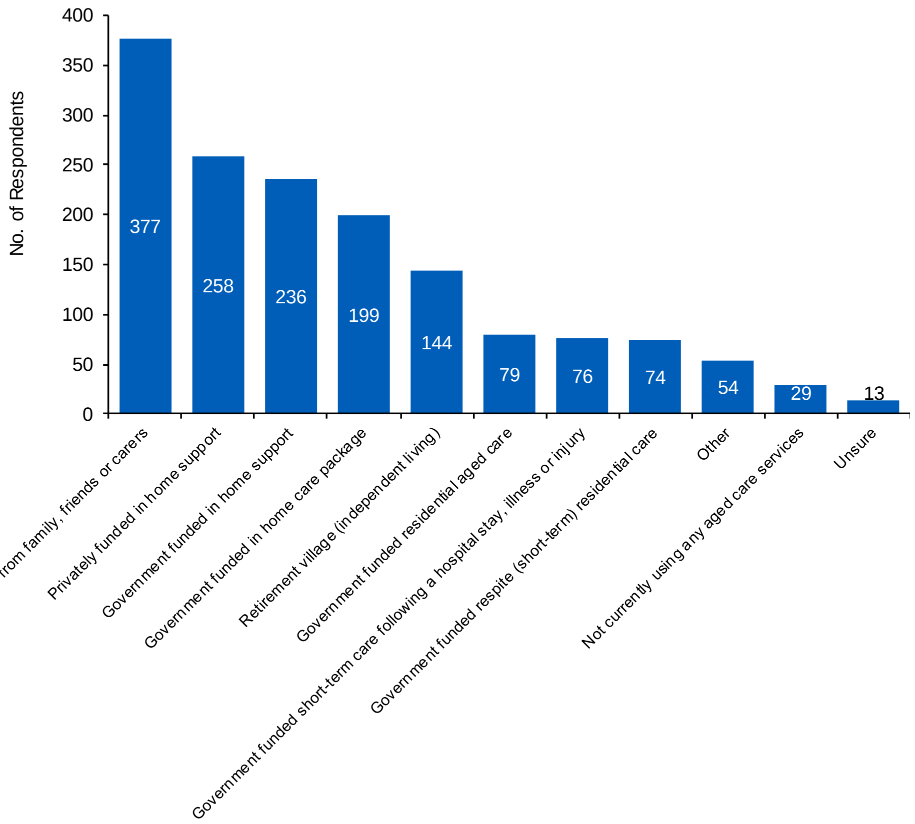

Respondents who expect to access aged care services in next 5 years
Number of Respondents
350
300
250
200
150
100
50
0
64
110
329
140
25
15
In the next year
1-2 years from now
3-5 years from now
Unsure
Yes
Unsure
No


Care recipient currently accessing aged care services
Number of Respondents
450
400
350
300
250
200
150
100
50
0
404
27
33
37
6
Yes
In the next year
1-2 years from now
3-5 years from now
Unsure
No

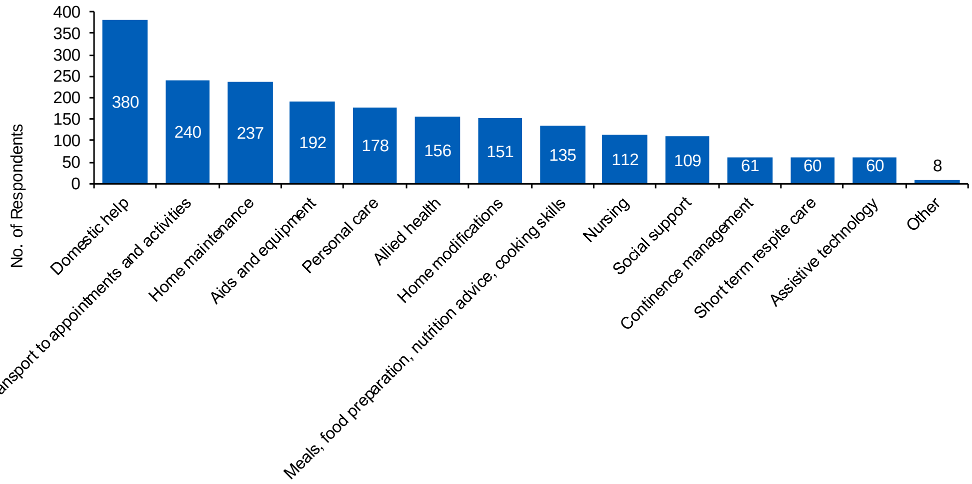

S5. Aged care usage
% of Respondents
60%
50%
40%
30%
20%
10%
0%
51%
19%
11%
8%
6%
4%
No
Personally accessing formal aged care services
Personally accessing informal aged care services
Spouse/partner accessing formal aged care services
Spouse/partner accessesing informal aged care services
Unsure

A.5 Questions

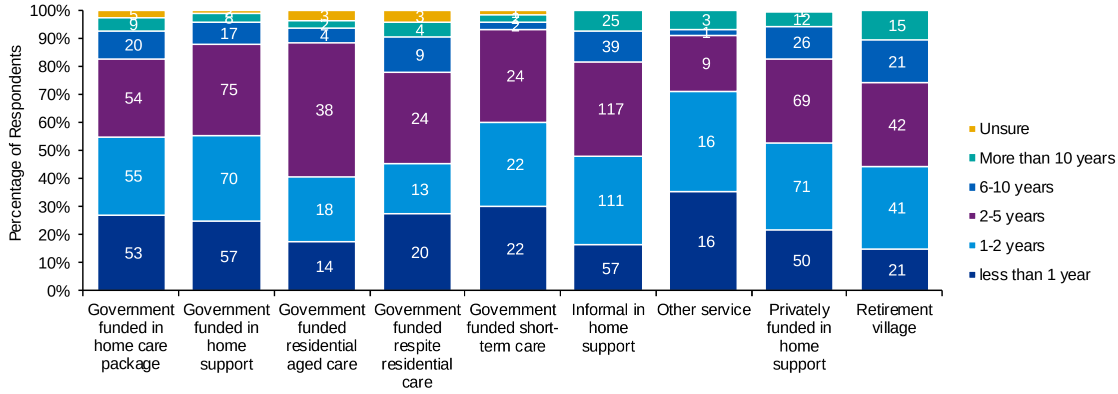
A1. Aged care services currently used



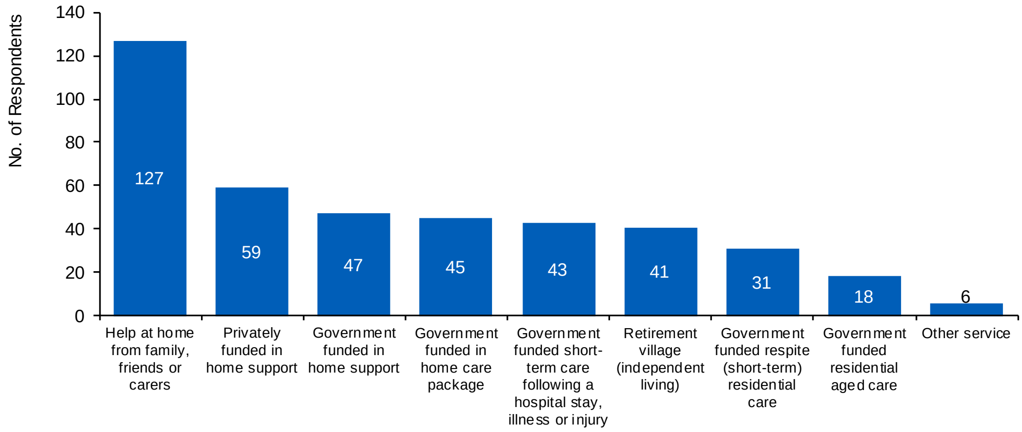
A2. In home support services currently used



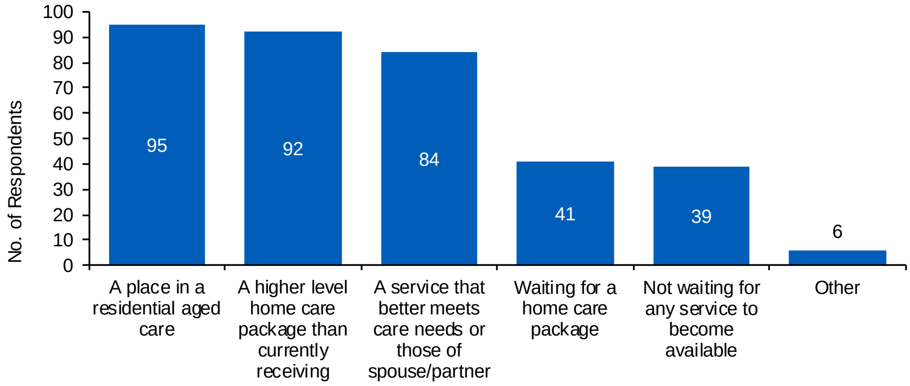
A3a. Length of time using services



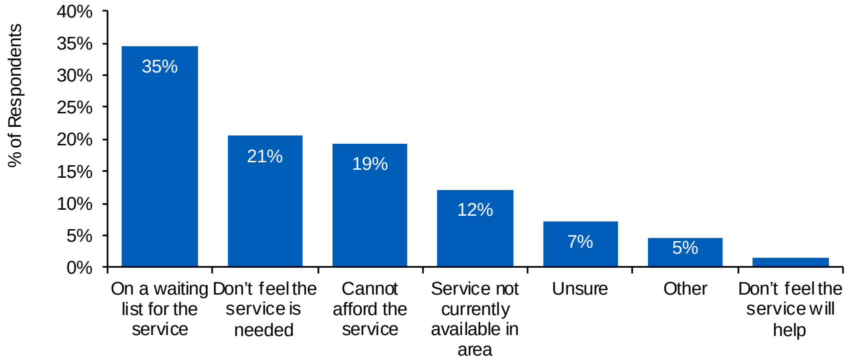
A3b. Services being used as a temporary solution



