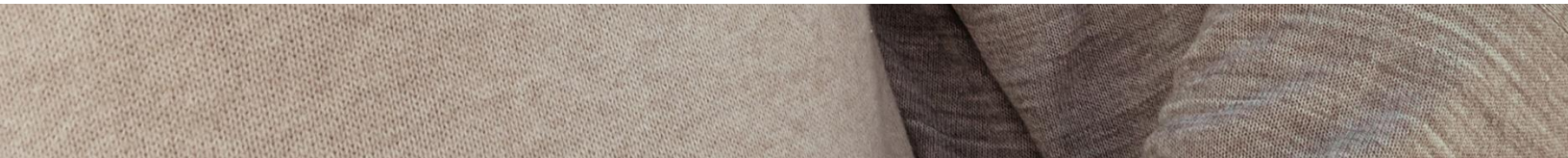
WORKING WHILE WE WAIT

FOCUS ON AN INTERIM AGED CARE REFORM AGENDA

LASA
LEADING AGE SERVICES AUSTRALIA
The voice of aged care



About LASA

Leading Age Services Australia (LASA) is the national association for all providers of age services across residential care, home care and retirement living/seniors housing. Our purpose is to enable high performing, respected, and sustainable age services that support older Australians to age well by providing care, support and accommodation with quality, safety and compassion – always.

LASA's membership base is made up of organisations providing care, support, services and accommodation to older Australians. Our Members include private, not-for-profit, faith-based and government owned and operated organisations. 56% of our Members are not-for-profit, 36% are privately owned providers and 8% of our Members are government owned and operated.

Our diverse membership base provides LASA with the ability to speak with credibility and authority on issues of importance to older Australians and the age services industry.

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Executive Summary

LASA and its Members fully support the Royal Commission into Aged Care Quality and Safety as a 'once in a generation' opportunity to make the aged care system better for older Australians, now and into the future.

However, critical issues facing the sector cannot wait to be addressed while the Royal Commission continues its important investigation into the many complex issues in aged care and their solutions.

This paper- *Working While We Wait* - provides an overview of LASA's views on planned and proposed aged care policy reform activities for action prior to the release of the Royal Commission's final report in November 2020.

Key aged care reform measures currently underway and to which LASA has made submissions, include:

1) The proposal for a new residential aged care funding model based on the *Australian National Aged Care Classification*,
2) Alternative models of place allocation for residential aged care to support consumer choice,
3) Aged care staffing disclosure requirements for residential aged care providers,
4) Directions for strengthening the current framework for management of prudential risk in residential aged care,
5) The design of a Serious Incident Response Scheme for residential aged care,
6) Changes to home care package payment administration arrangements, and
7) The work of the Aged Services Industry Reference Committee in supporting recommendations from the Aged Care Workforce Strategy.

LASA's position with regard to these key reform measures has been summarised within this paper.

Furthermore, this paper proposes ***sixteen*** other important reform actions to address urgent issues in the aged care system. These actions are designed to address important and urgent issues that will result in better care outcomes for older Australians. These actions are designed to be implemented quickly, with many of them likely to support and enable recommendations expected to be made by the Royal Commission. The proposed reform actions include:

Residential Aged Care

1) Providing an urgent funding injection of $1.3 billion to ensure residential aged care service quality and continuity. This will avert the short-term risks of service failures, job losses and missed care while the Royal Commission considers longer-term reforms.
2) Implementing a well-funded policy intervention for residential aged care providers to facilitate better care provision for those people who present with behavioural and psychological symptoms of dementia, designed as a simple subsidy boost with external screening for eligibility and that offers service improvement incentives to strengthen the culture for high quality dementia care.

3) Removing regulatory barriers to providing additional services within residential aged care that support the principles of consumer-directed care and that can provide additional care and services beyond those delivered within the Government's funding caps.

4) Lowering the base interest rate that providers are required to pay on unclaimed lump-sum accommodation payments following a resident's departure from care. This will free up resources in residential aged care and remove the perverse incentives of current arrangements that benefit the estates of some residents at the expense of other residents.

5) Reforming the rules governing the Bond Guarantee Scheme so that residents can access their funds in the event their residential aged care provider goes into administration, supporting their access to this protection in a timely manner.

Home Care

1) Phasing in maximum wait times for the national home care queue for both final and interim home care packages and moving to legislated maximum wait times for home care packages at any level of no more than three months.

2) Promoting the newly extended Pension Loan Scheme (PLS) to those people on the national home care queue to help boost take-up of the scheme from persons with the means to do so.

3) Creating a 'Home Care Loans Scheme' with more generous terms than the PLS and that can be offered as an additional option for older Australians to deal with the unfortunate reality of waiting on the national home care queue. This will help incentivise consumer contributions to the cost of care.

4) Fast-tracking the national home care queue for low means/high needs individuals to address the fact that they are less able to pay for services privately. This includes consulting with key stakeholders on the procedure for determining who should be fast-tracked and how the process can be managed so that all older Australians on the queue progress equitably.

5) Exploring practical steps to provide greater flexibility in the structuring of aged care funding that can separate care funding from accommodation and remove the distinction between residential and home care and the transition between care types.

Health Care Interface

1) Extending MBS telehealth rebates to GP video consultations with RACFs as a matter of urgency to support equitable access to GP care in a timely and efficient manner.

2) Redesigning the forthcoming Community Pharmacy Agreement to provide older Australians better access to the Home Medication Review (HMR) program and to allow stronger GP/RACF collaboration in caring for residents of RACFs with the support of embedded pharmacists in the home through the Residential Medication Management Review (RMMR) program.

Workforce Matters

1) Building the evidence base for staffing requirements in residential aged care through undertaking additional research that accounts for the many aspects of residential aged care staffing and operations, noting the dynamic and fluid nature of care provision relative to the changing care needs among facility residents in providing high quality and safe care.

