

**ASSOCIATION OF INDEPENDENT RETIREES LTD.  
(AIR)  
Queensland Division**

**Caring for Older Australians - Draft Recommendations  
Submission to the Productivity Commission Hearing  
Friday 25<sup>th</sup> March 2011 Brisbane**

**1.0 Introduction**

This submission follows the initial submissions made by AIR in January 2010 to the enquiry via :

- Moreton Bay Region Branch (Submission No 11)
- New South Wales Division (Submission No 303)

The Productivity Commission has released its draft recommendations for the reform of the services available to Older Australians. There are 42 recommendations contained in the report which potentially impact on the current arrangements for aged care accommodation, home and community care services and administrative procedures.

**2.0 The Report - General Observations**

The 500+ page report is largely descriptive and supported by selective statistical justification. Many of the Terms of Reference are accepted as facts by common agreement. e.g. *“greater levels of affluence among older people , .....(1).*

There is an underlying acceptance of hearsay and myths reflecting the politics of age where :

- Seniors are portrayed as a financial drain on society.
- Seniors are seen as a group that does not fit comfortably within the community.
- Seniors are a dependent group in the community
- Seniors are incapable of managing their own economic, health or social needs.

**AIR (Qld) challenges many of the fundamental assumptions contained in the Report.**

**3.0 The Shift to User Pay Principles**

The report recommendations are predicated on the basis of separation of costs into major cost components to which are attached funding principles as shown in table 1 below.

**Table 1  
Allocation of Responsibility for Costs**

Cost Component	Funding Principles
Personal and health care costs	Individuals pay for personal care according to their capacity to pay Health care services attract universal subsidy.
Everyday living expenses	Individual responsibility for everyday living expenses.
Accommodation charges	Individual responsibility for accommodation.

This proposed structure is a major shift in funding responsibility. It moves the burden of costs for aged care away from dependency on social welfare to that of a user pays system. A system of social welfare assistance has been part of the Australian Government financial program since introduction of the Commonwealth Taxation system many, many years ago. Over the years the Commonwealth Government has expanded the program to include public hospitals, subsidises for child care, payment of baby bonuses, home owners grants and many middle class entitlements such as education etc. User pays is a principle applied to some forms of Commonwealth assistance such as HECS etc. The application of the principle of user pays in this instance is selective. There is no similar policy shift advocated by Government to apply the user pays principle to other Government social welfare programs e.g. subsidies for child care, payment of baby bonuses, home owner grants and many middle class entitlements such as education etc. The leading justification for the Commission to take this stance lies in the Terms of Reference provided by government (pages vi & vii).

References

(1) Page v Terms of Reference - Productivity Commission 2010 *Caring for Older Australians*, Draft Inquiry Report , Canberra

**AIR (Qld) is concerned with the impact on its members many of whom receive a Commonwealth pension in some form or another. There are no examples contained in the report of how these costs will affect care recipients over different income levels.**

#### **4.0 A Minority Group within the Seniors Age Component**

In the 70+ year group (90% retirees) 84% enjoy an active life providing worthwhile support to their community as volunteers assisting others of all ages in the community. Generally increased aged health care only accounts for about 20% of the spiralling public health costs. Most of the increases are related to costs associated with new drugs, medicines and equipment for the community at large. The passing on of research and development costs is a general community responsibility.

The report identifies that only a minority of seniors potentially face catastrophic personal costs. In the 70+ year group (90% retirees) there are only 4% needing aged care accommodation and a further 12% needing home care support. *“Only a minority of older Australians are likely to face extended periods of intensive care, and therefore could find themselves liable for very expensive – or catastrophic – costs of care.”* (2) Furthermore there is no recognition of this disadvantaged group participation in the taxing system over the preceding years of their working life. It is abandonment of the aged at a time when they are most vulnerable exploiting them in a time of need.

More details are needed.

**AIR (Qld) has taken the position at this time that the recommendations appear to discriminate and disadvantage a vulnerable group.**

#### **5.0 Alternate Cost Offset Options**

The report highlights *“The fact that “unpredictable” and potentially very high , or ‘catastrophic’ personal costs are faced by a minority, points to the need for a risk/cost pooling or sharing mechanism”* (3)

In its pursuit of user pays philosophy the report examines the application of voluntary high premium insurance, compulsory insurance and government underwriting costs (stop-loss concept) for aged care. Long term care insurance (LTCI) to cover care services not covered by Medicare or Private health insurance is seen as a way of spreading risk across a shared cost pooling arrangement. Other mechanisms are described such as a Pension Loans Scheme and compulsory insurance arrangements based on Medicare type arrangements and/or co-contributions for those in receipt of aged care services.