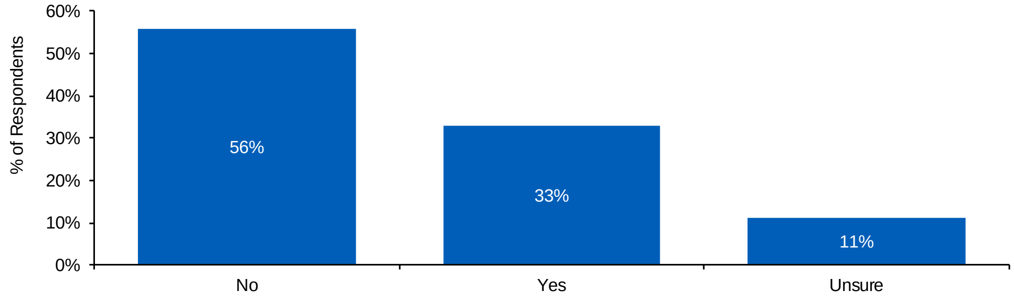
A4. Services waiting to become available



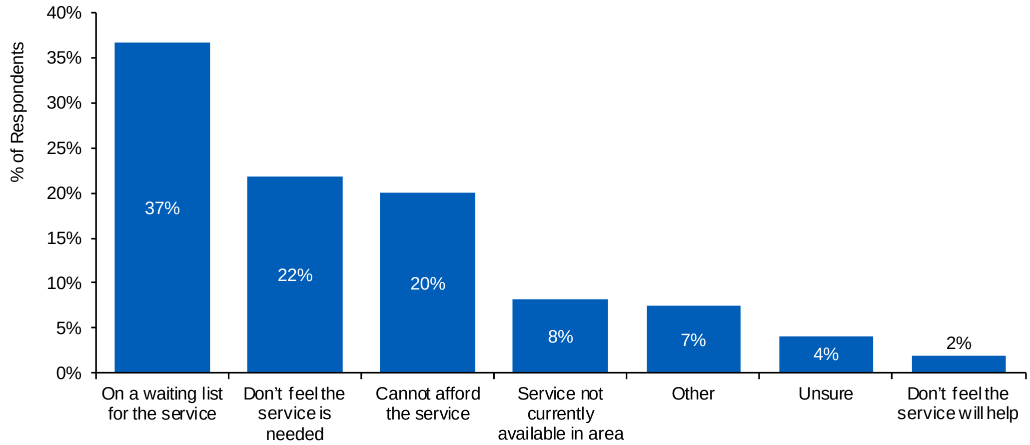
A5. Reason for using a temporary aged care solution

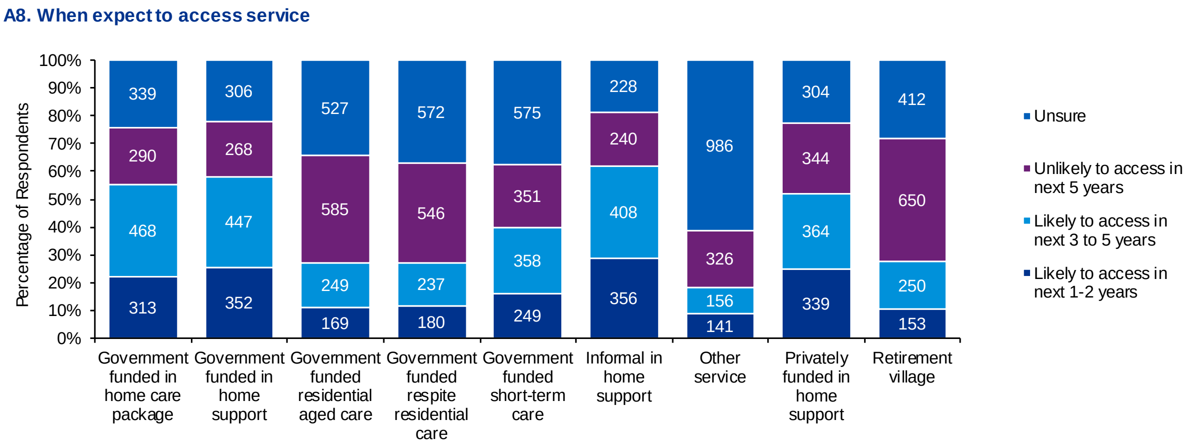


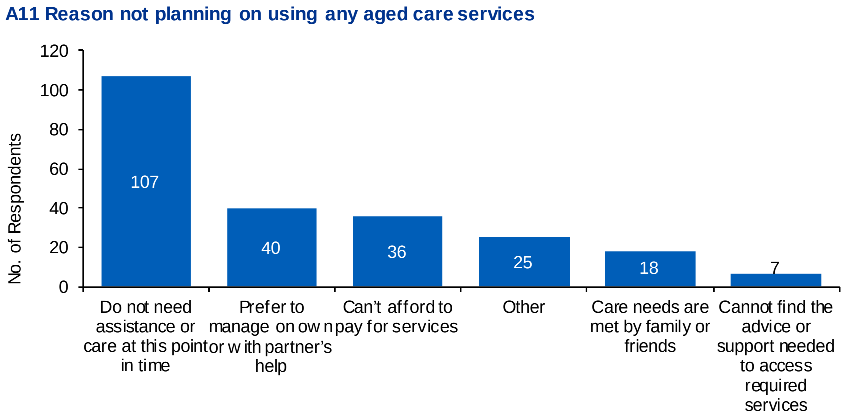
A6. Assessed for a required aged care service not currently using

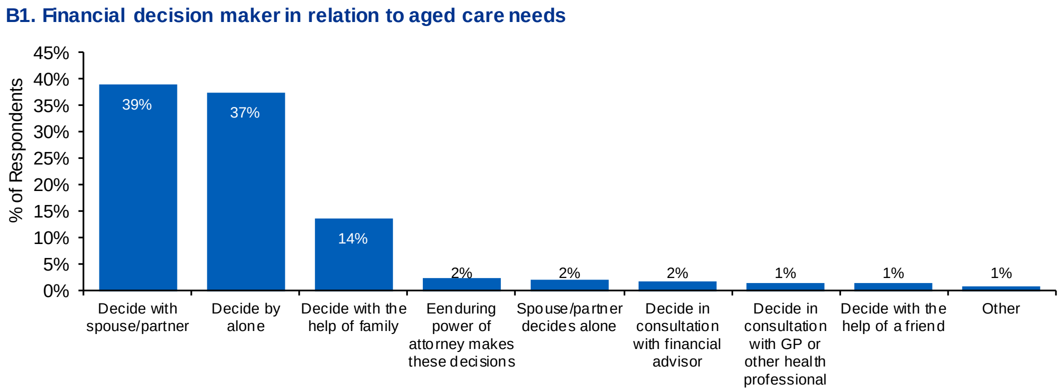


A7. Reason not accessing service assessed as needing

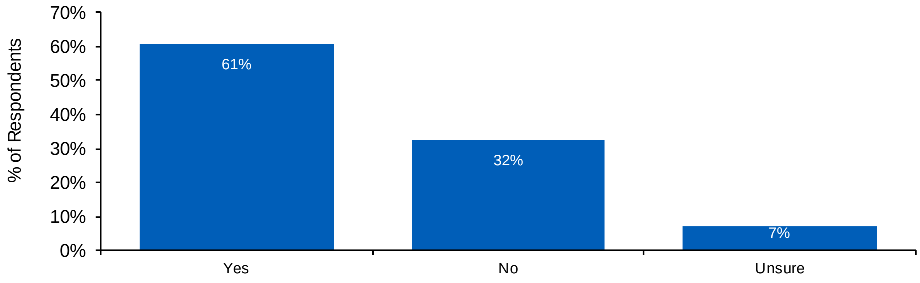



A8. When expect to access service
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Percentage of Respondents
339
290
468
313
306
268
447
352
527
585
249
169
572
546
237
180
575
351
358
249
228
240
408
356
986
326
156
141
304
344
364
339
412
650
250
153
Government funded in home care package
Government funded in home support
Government funded residential aged care
Government funded respite residential care
Government funded short-term care
Informal in home support
Other service
Privately funded in home support
Retirement village
Unsure
Unlikely to access in next 5 years
Likely to access in next 3 to 5 years
Likely to access in next 1-2 years

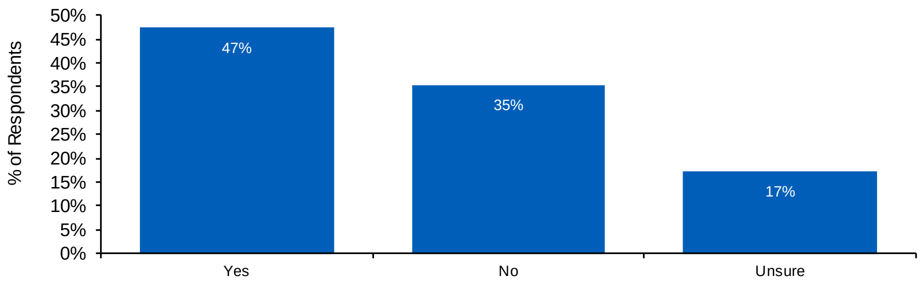

A11 Reason not planning on using any aged care services
120
100
80
60
40
20
0
No. of Respondents
107
40
36
25
18
7
Do not need assistance or care at this point in time
Prefer to manage on own or with partner's help
Can't afford to pay for services
Other
Care needs are met by family or friends
Cannot find the advice or support needed to access required services