2) Commitment to rapidly progressing the work of the Aged Care Industry Workforce Council, noting LASA and it's Members offer continued support for the activity of Council with the intent of realising the outcomes of Australia's Aged Care Workforce Strategy in better equipping and enabling the aged care workforce to support older people to live well.

3) Bringing industry stakeholders together to enhance the penetration of a suite of products and services that directly respond to Royal Commission identified workforce issues. LASA's work in the development of these products and services demonstrates that they are market tested, proven and fit-for-purpose. Our desire is to implement them at scale and with pace across the sector in response to the urgent demand for action.

Ageing Well in Australia

1) LASA is working with our partners to design and deliver a national Ageing Well Summit. The purpose of this event is to bring together leading ageing and aged care thinkers and practitioners to 'kick start' a national discussion on what it means to age well in 21st century Australia. The Summit will explore how we as individuals, families, communities and a nation can better support the growing numbers of older Australians to age well.

In summary, making the aged care system better right now requires urgent action. LASA offers an interim reform agenda, *Working While We Wait*, which can assist.

Delivering the high standards of care and service that older Australians expect and deserve can be progressed as a matter of urgency whilst also supporting likley Royal Commission recommendations. The sector stands ready to work with the Government, noting we all want a safe, high quality and high performing aged care system.

Older Australians need it and older Australians deserve nothing less.

1. Introduction

1.1 Why have an interim reform agenda?

On 16 September 2018 the Government announced the establishment of the Royal Commission into Aged Care Quality and Safety. The Royal Commission was originally due to issue its final report by 30 April 2020, but this has now been extended until 12 November 2020.

LASA and its Members support the Royal Commission, which is a 'once in a generation' opportunity to make the aged care system better for all older Australians, now and into the future.

The extra time provided by the extension will allow for a deeper investigation of the many complex issues in aged care and their solutions.

However, it appears unlikely now that a response to the Royal Commission could be implemented before July 2021, and July 2022 is probably a more realistic timeframe for any significant structural changes.

Pursuing reform in the interim period while the Royal Commission does its work is challenging because of the need to avoid changes that may be inconsistent with specific Royal Commission recommendations.

On the other hand, there are many pressing issues facing the sector, including the roughly 120,000 people waiting for home care and the significant financial pressures affecting sustainability and care delivery in both residential care and home care.

1.2 Purpose of this paper

This paper provides an overview of LASA's views on aged care policy reform from October 2019 through to the planned release of the Royal Commission's final report in November 2020.

The paper includes a summary of LASA's positions and involvement in some of the key consultations that are currently underway, noting that this list is not exhaustive given the number of ongoing reviews and inquiries.

The paper also proposes other reforms/actions that can be undertaken in a relatively short timeframe to address urgent issues without impeding possible Royal Commission recommendations.

1.3 Long-term reform addressed separately

This paper does not set out LASA's views on long-term structural reform in age services, which will be addressed in a separate project entitled *Looking Forward to Longevity*, which builds on workshops on the future of ageing and age services held by LASA and Grant Thornton in August 2019.

2. What is already on the agenda?

When the Prime Minister announced the Royal Commission he emphasised that the Government would continue with reform activities that were already underway.

LASA's views and involvement on some of the key consultations that are currently underway are summarised below.

Some other policy changes have already been implemented and are not discussed at length in this paper. This includes the transition to the new *Aged Care Quality Standards*, the implementation of an *Aged Care Open Disclosure Framework*, new regulations on chemical restraint and the implementation of a single *Charter of Aged Care Rights*.

2.1 New residential aged care funding model

In the first half of 2019 the Government released a consultation paper on a proposed new funding model for residential aged care based on the *Resource Utilisation and Classification Study* (RUCS).

LASA's submission stated that the proposed *Australian National Aged Care Classification* (AN-ACC) funding model provides a welcome opportunity to address major deficiencies in current funding allocation arrangements in the residential aged care sector.

However, LASA also has a number of significant concerns regarding the proposed AN-ACC. In particular:

- Regional providers are concerned with the process of how their costs are assessed and whether all relevant drivers of their costs have been captured.
- The proposed AN-ACC envisages using real changes in the cost of care derived from annual costing studies to inform annual changes in funding. The aged care sector strongly supports annual costing studies but wants to see these studies being carried out by a body independent from Government.
- The AN-ACC is based on current models of aged care service delivery as studied by RUCS, not on care that older Australians need and the Australian community may want to see provided. Aged care providers believe that the AN-ACC requires the inclusion of a mechanism that realises holistic care as recommended by the Aged Car Workforce Taskforce and facilitates a desire by Government to fund providers for the delivery of more care.
- Providers also require more information about the allocation of residents to AN-ACC classes and the allocation of fixed and variable costs in residential aged care. This information would enable providers to compare the proposed funding model against their current services and to gain a better insight about the AN-ACC's impact.

LASA is also concerned about whether such significant decisions about the structure of residential aged care funding can be made prior to the Royal Commission's recommendations.

The Government has recently established a new subcommittee of the Aged Care Sector Committee to provide input into this process. The first meeting of that subcommittee is likely to occur in November 2019 and LASA is represented on this sub-committee.

2.2 Alternative models of place allocation for residential aged care

As part of the 2018-19 Budget *More Choices for a Longer Life* package, support was provided to consider a move from the current approach of allocating residential aged care places to providers through the Aged Care Approvals Round (ACAR), to alternative arrangements supporting consumer choice.

The Centre for Health Economics Research and Evaluation (CHERE) at the University of Technology Sydney, in collaboration with aged care accounting and business advisory firm StewartBrown and the Department of Health, is currently undertaking an impact analysis of alternative arrangements for allocating residential aged care places that encourage a more consumer demand driven market (though the consultation process has been completed).