The report recommendations propose :

- Means testing for care recipients co-contribution when receiving approved care services. **(Recommendation 1.9)**
- Setting lifetime stop-loss limits for government subsidised aged care services excluding accommodation and everyday living expenses. **(Recommendation 1.10)**
- Removal of the aged care costs from net medical expenses tax offsets. **(Recommendation 1.10)**

There are no examples in the report to illustrate how these costs will affect care recipients over different income levels. However it appears that the net effect of the recommendations will adversely impact on self funded retirees and part Commonwealth pensioners.

**AIR (Qld) supports the introduction of mechanisms ‘to spread the financial risk of aged care over the widest possible population and over time’** (4)

- **with minimum regulation and**
- **allowing competitive free market alternatives and**
- **the continuance of taxation incentives and/or government subsidises.**

#### **6.0 Supported Supplementary Services**

Recommendations contained in the report relating to :

- Improvement to the live-at-home support services. **(Recommendations 8.2, 10.1 to 10.5)**

References.

- (2) page 148 - Productivity Commission 2010 *Caring for Older Australians*, Draft Inquiry Report , 2011 Canberra
- (3) page 149 - *ibid*
- (4) page 214 - *ibid*

- Establishment of a Seniors Agency for coordination and assessment of aged care services - Australian Seniors Gateway Agency (ASGA) (*Recommendations 8.1, 9.1, )*)
- Removing the delays and inconsistencies in the assessment of aged care services. (*Recommendations 1.3, 1.8, 12.6 & 12.9*)
- Integrating the various supporting aged care services provided. (*Recommendations 9.1 to 9.3*)
- Improving the skills of workers and informal carers. (*Recommendations 11.1 to 11.5*)
- Better oversight of fees, complaints and needs assessment through the Aust Aged Care Regulation Commission (AACRC) (*Recommendations 9.2, 9.3, 12.1 to 12.7, 12.9, 13.1 & 13.2*)

**AIR (Qld) supports the initiatives contained in the above recommendations with the qualification that over regulation and an overweight administrative bureaucracy are avoided.**

### **7.0 Accommodation Bonds**

Under current arrangements the interest '*income from bonds could be used by service providers to meet capital costs and retire debt related to residential care, or to improve the quality and range of aged care services*'. (5)

The current average accommodation bond amounts '*appear to exceed the estimated replacement cost of residential care places*'. (6)

*Under the Commission's proposals, residential facilities would be required to set an accommodation charge that is consistent with the cost of providing the accommodation (rather than a resident's ability to pay) and to publish the charge, as well as set and publish an equivalent accommodation bond (if offered). The commission's proposed removal of accommodation bond retention amounts would occur at the same time.* (7)

*For supported residents accommodation payments made by government should be sufficient to meet the full cost of providing an approved basic standard of accommodation – a 2 bed ward with shared ensuite.* (8)

Draft recommendation 1.4 proposes for those entering residential care options are offered (9) :

- A periodic payment for duration of their stay
- A lump sum accommodation bond held for the duration of their stay
- Or a combination of each of the above.

Accommodation bonds paid to service providers shall not exceed the relevant periodic accommodation charge. The reasonableness of these proposals cannot be assessed until time limits are prescribed for 'periodic'.

**AIR (Qld) seeks clarity of the Commission's proposals in respect to accommodation bonds for supported or unsupported residents.**

### **8.0 Transitory Provisions**

The report envisages existing recipients of community care and residents of aged care facilities will be protected against disruptive change by retaining their existing arrangements. Where existing accommodation bond amounts are excessive, will the transitional arrangements allow a reduction in the bond amount in accordance with the provisions of draft recommendation 1.4?

More detail is required to ensure that transitional arrangements are adequate.

**AIR (Qld) requests the Commission to re-examine transitional arrangements and provide more detail.**

#### References.

- (5) page 156 - Productivity Commission 2010 *Caring for Older Australians*, Draft Inquiry Report , 2011 Canberra
- (6) page 159 - ibid
- (7) page 455 - ibid
- (8) page 175 - ibid
- (9) pages xlvi & 177 - ibid

**9.0 Other Concerns**

Recommendation 1.3 proposes the removal of the distinction between residential high care and low care places. It is not clear how this will relate to current arrangements over the 5 year transitional period. There is also concern that the removal of the distinction in low care, high care and high care with extra services may lead to a diminution in personal aged care needs for high care recipients.

Recommendation 12.8 proposes amendment to the requirements placed on service providers in reporting missing residents. This loosening of a service provider's duty of care is opposed by AIR (Qld).

Consumer problems associated with the non compliance within the 14 day refund period for accommodation bonds held by service providers has not been addressed. AIR (Qld) is aware of a common practice by service providers to withhold refunds pending the granting of estate probate. Currently this provides service providers with an opportunity to hold two accommodation bonds over the same bedspace. Hopefully the establishment of AACRC will lead to speedy resolution of consumer problems such as the refund of bond monies.

**AIR(Qld) would like to receive the Commission's views on these other matters of concern.**

Max R. Barton  
President  
AIR Qld Division  
11<sup>th</sup> February 2011