B1. Financial decision maker in relation to aged care needs
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
% of Respondents
39%
37%
14%
2%
2%
2%
1%
1%
1%
Decide with spouse/partner
Decide by alone
Decide with the help of family
Eenduring power of attorney makes these decisions
Spouse/partner decides alone
Decide in consultation with financial advisor
Decide in consultation with GP or other health professional
Decide with the help of a friend
Other

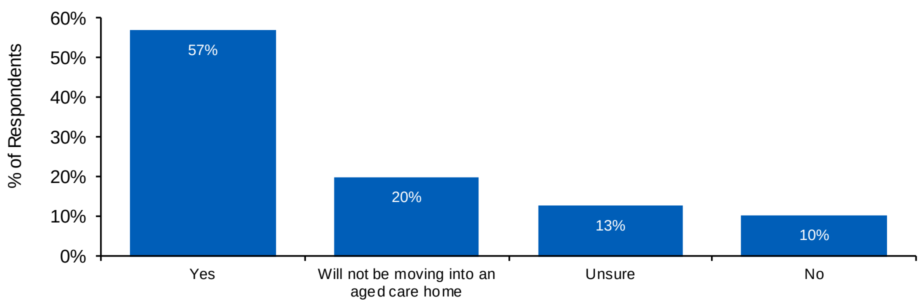
B2. Have a financial plan or budget



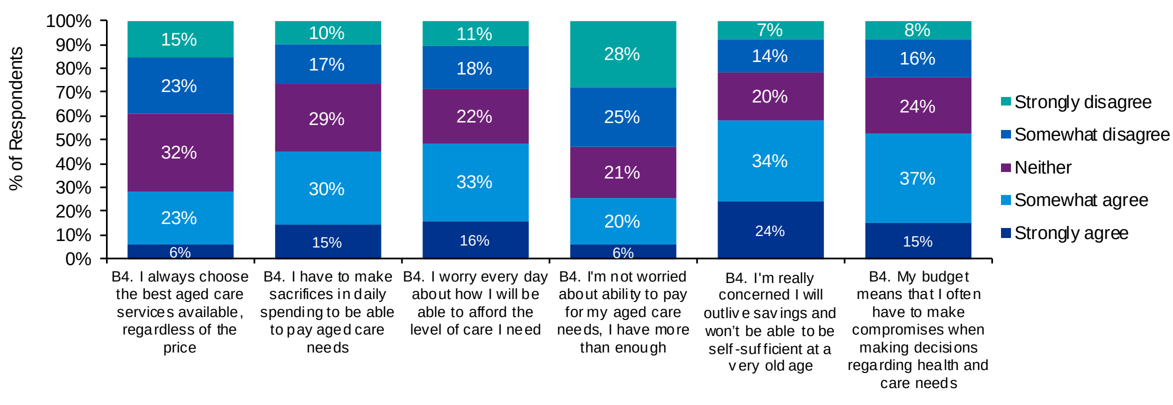
B3a. Does financial plan cover ongoing costs of aged care needs



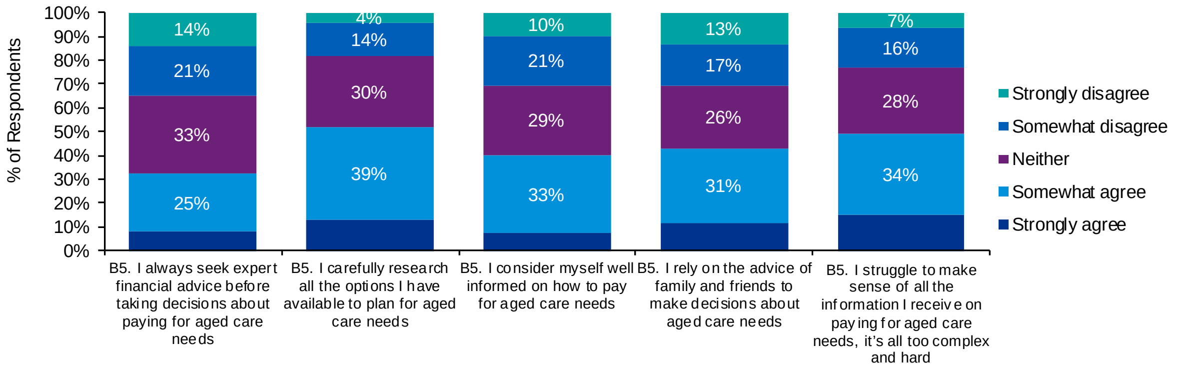
B3b. Does financial plan cover potential future cost of residential care



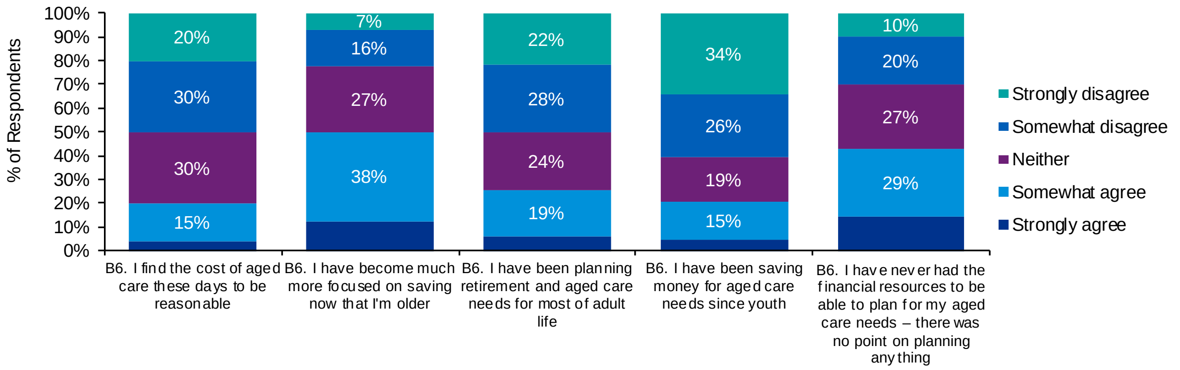
Question B4



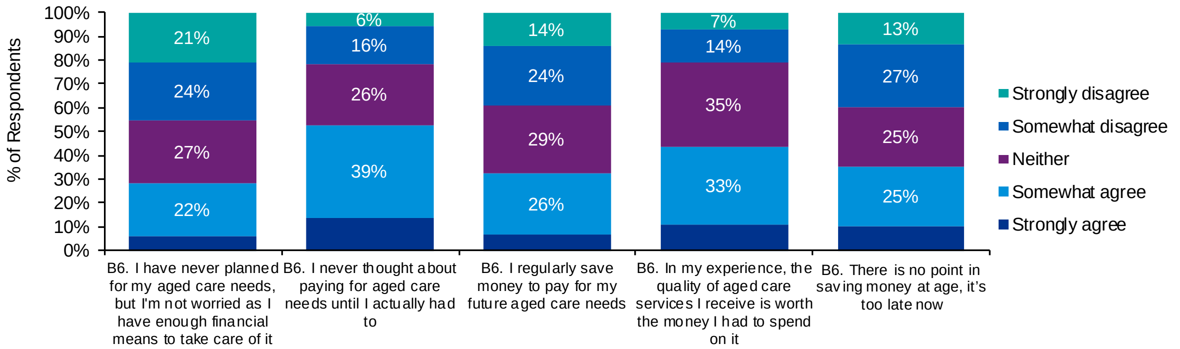
Question B5



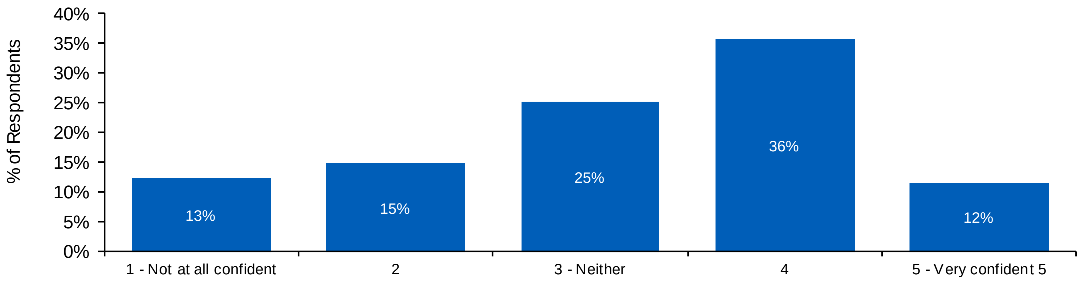
Question B6 (chart 1)



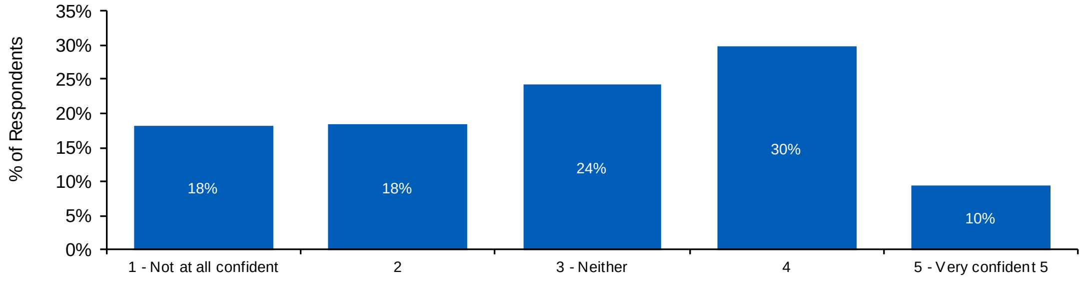
Question B6 (chart 2)