In response to the discussion paper, *Proposed alternative models for allocating residential aged care places*[1], LASA's submission has highlighted that, given the current instability in residential aged care and uncertainty about both the benefits and risks of change, it supports a measured and incremental approach to reform. This is in line with model one of the discussion paper to improve the ACAR and places management. This is also fundamentally the same position that LASA expressed in response to the Tune Review recommendations on ACAR deregulation.

LASA has further argued that a key focus should be on collecting better evidence on the nature of existing constraints, and evaluating more market driven approaches to allocating services in similar markets in Australia and overseas. Consideration should be given to fully abolishing ACAR within a particular location and examining the impact that this has on the nature of the services that are available.

2.3 Aged care staffing disclosure

The Queensland (QLD) Government has proposed to introduce staffing disclosure requirements for residential aged care providers in that State, and a Private Members Bill proposing staffing disclosure is currently before the Federal Government.

LASA has made submission to the QLD Government, supporting the goal of providing consumers with better information to support their choice of residential aged care services. However, appropriate indicators need to be considered comprehensively through an evidence based process. LASA also believes that outcome based indicators (particularly where they are directly based on the views of residents) are likely to be more useful to consumers than input measures such as staffing. LASA's submission to the QLD Government on this matter is similar to our previous contributions to Federal Government considerations concerning staffing disclosure measures.

Simple staffing information will not give consumers a meaningful indication of the level of care that is available. An overall staffing ratio does not indicate whether the appropriate mix of staff are available at the appropriate time and does not account for key drivers such as the staffing needs of residents. More complex staffing information may be confusing and difficult to interpret.

[1] https://consultations.health.gov.au/aged-care-policy-and-regulation/alternative-allocation-models-residential-care/

Assessments of the adequacy of staffing undertaken by the Aged Care Quality and Safety Commission do already take into account this complexity, and provide an assessment of its adequacy that is publicly available in accreditation reports.

Relative staffing levels may be a useful piece of information for consumers if they could be appropriately adjusted for case mix.

2.4 Prudential reforms for residential aged care

In March 2019 the Australian Government sought feedback on a discussion paper on the issue of managing prudential risk in residential aged care. The existing prudential framework in place under the *Aged Care Act 1997* had undergone two recent reviews (Ernst and Young and the Tune Review) which recommended that the prudential framework be strengthened.

LASA's submission to the discussion paper has sought prudential regulation that is not so prescriptive as to discourage operators and investors from entering the aged care sector. Members expressed that any future regulation should emphasize prudential transparency over inflexible rules. This would give operators more room to design effective strategies to sustain and grow their businesses.

Other specific issues in the discussion paper LASA responded to were:

- Introduction of a levy to recover from the sector Refundable Accommodation Deposit (RAD) refund costs exceeding $3 million. LASA takes the view that the Bond Guarantee Scheme should remain as is.
- LASA Members supported a proposed 80% limit of the Loan to Value Ratio.
- Rather than setting strict liquidity ratios there should be an 'if not, why not' approach where any movement outside of the standard minimum ratio would require explanation.
- Providers who are only a small way off meeting the liquidity and capital adequacy requirements should be required to provide an explanation rather than have sanctions imposed.
- If a continuous disclosure regime is implemented, then there must be significantly greater clarity regarding reporting obligations.
- Developing uniform corporate governance standards may be difficult given the variety of entity structures in the sector. Corporate governance principles may be incorporated into the industry code of practice currently under development.
- Supports for improving governance arrangements within aged care service providers and specifically up-skilling Boards and individual Directors is desirable.
- LASA opposes the phasing-out of trusts, but if this requirement were to be introduced then LASA is of the view that existing trusts must be grandfathered.

2.5 Serious incident response scheme

Throughout 2019 the Department of Health has been consulting on the design of a Serious Incident Response Scheme (SIRS) for Commonwealth funded residential aged care. A discussion paper on the

finer details of the SIRS operations was published in August 2019[2]. LASA consulted extensively with Members on this paper, observing in its submission to the Department of Health that:

- The main purpose of the SIRS should be achieving a reduction of 'serious incidents' through a sector-wide learning and quality improvement approach to serious incidents.
- The definitions for reportable incidents in the discussion paper are too vague for providers to determine whether an incident is reportable or not. LASA proposed that explanatory vignettes and case-studies be provided that enable providers to distinguish an 'incident' from a 'serious incident'.
- The SIRS should include 'serious incidents' by family members or visitors. Providers have a duty of care for residents and including these acts would enable a system-wide view to be gained about family violence directed at elders or staff in this setting.
- SIRS needs to include procedures that ensure procedural fairness for all parties involved.
- Some definitions in SIRS may encourage providers to exclude prospective residents from admission if they show a high propensity to frequently engage in actions requiring SIRS reporting.
- LASA Members strongly rejected any inclusion of proportionate reporting based on provider risk profile and performance.
- LASA does not support public reporting of SIRS data at this point in time while the SIRS starts as a newly instituted scheme within which unanticipated issues may arise.
- A fundamental precondition to requiring individual providers to publicly report their SIRS performance is the risk-adjustment of their resident case mix.

2.6 Changes to home care payment arrangements

Government announced that it will make changes to the Home Care Packages (HCP) Program payment administration arrangements to implement a payment in arrears model that will assist in addressing the issue of accumulating unspent HCP funds. This will also align the HCP Program with other programs such as the National Disability Insurance Scheme (NDIS), and is more consistent with contemporary Government business practices.

This change creates significant cash flow and administrative costs for home care providers, and LASA has proposed a model that can minimise these costs.

