

Aged Care Research Report: *The struggle to provide Quality, Equity, Efficiency, Sustainability and Choice*

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Scope of Report

To examine the current cost structures and funding arrangements as well as some proposed alternatives in achieving the objectives of Quality, Equity, Efficiency, Sustainability and Choice in aged care.

"The overarching objectives of government involvement in aged care have been to ensure that frail older people have access to high quality and cost effective care and that their carer's are supported... Reflecting this, the aged care policy framework is underpinned by concepts of equity, efficiency, sustainability, quality and choice" (Productivity Commission 2008)

Current Cost Structures

Low-care (Hostel)

→ Accommodation Bond + Daily Care Fee + Income Tested Fee

High-care (Nursing Home)

→ Daily Care Fee + Accommodation Charge + Income Tested Fee

Extra Services

→ Accommodation Bond + Daily Care Fee + Extra Service Fee +
Income Tested Fee

Supported Residents

- Assets < \$37,500 no Bond or Charge
- Assets > \$37,500, < \$93,410.40 Calc Amount

ACFI – Aged Care Funding Instrument

Government Funding is provided to the aged care facility based on the clients care needs (not the cost of care) through the ACFI.

The client's care needs are classified as Nil, Low, Medium or High in the categories; Activities of Daily Living, Behaviours and Complex Health Care.

	ADL	BEH	CHC
Nil	\$0.00p.d	\$0.00p.d	\$0.00p.d
Low	\$30.32p.d	\$6.93p.d	\$13.64p.d
Medium	\$66.03p.d	\$14.36p.d	\$38.86p.d
High	\$91.47p.d	\$30.25p.d	\$56.11p.d

Department of Health and Ageing Residential Aged Care Subsidies effective 1 July 2010



Issues Current Cost Structures

- "cherry picking" of low care residents with the ability to pay higher accommodation bonds
- Current thresholds for Supported Residents \$37,500 and \$93,410.40 create gap between gov't subsidies and market price
- Aged Care Operators receive \$26.88 per day for fully supported residents in low care (equivalent of high care accomm charge), also receive less ACFI – may restrict access to care.
- Accommodation Bonds in low care and extra services provide flexibility to residents by:
 - Payment of bond can increase pension entitlement and reduce Income Tested Fee
 - Amount can be negotiated in exchange for discount on fees
 - Fees and charges can be deducted from bond



Issues Current Cost Structures

- Current cost of high care (Daily Care Fee \$38.65p.d + Accommodation Charge \$26.88p.d) is 131% of full pension
- Payment of Accommodation Charge entitles resident to keep and rent former home (asset and income exempt)
- If cost of care met by assessable income resident will exceed pension income test and income tested fee thresholds
- High care residents that choose to sell their former PPR likely to cause greater reduction in pension and higher ITF
- Payment of extra service fee creates same pension and ITF issues as Accommodation Charge, exacerbated by 25% govt claw back.

Proposed Changes

Access Economics were commissioned by a consortium of church affiliated aged care providers (approx 40% of market) to review current regulation and pricing arrangements for new high care facilities and explore options.

The 5 options provided were:

1. Increase the Accommodation Charge (only)
2. Increase the Accommodation Charge and Supplement
3. Uncapping the Accommodation Charge: and
4. Introducing the flexibility for the (a) increased or (b) uncapped Accommodation Charge to be paid in a variety of forms, inc daily charge, refundable lump sum or charge against the estate
5. As per Option 4 but with an increase to Accommodation Supplement

Each option was evaluated with respect to Industry Sustainability, Fiscal Sustainability, Efficiency, Consumer Choice and Equity

Potential Issues Proposed Changes

- Options 1,2 and 3 increase the Accommodation Charge payable by the resident, increasing the cost of care to 147% and 168% of Full Pension. If pension and ITF thresholds remain unchanged this would exacerbate the current situation of the need to generate more income than pension and ITF thresholds allow
- In Option 1, the Accommodation Charge is increased while the supplement remains unchanged. If these amounts are not equal we could expect to see a discrimination of the "middle class" (as we currently see with Accommodation Bonds)
- Uncapping the Accommodation Charge (3) is likely to result in a widening of the "middle class"
- Particularly for pensioner couples an increase to the accommodation charge without a change to the supported residents asset thresholds, pension thresholds or Income Tested Fee thresholds is likely to cause reluctance to move one member into care and greater demand for CACP's

Potential Issues Proposed Changes

Under Options 4 & 5 where the resident has flexibility of payment by daily fee, refundable lump sum or charge against the estate

- Flexibility may afford resident higher (or maintained) pension entitlement and lower Income Tested Fee, particularly for residents who intend to sell their former PPR and pay lump sum.
- Resident's with high levels of uncontrollable income or those that wish to keep and rent their former PPR may choose daily charge, which may also have tax advantages over lump sum option
- A charge against the estate is likely to be the option of choice for residents who want: retain their former home or maintain other assets during the period that they are in care. Negative equity may be an issue with this option.

Conclusion

The Government regulate supply, demand and price and clearly play a role in choice of aged care services.

Any changes to the cost structures of aged care should consider the ability of residents to access the care of their choice and fund the cost in an affordable way. The intertwining of aged care fees and charges and pension entitlement should not be overlooked.

While the number of people receiving the pension over the next 40 years is expected to reduce significantly, the number receiving no entitlement is relatively small.

	2007	2017	2027	2037	2047
Full Pension	55.1	48.5	40.6	37.8	35.8
Part Pension	24.9	31.1	36.6	38.6	40.7
None	20	20.4	22.8	23.6	23.6

Productivity Commission 2008. Trends in Aged Care Services



Questions?

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