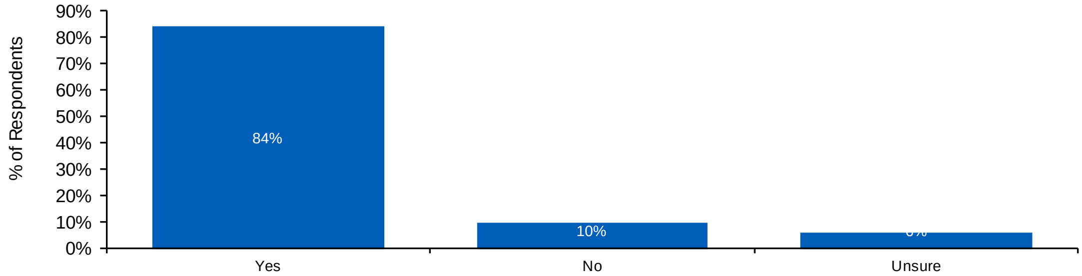
B7. Confidence in ability to meet the costs of current aged care needs



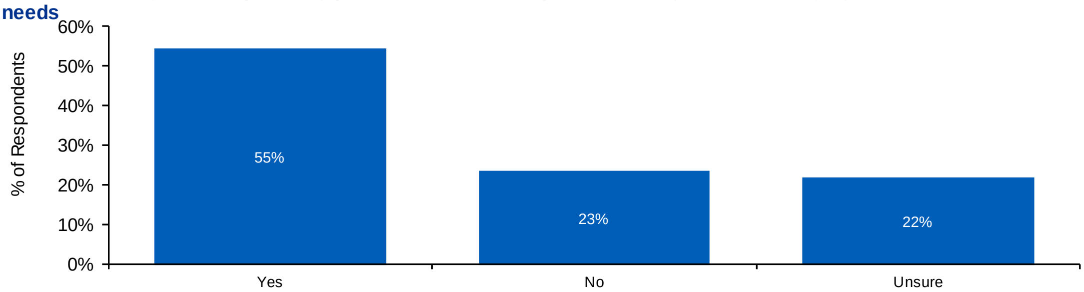
B8. Confidence in ability to meet the costs of future aged care needs



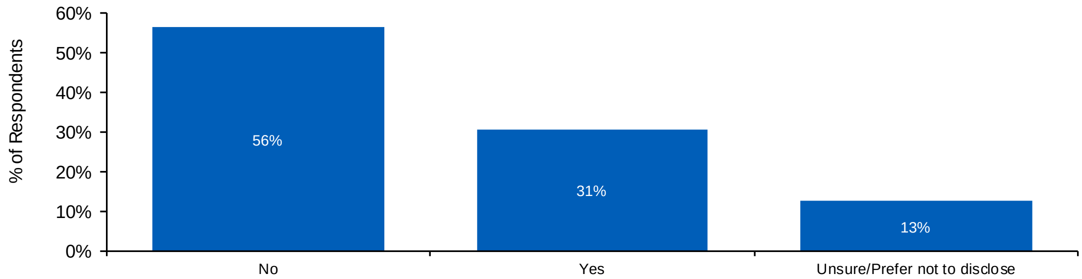
B9. Aware that Australians are living longer lives compared to previous generations



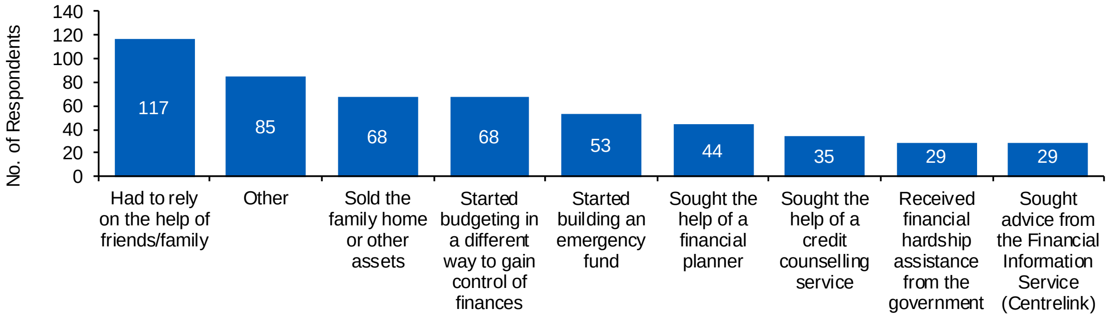
B10. Does a longer life expectancy provide motivation to plan financially for increasing aged care needs



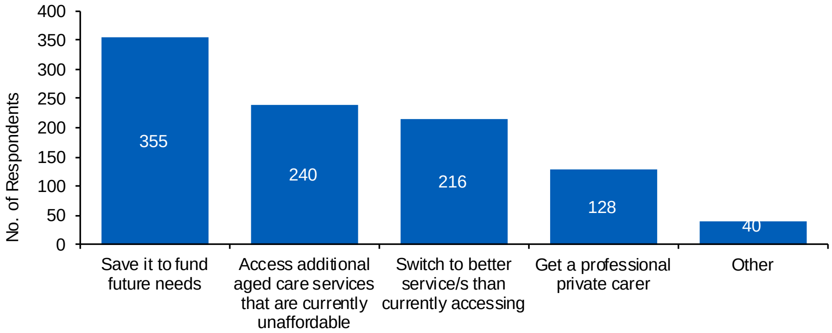
B12. Experienced financial stress due to costs of aged care



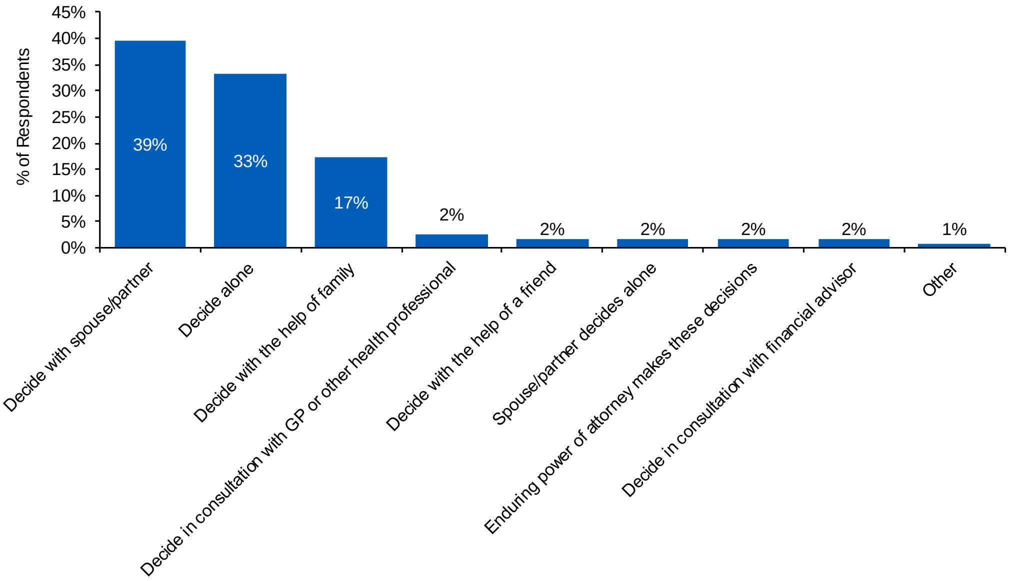
B13. How coped with financial stress caused by cost of aged care



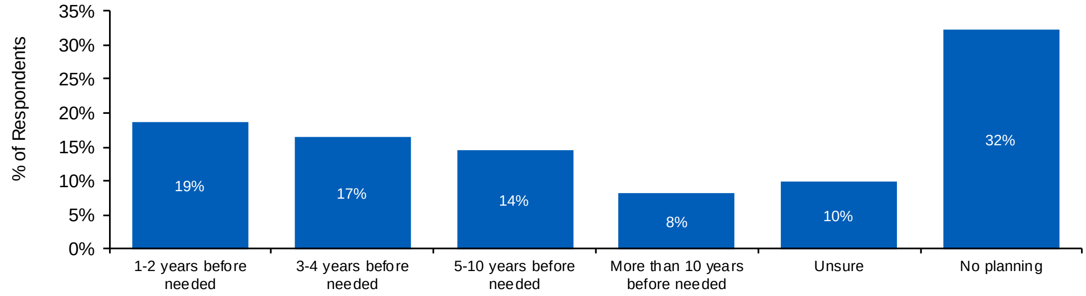
B14. Areas of aged care would spend more money if it were available



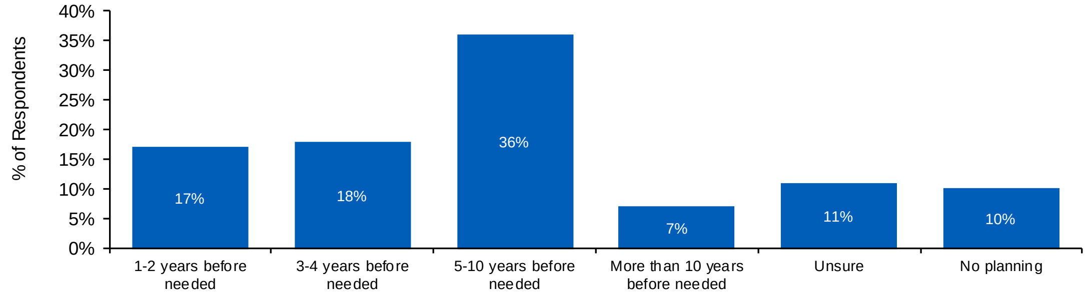
C1. Decision maker in relation to aged care needs