One key benefit of the change is that it creates a cash-flow saving to Government in the first year of implementation which could be redirected to more Home Care Packages and/or other programs.

LASA has submitted to the Government a Consultation Report that gives regard to our preferred approach to implementing this measure, which would involve retaining a monthly cycle of subsidy

[2] https://d15k2d11r6t6rl.cloudfront.net/public/users/Integrators/BeeProAgency/119311_94936/SIRS%20Consultation%20paper%20-%20PDF%20version.pdf

claims and payments based on consumer movements and implemented as payment in arrears with expense reconciliation on a quarterly or bi-annual basis.

2.7 Aged Services Industry Reference Committee

The Aged Services Industry Reference Committee (ASIRC) has been tasked with realising some of the recommendations of the Aged Care Workforce Strategy.

LASA welcomed the announcement of the ASIRC and nominated LASA subject matter experts to be considered for inclusion on the ASIRC Special Advisory Committees. These Committees are designed to assist the ASIRC in informed decision making. LASA nominated relevant individuals for the following Special Advisory Committees:

- Residential Care;
- Home and Community Care;
- Dementia;
- Palliative Care; and
- Pathways & Tertiary Education.

In noting that the Advisory Committees would only be created when the ASIRC required them, there has been no further information from Skills IQ which is supporting the ASIRC.

The ASIRC has been tasked with reframing the qualification and skills framework to address current and future competencies. It was identified that workforce competencies needed to be boosted. One of the actions of the ASIRC has been to re-package current units of competency from the Certificate III in Individual Support (Ageing) into a stand-alone Certificate III in Ageing Support, designed to better meet the immediate and critical skills required of the aged care workforce. As part of this process, it was proposed that several Units of Competency, which were previously electives in the Certificate III in Individual Support, would become core units in this new qualification. The aim of this is to better reflect the current skill needs of the aged care workforce, ensure greater alignment of industry training with contemporary aged care needs and promote national consistency in the content of training that is required by industry as a matter of urgency.

The second phase, yet to commence, is to encompass a full review and update of the Units of Competency relevant to aged care to ensure they are fit for purpose and meet industry's ongoing needs.

LASA has provided feedback to the ASIRC's consultation on a proposed Certificate III in Ageing Support from the current Certificate III in individual Support[3]. All contact for this process was undertaken via Skills IQ. LASA engaged with Members, participated in a number of consultative processes and lodged a submission to this consultation. However, the status of this urgent and important work is not known.

[3] LASA email communication to SkillsIQ – 24 May 2019.

3. What could be added to the agenda?

3.1 Residential aged care

There are significant risks to the financial sustainability of residential aged care providers and this impacting on their ability to deliver care.

Recently, the Government's own adviser, the Aged Care Financing Authority (ACFA), reported that 44 per cent of residential care providers were operating at a loss (on an EBITDA basis) in 2017-18 and warned that this trend is continuing. ACFA figures also show that that average Net Profit Before Tax (NPBT) more than halved to well below 5 per cent in 2017/18.

The leading survey of the industry from accounting firm StewartBrown[4] and a recent survey of 170 LASA Members[5] shows that these pressures continue to worsen in 2018-19 and 2019-20. The financial pressure on services is particularly severe in rural and regional areas, with StewartBrown showing that 67 per cent of residential care facilities in outer regional, remote and very remote locations are operating in deficit.

These dire financial circumstances are fundamentally the result of cost growth (largely driven by factors outside the control of approved providers) consistently exceeding income growth (largely controlled by Government decisions about subsidies).

3.1.1 Provide an emergency funding injection for residential aged care

An urgent funding injection is required before the end of 2019 to avert the risk of service failures, job losses and missed care, while the Royal Commission considers longer-term reforms.

Industry is willing to work with Government on all possible options, including:

- Addressing shortcomings in indexation so that it matches cost growth,
- Boosting funding for food and other hotel services that consistently run at a loss, and
- Creating a bridging or transformation fund to target the most urgent areas of need and to realise structural adjustment where warranted.

LASA's calculations suggest that the quantum of funding required to stabilise residential aged care over the next 18 months is approximately $1.3 billion. This is not an ambit claim. It is the minimum amount necessary to manage the risk of failure and that could prevent a significantly greater call on Government finances if failures trigger the activation of the Bond Guarantee Scheme. The modelling supporting this call on Government was provided to LASA by StewartBrown and has been discussed with the Department of Health.

Importantly, an emergency funding injection will only provide temporary relief in response to the dire financial circumstances of residential aged care providers, leaving approximately 30-35 per cent of residential aged care services continuing to operate in a loss making position. As such, the financial

[4] StewartBrown (2019) Aged care financial performance survey, sector report nine months ended March 2019. http://www.stewartbrown.com.au/news-articles/26-aged-care/181-march-2019-aged-care-sector-financial-performance-survey

[5] LASA (2019) Aged Care Financial Risk Survey – July 2019. https://lasa.asn.au/wp-content/uploads/2019/08/LASA-Financial-Risk-Survey-Key-Findings.pdf

sustainability of residential aged care will demand ongoing attention in the context of continuing reforms.

3.1.2 Create a practice improvement program for BPSD

In residential aged care, most providers make every effort to provide quality care to those people living with dementia and who present with the severe behavioural and psychological symptoms of dementia **(**BPSD**).**

LASA acknowledges the additional $3 million in funding the Government announced in September 2019 for the support and upskilling of care providers to deliver best practice dementia care and behaviour management. However, knowledge translation and practice improvements will need to be embedded into service delivery and this will require continued resourcing. Further, Aged Care Funding Instrument (ACFI) funding for the ongoing delivery of the required psychosocial interventions by staff to manage BPSD continues to be inadequate.[6]

Other supports include the Dementia Behaviour Management Advisory Services (DBMAS) that provide some access to advice and Severe Behaviour Response Teams (SBRT) that provide some support for acute incidents, but not broad based or ongoing assistance.