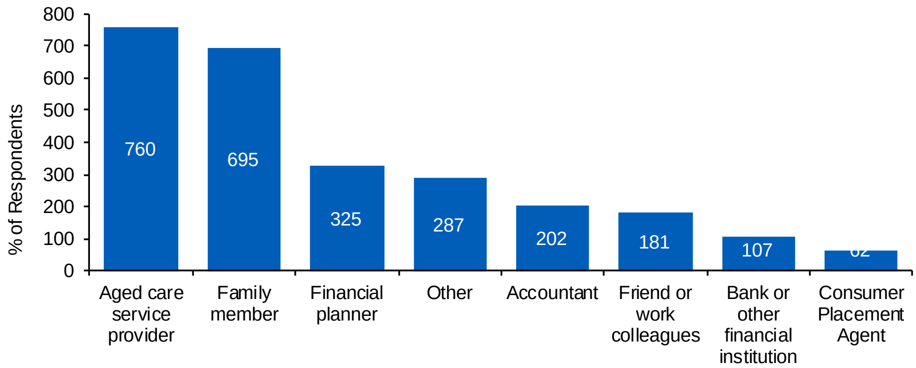
C2a. When started planning for aged care needs



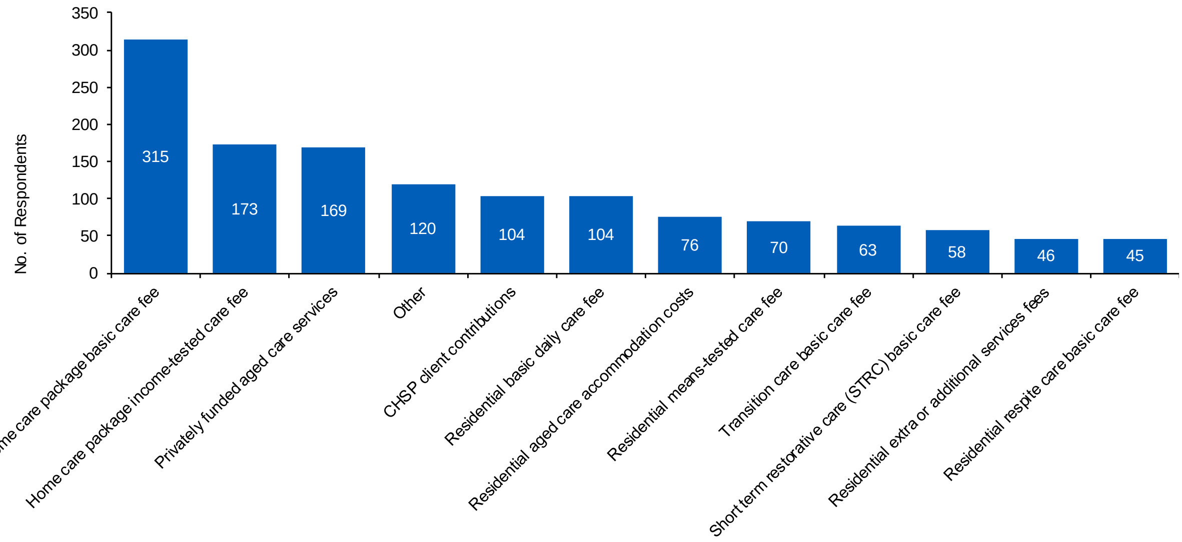
C2b. When expect to started planning for aged care needs



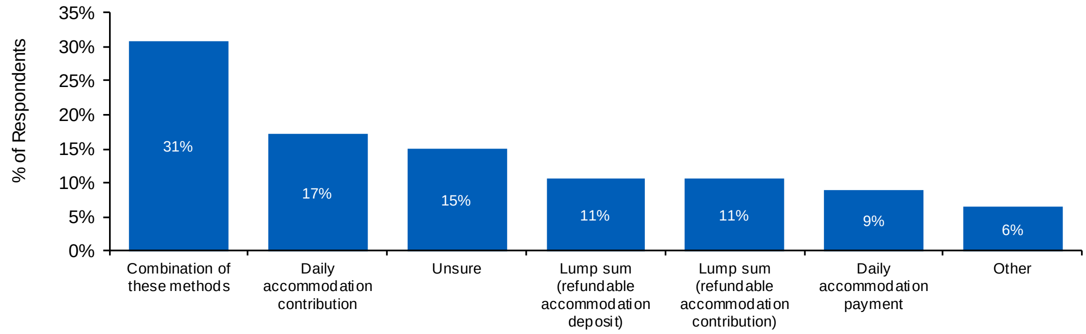
C3. Sources of financial advice on aged care



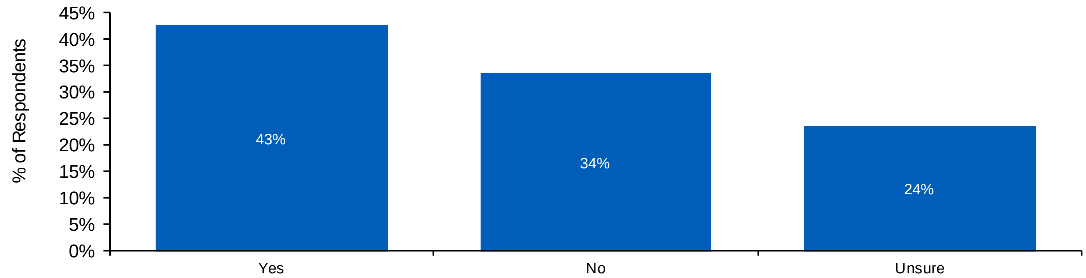
C4. Costs incurred in relation to aged care services currently receiving



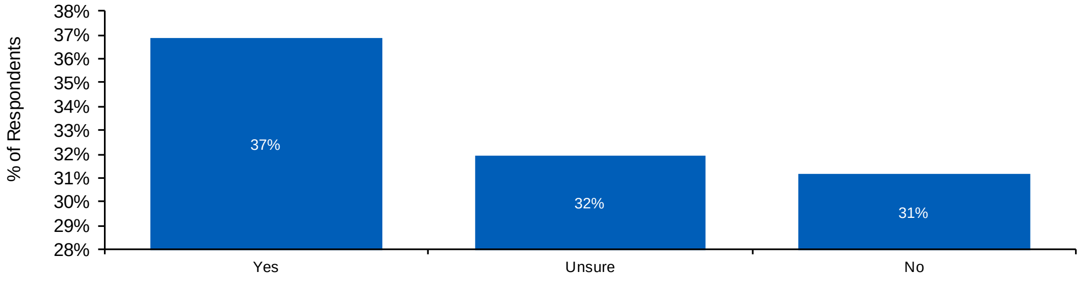
C5. How funding current residential accommodation costs



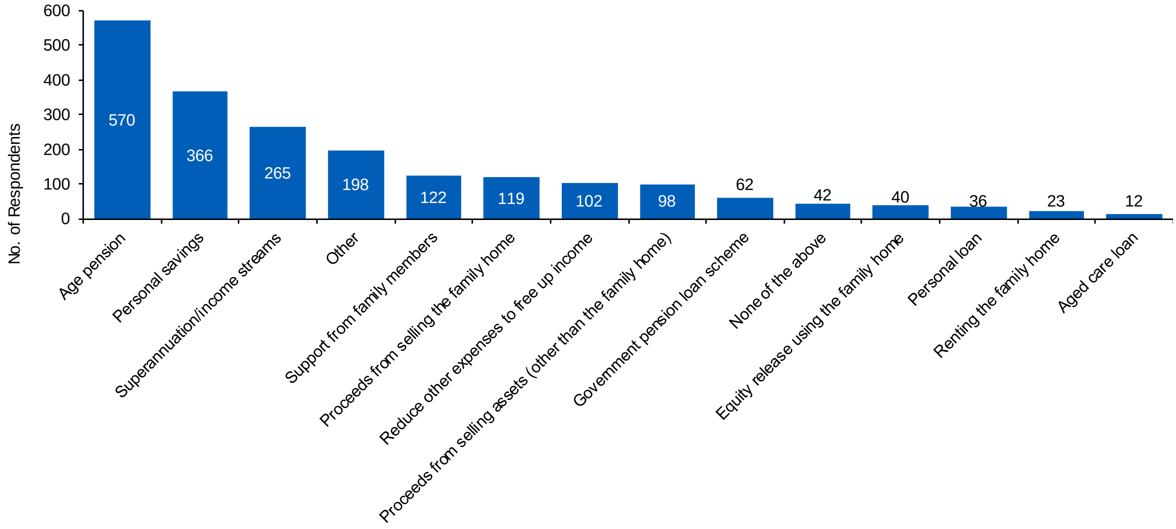
C6a. Drawing down on lump sum to pay residential accommodation costs



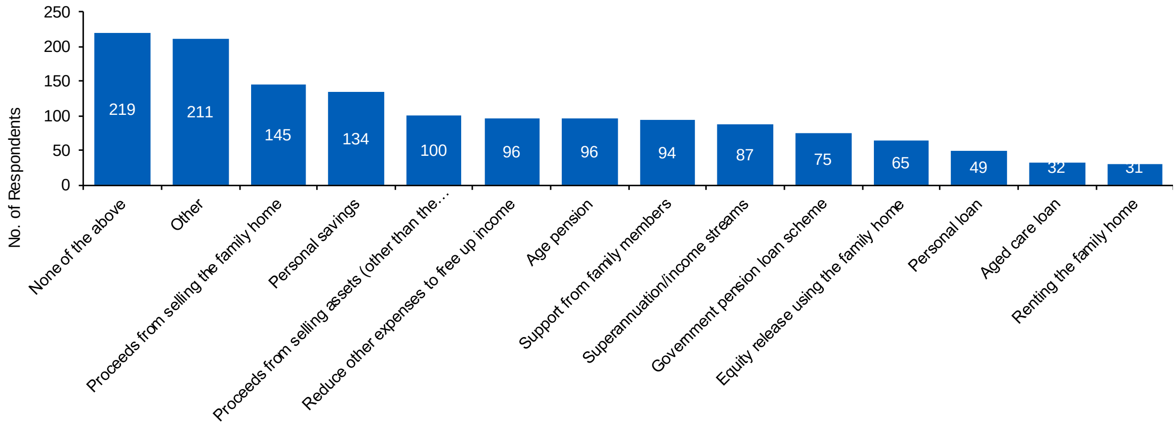
C6b. Drawing down on lump sum to pay aged care fees other than residential accommodation costs