LASA acknowledges there is the planned establishment of Specialist Dementia Care Units (SDCU) that will assist in the care for some people with dementias, classified as requiring Brodaty[7] tier 5-7 level support. This will only account for a small proportion of people living with dementia, however, and will not be operational for several years. Further, the plan is for SDCUs to deliver transitional care with each admission, once stabilised, transferred to a residential aged care facility for continuing permanent care. Transferred residents will still require ongoing therapeutic interventions under a positive behaviour management plan.

LASA notes that psychosocial interventions for BPSD and delivered by skilled staff are indicated as first-line management for the emotional and behavioural disturbances in individuals with dementia. The consultation about the planned SDCUs estimated that caring for people living with dementia and exhibiting severe to extreme behaviours (Brodaty *et al* model[7]) would cost $150-$300 extra per day in care provision[8].

At times, people are transferred to hospital with severe BPSD because they cannot be safely cared for in residential aged care. Such a transfer comes at a high cost to the taxpayer. Psychogeriatric care in the public hospital system attracts a per diem rate of $715 (in 2012 Australian dollars)[9]. By contrast, the maximum daily payment made through ACFI is $219.62 which includes a daily rate of $37.21 for the management of BPSD (as at July 2019).

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[6] LASA response to Specialist Dementia Care Units Consultation Paper https://lasa.asn.au/aged-services-in-australia/lasa-submissions/

[7] https://www.mja.com.au/journal/2003/178/5/behavioural-and-psychological-symptoms-dementia-seven-tiered-model-service

[8] https://agedcare.health.gov.au/programs/specialist-dementia-care-program

[9] Australian Institute of Health and Welfare, 2013, Dementia care in hospitals: costs and strategies. Cat.no. AGE 72. Canberra: AIHW.

At the time the previous dementia supplement was removed, it was costing the Government around $100 million a year.[10]

A well-funded policy intervention to support better care for those with BPSD is urgently needed. This could be designed as a simple subsidy boost with external screening of eligibility through DBMAS and SBRT. It could also be designed as a Practice Improvement Program for BPSD to embed skills and practices in positive behavior management into the practice and culture of care.

3.1.3 Remove regulatory barriers to providing additional services

Additional services refer to the care and services that residential aged care providers can make available to consumers above the specified care and services that they are required to provide under Schedule 1 of the *Quality of Care Principles 2014*. The application of additional services for a fee is an option residential aged care providers may make use of in responding to consumer and family preferences for services in addition to those that can be provided within the Government's funding caps.

The Aged Care Financing Authority (ACFA) has reported that practices (of charging fees for additional services) vary widely across the industry, noting that while many providers had not introduced a fee for additional services it was an option they were considering. According to ACFA, a major constraint residential aged care providers are facing is regulatory uncertainty around what additional services are permitted.[11]

A number of residential aged care providers who have chosen to make use of additional services have been the subject of complaints or investigations by the Aged Care Quality and Safety Commission (ACQSC) and its predecessor. These providers and their legal advisers have reported apparent inconsistency in the approach taken by the ACQSC.

LASA and other aged care peak bodies have written to the Department of Health regarding reforms that could address concerns from both providers and consumers regarding the existing regulatory regime.

3.1.4 Set a fair interest on unclaimed lump sum accommodation payments

Government could free-up resources in residential aged care by lowering the base interest rate (BIR) that providers are required to pay on unclaimed lump-sum accommodation payments following a resident's departure from care. An alternative option would be to provide legal protection for residential aged care providers to return any unclaimed lump sum accommodation payment to a nominated account, determined by the resident or their representative when the money is deposited.

Currently residential aged care providers are required to pay a BIR of 3.75 per cent until 14 days after a valid request is made, after which a penalty rate of 5.72 per cent applies (known as the Maximum Permissible Interest Rate). The BIR is supposed to compensate the resident or their estate for the time that the lump sum deposit is held while care is no longer being provided. However, it is much higher than the typical rate on retail deposits, which the RBA lists at 2.15 per cent for Bonus Savings Accounts.[12]

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[10] https://formerministers.dss.gov.au/15592/cessation-of-the-dementia-and-severe-behaviours-supplement/

[11] Aged Care Financing Authority (2019) Seventh Report on the funding and financing of the aged care industry. https://agedcare.health.gov.au/news-and-resources/enewsletter-for-the-aged-care-industry/aged-care-financing-authority-acfa-letter-to-providers/2019-acfa-annual-report-on-funding-and-financing-of-the-aged-care-sector

[12] https://www.rba.gov.au/statistics/tables/xls/f05hist.xls?v=2019-02-01-10-19-27

Members report that it is common for the estate of a deceased resident to delay requesting the return of their funds because the BIR is higher than what they could earn themselves.

According to StewartBrown the average Accommodation Bond/Refundable Accommodation Deposit was around $295,000 at June 2018. The difference between applying the current basic interest rate and the retail rate is around $4,700 per annum.[13]

A 2017 ACFA report on this issue did not make a clear recommendation, noting that a reduction in the BIR would be at the expense of consumers.[14] Importantly, ACFA did not recognise that those financial resources a provider must devote to paying an unreasonably high BIR to one former resident will be deducted from the pooled financial resources that are available to other residents.

LASA believes that the current arrangements create a perverse incentive that benefits the estates of some residents at the expense of other residents, and the financial sustainability of residential aged care providers.

3.1.5 Remove barriers to accessing the bond guarantee scheme

The Bond Guarantee Scheme provides protection to residents of residential aged care facilities (RACFs) in the event that their residential aged care provider becomes insolvent.

LASA's understands that the current scheme does not necessarily allow residents to access this protection in a timely manner. When a residential aged care provider enters administration, the administrator will generally be unwilling to refund the bond of residents that exit the service. This is because it could be considered a preferential payment, in which case the administrator would be liable for any loss to other creditors as a result of the payment.

LASA's understands that technically this puts affected residential aged care providers in breach of their obligations, being subject to notices of non-compliance and sanctions. It also means that affected residents or their' families are unable to access these funds until the administration process is completed and a deed of arrangement is finalised. This typically takes a few months, but can take years if the matter is contested in court.

Despite being unable access these funds, affected residents are not able to call on the Government guarantee because their residential aged care provider has not yet technically defaulted on their obligations.

LASA recommends that the Government examine the feasibility of reforming rules governing the Bond Guarantee Scheme so that residents can access their funds while their residential aged care provider is in administration. This could occur by having the Government agree to reimburse other creditors for any loss as a result of paying out the resident or having the Government pay the resident and take their place as a creditor. Neither of these options should change the ultimate liability that the Commonwealth faces; they simply enable exiting residents to access their funds in a timely manner.

[13] http://www.stewartbrown.com.au/news-articles/26-aged-care/166-june-2018-aged-care-sector-reports-released

[14] https://agedcare.health.gov.au/reform/report-of-the-base-interest-rate-project

3.2 Home care

Insufficient public funding means that in home care more than 120,000 people are having to wait – often for two years – for the care that they have been assessed as needing.

These long waiting times lead to unnecessary suffering, avoidable admissions to hospital and premature entry into residential care, and potentially reduced life expectancy.

One study shows that compared to people who waited 30 days or less for a home care package (HCP), individuals who waited more than 6 months for home care were almost 20 per cent more likely to have died 2 years after entering home care.[15]

While interim HCPs help in meeting some unmet need, survey evidence suggests that those waiting on an interim HCP for their approved HCP still frequently enter into hospitals and residential aged care or pass away.[16]

3.2.1 Legislate maximum wait times for home care

To smooth the costs of meeting care needs and reducing the national home care queue, LASA recommends legislated maximum wait time for HCPs at any level of no more than three months.

The Government should phase in maximum wait times for the national home care queue for both final and interim HCPs. This will provide certainty and stability and establish a clear expectation that those in need of home care will not be forced to wait an unlimited period of time with increased risk of adverse consequences while waiting[15].

Evidence provided by the Department of Health to the Royal Commission into Aged Care Quality and Safety suggests that the total cost of reducing the maximum wait time to three months is additional funding of approximately $2.5 billion. This appears to be the annual cost rather than the total cost as the annual value of unfunded packages on the queue (ignoring likely unspent funds or those still waiting the three months) was $3.5 billion as of 31 March 2019.

Noting that an increase of $2.5 billion a year would effectively double current funding, it may be reasonable for the Government to phase in maximum wait times rather than moving to three months immediately. Part of the cost of phasing in maximum wait times could be met through changes to home care payment arrangements[17].

To limit the level of unmet demand, this phasing in of maximum wait times should be supplemented by prioritising the queue based on an individual's means and giving people the option of using their home equity to fund their care needs.

3.2.2 Promote the newly extended Pension Loans Scheme

Under the revised Pension Loan Scheme (PLS) all older Australians will have access to a regular payment equal to the difference between their current age pension payment, if any, and 150 per cent of the maximum pension rate. For self-funded retirees this equates to about $35,700 per annum for single

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[15] Visvanathan, R., Amare, A.T., Wesselingh, S. et al. J Nutr Health Aging (2019) 23: 271. https://doi.org/10.1007/s12603-018-1145-y

[16] https://lasa.asn.au/wp-content/uploads/2017/12/LASA-Second-HC-Provider-Survey-Report-FINAL.pdf

[17] https://agedcare.health.gov.au/reform/acfa-consultation-paper-improving-payment-arrangements-in-home-care

individuals and $54,000 for couples. For those on a full pension this falls to $12,000 for individuals and $18,000 for couples. Repayment is only required when the property is sold, or when the individual and their partner pass away. Individuals also cannot be asked to repay more than the value that the property is sold for.

The PLS is only available to those with real property for security. However, in 2015-16, the average net value of owner occupied housing for those over 75 was about $535,000 and 82 per cent of households owned their own home without a mortgage.

In theory, the maximum amounts under the revised PLS will be enough to fund a significant proportion of the unmet home care needs of those on the national home care queue. Unfortunately, LASA understands that only a few thousand people are expected to take-up the PLS across the full range of eligible individuals.

While people are often reluctant to consider using home equity to fund living expenses there may be a greater willingness to access these resources to fund the delivery of essential care. Moreover, many people on the queue may prefer to access the PLS rather than make other changes to their financial arrangements to fund access to residential aged care services because they are unable to continue living at home without support.

Directly presenting the option to those on the national home care queue – while noting the need to seek financial advice – should help to boost take-up. This could occur when they are first assessed as eligible and at subsequent contact points.

Lack of prompting regarding the opportunities that the PLS provides is likely to be an important reason for existing low take-up rates. Home care providers also have limited capacity to advise consumers in relation to the option provided by the PLS as they will not have any communication with the consumer until they are at least accessing an interim HCP.

3.2.3 Create a more attractive 'Home Care Loans' Scheme

LASA is concerned that the PLS interest rate of 5.25 per cent is too high. This rate has been in place since 1997 when the RBA cash rate was 5 to 6 per cent, whereas it is currently at 1.25 per cent with further rate cuts expected. In the 2019-20 Budget papers, prior to the June rate cut, the weighted average cost of borrowing was estimated at around 1.9 per cent for future issuance of Treasury Bonds in the forward estimates period.