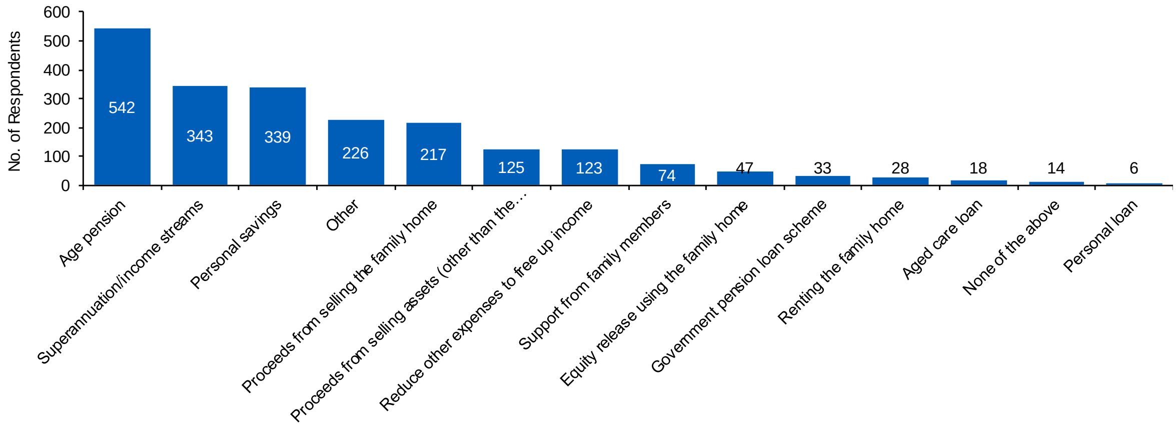
C7. Income and assets currently used to fund aged care needs



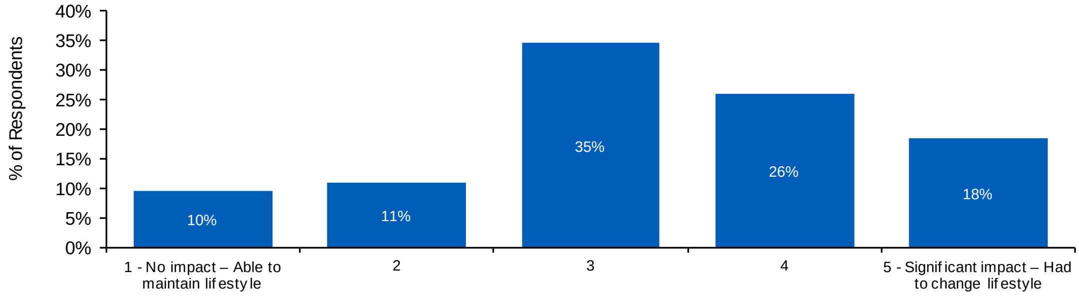
C8. Income and assets currently used to fund aged care needs



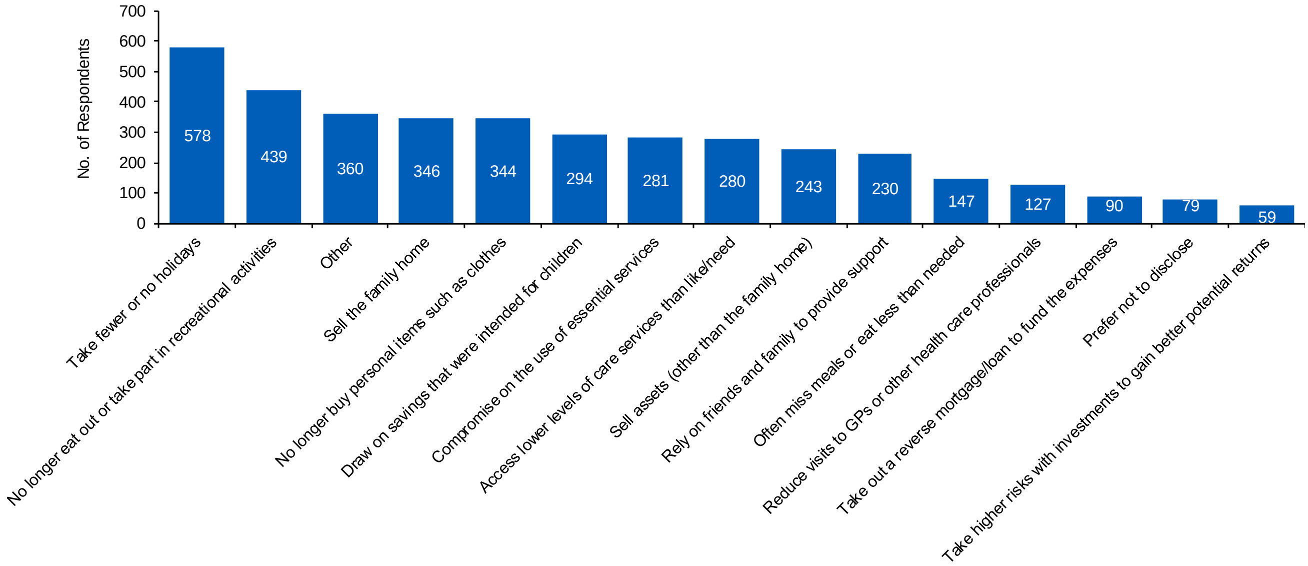
C9. Income and assets plan to use to fund future aged care needs



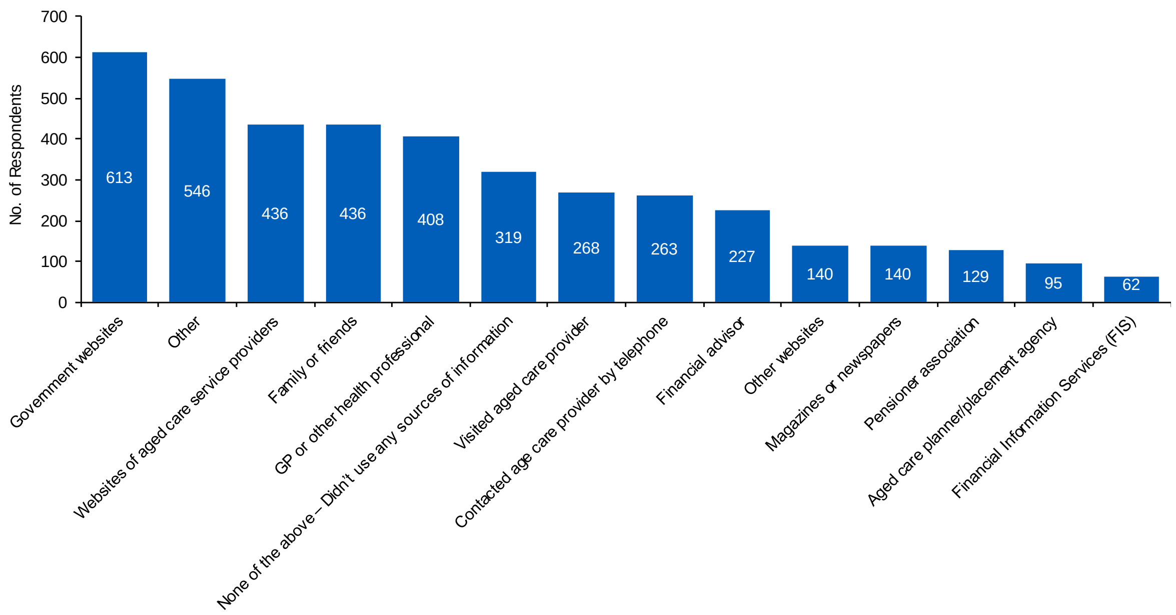
C10a. Impact of aged care costs on financial well-being



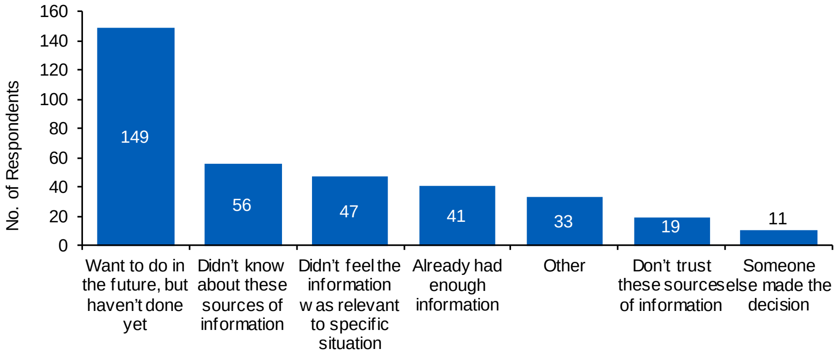
C11. Sacrifices made/expect to make to fund the cost of aged care



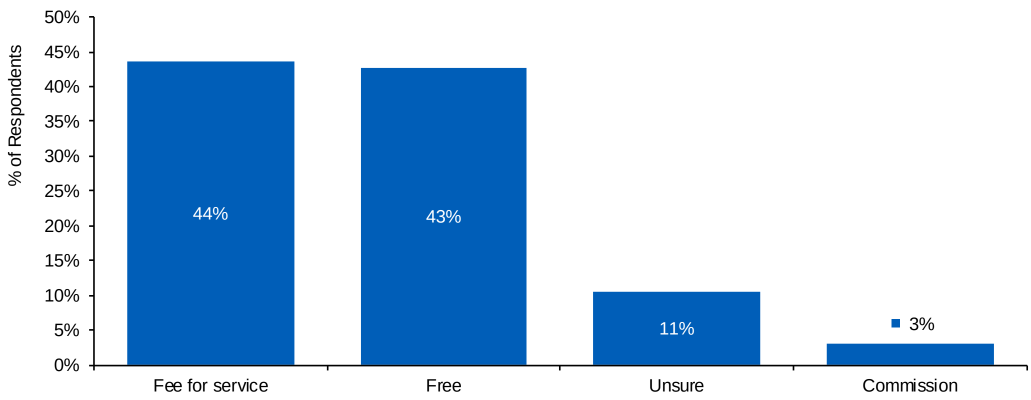
D1. Sources of information used to decide how fund aged care needs



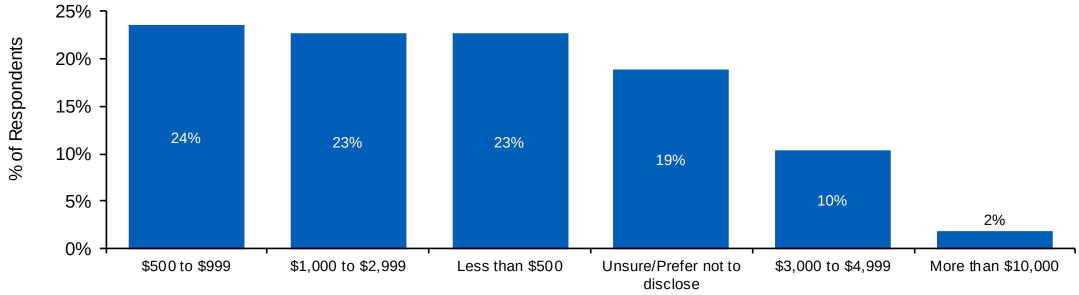
D2. Reason didn't use any source of information to research aged care funding



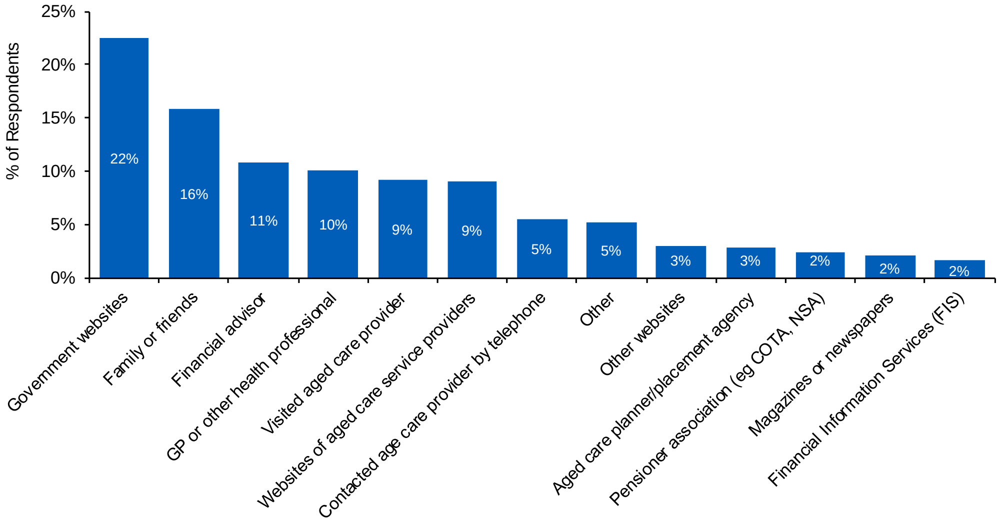
D3. Used financial advisor



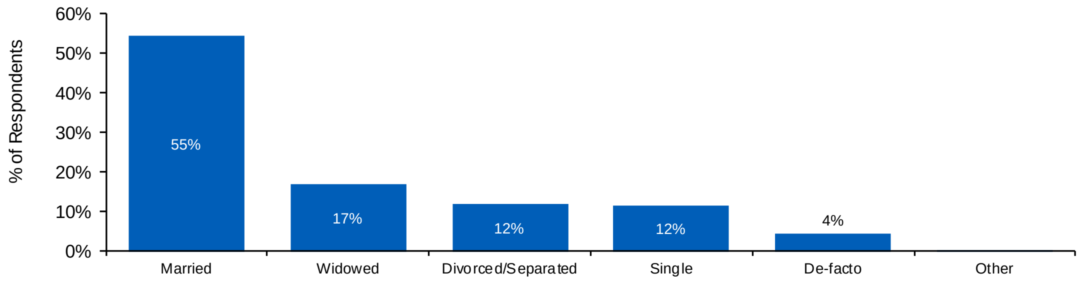
D4. Cost of financial advisor



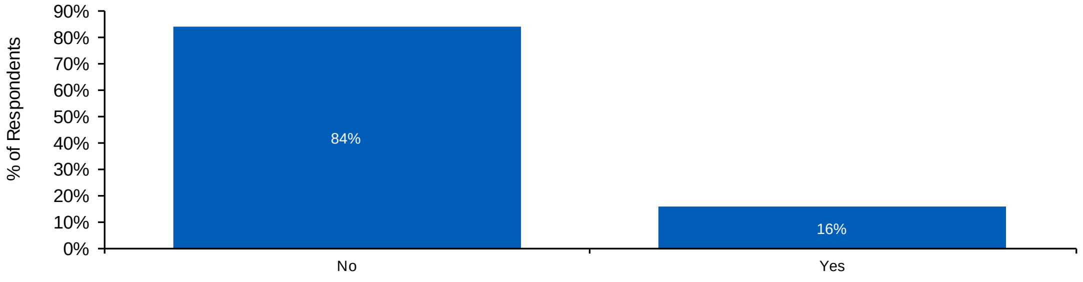
D7. Most useful source of information in deciding how to fund aged care



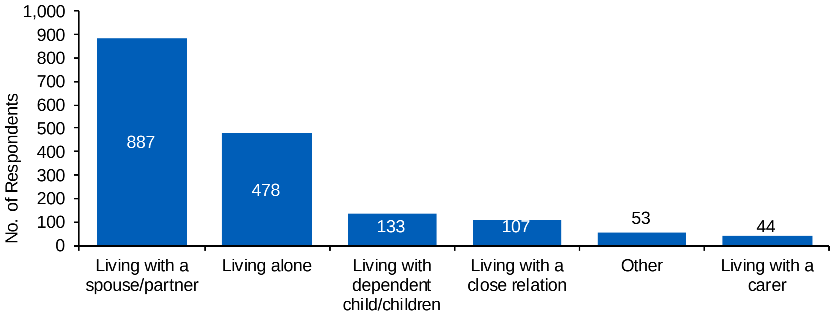
X1. Marital status



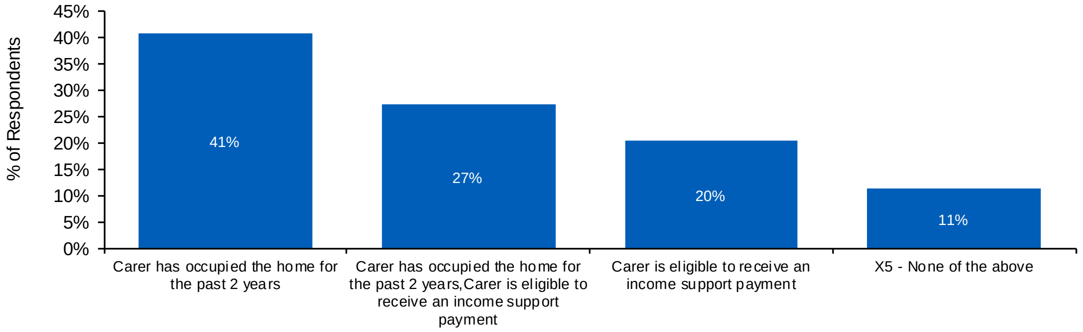
X3. Speak a language other than English at home



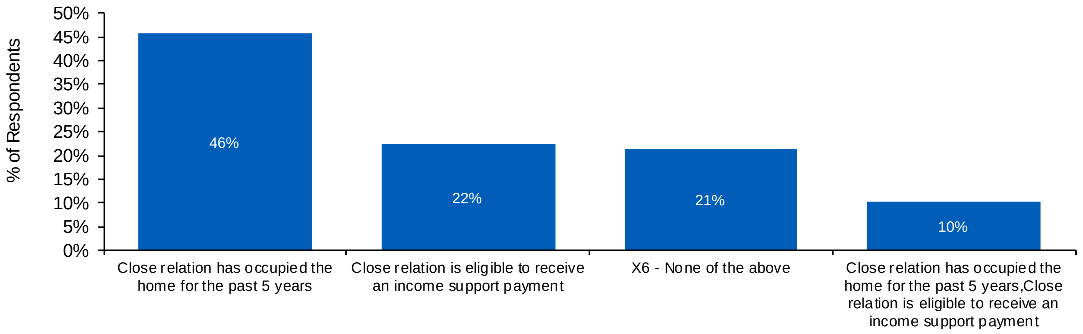
X4. Household makeup



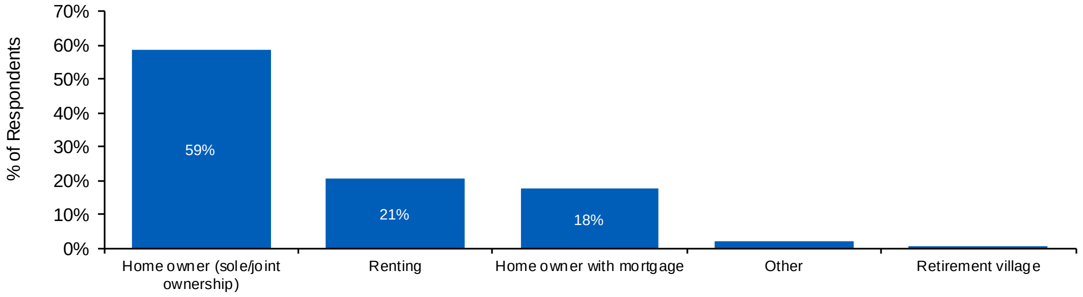
X5. Statements applying to cohabiting carer