Given the enormous gap between the PLS interest rate and the Government's cost of borrowing, it seems likely the PLS would actually be a net positive to the budget bottom line if volumes were not so low that they fail to cover the scheme's fixed costs.

LASA notes that the Productivity Commission also recommended an equity release scheme in its 2011 "Caring for Older Australians' Report. However, this was linked to the inclusion of the principal place of residence in means testing and was rejected by Government. LASA believes that it is crucial that any Home Care Loans Scheme be an additional option for older Australians to deal with the unfortunate reality of the national home care queue, rather than something that they will be forced into using.

3.2.4 Accelerate the queue for those with low-means

Government should fast-track individuals on the national home care queue who have low-means to address the fact that they are less able to pay for services privately.

Government should consult on the procedure for determining who should be fast-tracked and how the process can be managed so that all older Australians on the queue progress equitably.

Currently, there are four standard and four high priority queues, one for each package level. Consumers are approved to receive a HCP at one of the four package levels based on their assessed needs with high priority approval decisions being based on the level of risk a consumer has for rapid decline in terms of personal safety. Within each queue, HCPs are allocated on a first-come-first-served basis.

The simplest approach to prioritisation would be to apply a 'handicap' to those with higher means so that they reach the top of the queue at a slower rate than those with lower means. For example, a consumer just above the threshold would be treated as though they were assessed to be eligible one month later than was actually the case.

Prioritising the national home care queue based on means would improve access to care and support. It would also encourage consumer contributions from those who can afford to pay, which may be important in the context of a decline in the number of home care providers charging means tested care fees as a result of increasing competition demanding the accommodation of consumer preferences for this.

Around 39 per cent of people over 65 years of age are on a full-pension, 24 per cent are on a part-pension, 5 per cent are on a DVA pension and 32 per cent are fully self-funded. The proportion of self-funded retirees would be lower among older aged groups who are more likely to use home care. It is noted that as of 2015-16, the 90th percentile of equivilised household income for those aged 75+ years was $1,003 per week compared to just $549 for the 50th percentile and $425 for the 10th percentile.

3.2.5 Investigate opportunities to convert residential care places into home care

Many people currently in residential care may prefer to live at home if they were able to access a HCP at a level equivalent to their assessed needs. LASA Members generally support long-term changes to the structure of aged care funding that separate care funding from accommodation funding and remove the distinction between residential and home care. This sort of structural change is more appropriately a matter to be addressed following the recommendations of the Royal Commission, but this should not preclude exploring practical steps to provide greater flexibility.

Noting that there are a large number of vacant or non-operational places, one approach would be to allow individual residents or residential aged care providers to convert their eligibility for residential aged care into access to home care. There is good evidence that effective home care can allow people to avoid entry into residential care and so there may be potential to support ageing in place while also delivering a saving to Government.

3.3 Health care interface

More work is required in regards to the way in which aged care and health systems work together. Future policies and systems must be designed to ensure that people receive timely care and support consistent with need and in the most appropriate settings. Work can be progressed to address timely integrated aged health care, with older Australians receiving services from multiple systems at one time to minimise duplication and cost. It is important that we look to progressively move towards a more integrated continuum of care across aged and health care systems.

3.3.1 Telehealth

Access to appropriate health care services is often limited for older people in RACFs, many with complex and chronic conditions and some with restricted mobility. General practitioner (GP) care is fundamental to keeping these residents well and out of hospital.

While GP service provision to RACFs has been increasing in the last decade, there is growing concern that the availability of GP services is inadequate to meet current and future primary care needs. One approach to minimising the inequity in access to GPs in RACFs is through telehealth service delivery but GPs are currently not funded to deliver video consultations to residents of RACFs, despite the benefits of such a model of care to improve access to GP care, improving health outcomes for residents and reducing unnecessary hospitalisations.

Older Australians living in RACFs need more support so that they can access GP care in a timely and efficient manner. LASA strongly supports extending MBS telehealth rebates to GP video consultations with RACFs and urges the Government to provide funding for GP telehealth video consultations, as a matter of urgency.

3.3.2 Medication reviews

The Community Pharmacy Agreement (CPA) is the funding mechanism designed to support quality use of medicines across the Australian population. Current funding arrangements occur under the 6CPA (which is set to expire in June 2020) and are designed to support medication review for older Australians (who need them). These arrangements, however, are inequitable (as they restrict access) and are inadequate to support quality care.

The upcoming 7CPA represents an opportunity to better structure a funding model to support aged care providers in delivering international best practice clinical care with optimal Government return on investment – for those who truly need it. The CPA should be redesigned and funded to provide older Australians better access to the Home Medication Review (HMR) program and to allow stronger GP/RACF collaboration in caring for residents of RACFs with the support of embedded pharmacists in the home through the Residential Medication Management Review (RMMR) program.

3.4 Workforce Matters

Noting the strong imperative for the delivery of high quality and safe care to older people in aged care, the aged care industry, and by extension its workforce, is perceived by some as failing to meet the care needs of older people, particularly with regard to residential care. Combined with negative societal attitudes to ageing and public portrayals of ageing as a problem and burden on the economy, the workforce faces significant workforce culture and operational barriers to change[18].

Older Australians, having increasingly complex care needs, require access to multidisciplinary services drawn from across aged, health and disability care. However, poor coordination of funding across these systems, along with professional practice and education silos, contribute to reduced access to care, diminished care experience and increased costs for consumers and Government[18].

A greater emphasis on successful workforce planning, training and development and a more positive industry image is required. This will help reduce staff turnover, improve retention rates, and

[18] A Matter of Care Australia's Aged Care Workforce Strategy, Aged Care Workforce Strategy Taskforce, June 2018 https://agedcare.health.gov.au/aged-care-workforce-strategy-resources

especially for those staff with the necessary skills, expertise and personal attributes to deliver high-quality and safe aged care services[18].