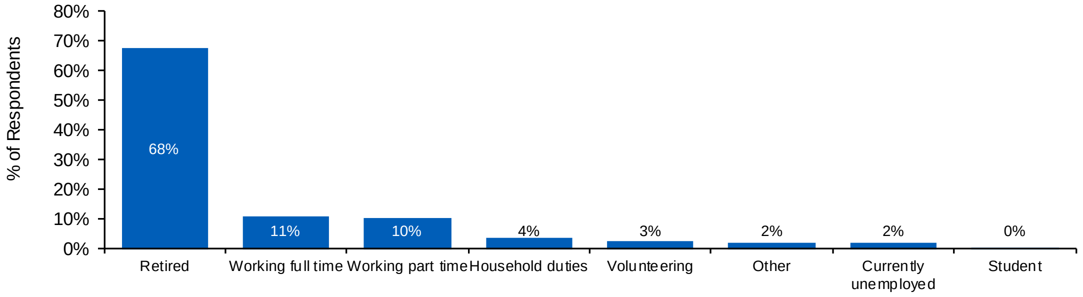
X6. Statements applying to cohabiting relation



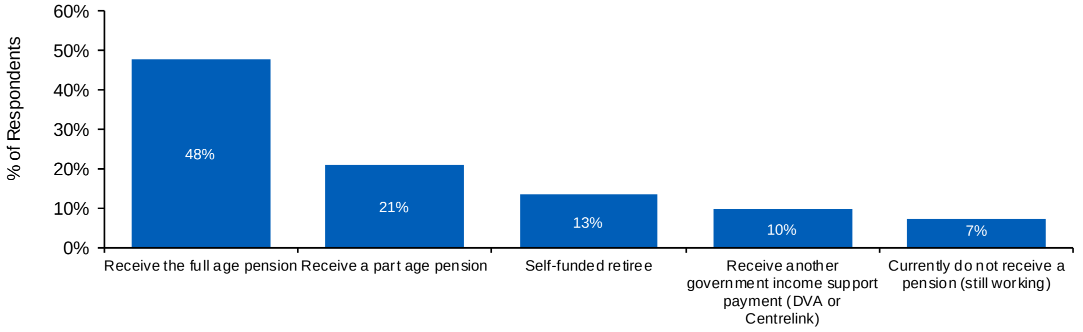
X8. Home ownership status



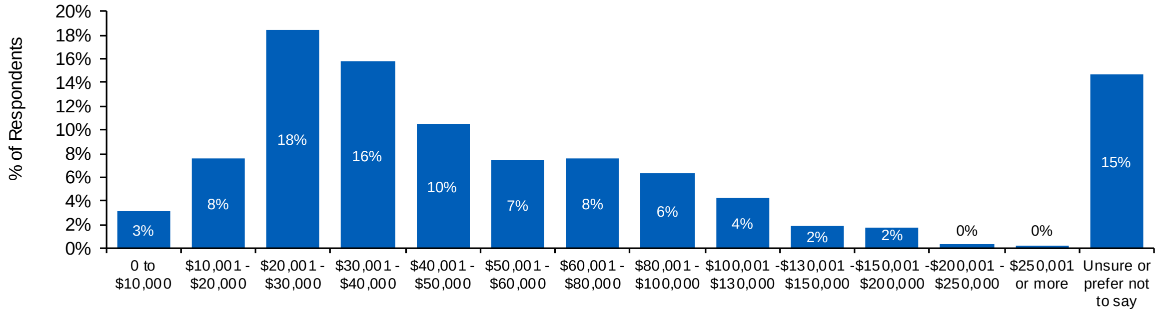
X9. Employment status



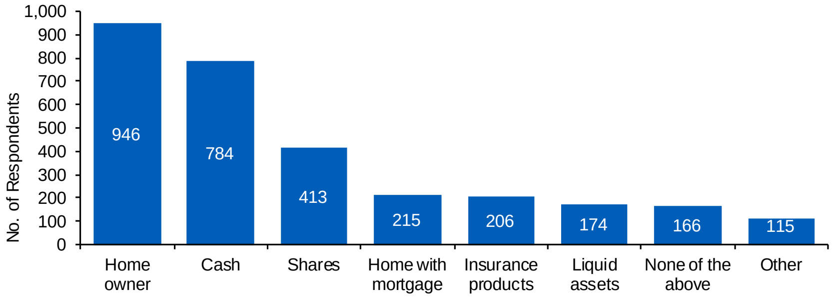
X10. Pension status



X11. Annual household income before tax



X12. Assets



Appendix B: Stakeholders Consulted

The table below lists the organisations consulted as part of the project. A number of other organisations were invited to be consulted but were unable to participate.

Stakeholder	Organisation name	
Consumer Advocate Groups	• COTA • National Seniors Ltd. • Dementia Australia • Older Persons Advocacy Network • National Seniors • National Seniors, Financial Information Desk • Financial Literacy Australia • Federation of Ethnic Communities Councils of Australia	• The National Aboriginal Community Controlled Health Organisation • The National Aboriginal Community Controlled Health Organisation affiliates • VincentCare • Brotherhood of St Laurence • National Rural Health Alliance • Corumbene • Care Consultancy
Consumer placement agencies	• Care Guidance	
Aged care peak bodies	• Aged and Community Services Australia • Leading Age Services Australia	• Catholic Health Australia • Retirement Living Council (Property Council of Australia)
Aged care providers	• BUPA • IRT • Baptist Care • St Luke's • RSL Lifecare • Estia • Baptcare • Moreland City Council • Assisi • Micare	• Prescare • Hall and Prior • Mercy Community • MYVISTA • CatholicHomes • Australian Regional and Remote Community Services • Southern Cross Care • Larrakia Nation Aged Care Service

Stakeholder	Organisation name
	• Helping Hand • Resthaven • Southern Cross SA/NT • UCQ/BlueCare • Carinity • Footprints • Bolton Clarke • Life Without Barriers • Respect Aged Care • Glenview Community Services • St Vincent Nursing Home & Therapy Centre • The District Nurses • Anglicare Tasmania
Financial Institutions	• Madison Financial Group • RI Advice • Financial Wisdom • Equity Trustees • Interprac • Catholic Super • Affinity Wealth Services • Aged Care Directions • Hillross Financing Planning • Later Life Advice • Sydney Aged Care Financial Advisers • Radford Allen • AMP • Integrity One • Nixon Financial • Swiss Re • HomeSafe Wealth Release • Heartland Seniors Finance La Trobe Financial and Paul Dwyer • Aged Care Gurus • Aged Care Steps • Bendigo bank • Challenger • Association of Superannuation Funds of Australia • Industry Super Australia • Financial Planning Association of Australia • Your Life Choices • IMB • TML Advisory • Beacon Financial Planning • Potts Duhring • Dome Financial • Nanna's Planners • Morgans • Adelaide Aged Care Financial Advisers • Strategic Financial Planning
Other	• Ubercare • Gen-wise Health • Wellbeing and Resilience Centre • Living Stories • Ingenia • Care Connect • Five Good Friends

Stakeholder	Organisation name
	• Nexus Care • CareKonnect • Group Homes Australia

Appendix E: References

[1] A statement made by several participants in the stakeholder consultations

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[6] National Seniors Australia (2014). Downsizing decisions of senior Australians: what are the motivating and discoursing factors?

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[8] McCrindle and Absolute Care and Health (2018)

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[10] ABS (2018), Census of Population and Housing: Reflecting Australia - Stories from the Census, 2016

[11] Disability, Ageing and Carers, Australia: Summary of Findings 2015, 2016

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[13] https://www.alrc.gov.au/sites/default/files/pdfs/publications/elder_abuse_131_final_report_31_may_2017.pdf

[14] https://www.dss.gov.au/about-the-department/publications-articles/research-publications/social-policy-research-paper-series/number-41-asset-rich-but-income-poor-australian-housing-wealth-and-retirement?HTML

[15] https://www.dss.gov.au/our-responsibilities/seniors/benefits-payments/pension-loans-scheme

[16] http://www.investorwords.com/11655/investment_account.html

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[23] National Seniors Australia (2018).

[24] https://www.cota.org.au/about/governance/

[25] http://www.cotaact.org.au/services/community-education-programs

[26] ASIC (2018), *Elder care and seniors support*

[27] https://www.advancecareplanning.org.au/

[28] https://www.moneysmart.gov.au/investing/financial-advice/financial-advice-toolkit

[30] Department of Health. *Your guide to Commonwealth Home Support Programme services booklet*.

[31] Department of Health. *About the Commonwealth home support programme.*

[32] Department of Health. *Information Booklet Roadshow*.

[33] Aged Care: A Quick Guide.

[34] Department of Health. *Residential respite subsidy and supplements*.

[35] Department of Health. *Residential respite care*.

[36] Department of Health. *Information booklet on fees for home care packages and residential aged care for people entering from 1 July 2014.*