3.4.1 Research investigating residential aged care staffing

LASA has welcomed the opportunities that the proposed AN-ACC funding model brings to the sector but notes it is a starting point to risk-adjust residential aged care facilities according to their resident case mix. Risk adjustment is an important pre-condition for building a better evidence base about many aspects of residential aged care. This includes workforce and staffing requirements at the facility level, noting the dynamic and fluid nature of care provision relative to the changing care needs among a facility's residents at any given time.

LASA believes the concept of funding the residential aged care sector on a resident case mix basis to be sound. However, LASA considers the AN-ACC as requiring further development prior to progressing any implementation arrangements.

In response, LASA proposes to contribute to the evidence base in understanding staffing requirements in residential aged care through undertaking research that will:

- Confirm currently residential aged care staffing practices by looking at staffing (hours per skill) relative to ACFI identified resident care needs;
- Identify existing gaps in care (complete or partial gaps, e.g. maintaining function and/or reablement) by examining resident care plans; and
- Identify the staffing resources required to address these existing gaps.

The generated evidence will further support industry, Government, and the Royal Commission in response to calls for staffing ratios and additional funding. It will also contribute in furthering the evidence base requirements for informing continuing work activity aligned with the proposed new funding model for residential aged care.

3.4.2 Supporting the work of Aged Care Workforce Industry Council

The Aged Care Workforce Industry Council, comprising a group of industry leaders, has been recently established to provide the leadership required to accelerate the implementation of the strategic actions in *A Matter of Care – Australia's Aged Care Workforce Strategy*[18].

This Strategy, developed with the industry and for the industry, outlines 14 strategic actions to support Australia's aged care workforce in their essential role of caring for older Australians. The actions identified in this Strategy will support industry to invest in better workforce planning, implement better job pathways to allow for career progression, build leadership across the industry at all levels, foster the next generation of leaders, implement practical strategies for attracting and retaining the right people with the right fit, and keep valued skills and talented people. To execute the Strategy, all of those in the industry need to work together to support workforce transformation.

LASA has played a key role in supporting the work of the Council. LASA will continue to offer the council its support with the intent of realising the outcomes of Australia's Aged Care Workforce Strategy in better equipping and enabling the aged care workforce to support older people to live well. Specifically, LASA reiterates a desire to establish and deliver a program management approach to executing the

Workforce Strategy. LASA has the requisite capability and capacity to implement this approach and will explore further with the Workforce Council and Government.

3.4.3 Workforce Solutions Package

LASA has reviewed in detail all statements and witness appearances at the Royal Commission thus far with a specific focus on workforce matters. The purpose of our analysis, with the aim to realise better care outcomes for older Australians, has been to:

- Identify the key workforce issues raised through the Royal Commission proceedings,
- Review these issues to determine what supports and services can be offered to aged care providers and their staff, and
- Encourage and support a range of activities the build workforce capability, competency and confidence to care and support older Australians.

Based on this analysis LASA has, and continues to, work with a range of partners to bring to our sector a suite of products and services that directly respond to Royal Commission identified workforce issues. These products and services are market tested and proven. Our desire is to implement them at scale and with pace across the sector. The development and funding of a workforce solutions package with the support of Government is required in this regard. A detailed 'Aged Care Workforce Solutions Package' will be provided to Government for consideration in late October 2019.

3.5 Ageing Well in Australia

Ageing well refers to the process of developing and maintaining functional ability, as well as adapting to age-related change. It encourages and supports independence, autonomy, purpose, meaning, and the opportunity to participate, contribute and maintain social connection. To fulfil these aspirations, people need to maintain, and be supported to maintain, adequate physical and mental health status.

Ageing well in Australia requires the nurturing of a universal societal value that recognises and celebrates every older Australian as an individual, with their own unique hopes, desires and fears, with wisdom and insights, and with present needs and future aspirations. It requires a service system where older Australians are encouraged and supported as they age. This system is defined by a culture of care where the older person is valued for who they are and not simply treated for their presenting symptoms or infirmities. An ageing well system is focused on enabling and supporting older people to enjoy the quality of life they desire and deserve.

LASA envisages that there needs to be a shifting of stakeholder focus in Australia from 'aged care' to 'ageing well'. This will assist us as a nation to more proactively and constructively respond to a range of related issues in Australia impacting on the delivery of age-related services to older Australians. Through an 'ageing well' lens, Australian will be better placed to address ageism in our country; tackle elder abuse in all its forms; realise the promise of age-friendly communities; explore and determine appropriate retirement ages and incomes; and also consider intergenerational equity as a social determinant of health status and quality of life.

3.5.1 Ageing Well - a national discussion

Consistent with the Prime Minister's desire for Australia to realise a national culture of respect for older Australians, LASA is working with our partners to design and deliver a national Ageing Well Summit. The

purpose of this event is to convene leading ageing and aged care thinkers and practitioners to 'kick start' on a national discussion on what it means to age well in 21st century Australia. And, how we as individuals, families, communities and a nation, can better support the growing numbers of older Australians to age well.

4. NEXT STEPS

LASA will seek to meet with Ministers and key Government officials to discuss the proposed interim reform actions outlined in *Working While We Wait* and explore how best to realise them.

Key messaging in this regard includes that:

- Urgent action is required to avert the risk of service failures, job losses and missed care while also supporting better care outcomes for older Australians;
- The sixteen proposed actions span across the areas of residential care, home care, the interface between aged and health care sectors, workforce and ageing well;
- The proposed actions can be implemented quickly, with many of them likely to support and enable recommendations expected to be made by the Royal Commission in considering longer-term reforms; and
- Industry stands ready and willing to work with Government on all the possible options that have been outlined.

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A Strong voice and a helping hand