Submission to: Aged Care Review

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Aged Care Review

The Aged care Review by the Productivity Commission raises a number of issues which require a response.

The following comments briefly raise some of the concerns.

Funding for aged care

It is acknowledged that new ways of raising funds for aged care are needed. However the Report rejects any form of national levy similar to Medicare and instead recommends that a substantial contribution should be paid by the individual – notably through using the asset/value of the person's home.

This is of concern for several reasons.

Comments in the media have expressed concern with any form of reverse mortgage to pay for the cost of the access and use of the aged care home/nursing care. Reverse mortgages can cumulate in debt over several years which could be equal to or greater than the value of the house

This sort of speculative use of the value of the house can get people into trouble. The global financial crisis has seen many people who used the equity in their house to buy or pay for other investments lose their house. Reverse mortgages can have a similar effect depending on whether it is only a one off fixed amount that is charged against the value of the house or a cumulative debt charged against the house.

The report suggests at one point a value or charge against the house of $60,000. To pay for the cost of care. However this or any other figure may not be fixed and may be a recurrent figure. This is an issue which needs to be clarified Recurrent /annual charges for reverse mortgages against the value of the house will strip the person of their home without any recourse.

General Comments

The highlighting of the person's house as the way to raise funds for aged care raises a number of concerns.

It rejects the common good or common benefit approach to funding for community services. Rather than an issue for the whole community, as it should be in any sound Democracy, it privatises the responsibility to the individual. It therefore can undermine principles of equality of access to services, the role of the public domain and the public sector; it can isolate people by expecting that they can raise the funds.

It is in fact a form of the free market doctrine which has overwhelmed public debate for the last three decades. It has resulted in a loss of public services, a reduction in public/corporate accountability and greater inequality between people.

The idea of targeting the family home sounds like vulture capitalism. A form of capitalism which exploits the vulnerable and feeds off the wealth and incomes of others with the wealth being transferred to the corporate sector. The proposal suggests the transfer of wealth from the older generation to the Aged Care industry.

The proposal relies on the speculative housing market in Australia continuing to add value or price to the house. This speculative bubble approach to the property market is what happened in the US and in Ireland and other countries during the financial crisis.

There is an immediate conflict of interest for government policies between providing affordable housing programs (rental and home ownership) and feeding the needs of the Aged Care Sector.

Home Ownership

A general concern is the assumption that most people own their own homes and have no obligations or commitments to others, notably relatives or children.

The proposal will asset strip what is the major family asset away from other members of the family towards the Aged Care industry. It can deny the family access to the family home whether they want to sell it or remain in the house.

For many who do not own their own home the Report suggests a two tier approach to providing access to services. This will create inequality between those in need of access to aged care services. People who do not own their own home will not be assured of access to services.

It is suggested that means testing this group for eligibility for access to services could be a solution. This approach will exclude many form access to long term care, because means testing reduces the potential of a large group down to one which is limited and small

Timelines

Current discussions about who owns homes which can be used under the suggested program are very short term and do not look into the future.

The current generation of those aged over 75 were from a time when the workforce was more stable, with a manufacturing base across a broad range of industries, a stronger public sector and trade unions. Home ownership was based on one income households and the value of homes reflected this fact. Women were entering the workforce across a range of sectors, however there were also commitments to raising children. There was no general superannuation program.

Current trends and factors influencing these issues include

Extremely high cost of entry into the home ownership market across Australia – a deregulated finance sector sees a home as an investment or a wealth creator. Over investment in housing has actually increased the cost or value of the housing which has been at the expense of a more balanced investment approach which would have seen investment in domestic industries and manufacturing.

Single income households have significant problems trying to enter the home ownership sector. Current trends require a two income household to service a mortgage. This trend excludes single women who are on average weekly wages or less. Women are most likely to be the group to live beyond 75 and many of the current single women, who cannot access affordable home ownership, will be affected in the long term.

One group who will not be able to enter the market are aged care workers. Along with other community sector personnel, their low incomes and salaries mean that they are priced out of the market this group is predominately female. There is no affordable home ownership program targeting this group.

A deregulated finance economic sector has seen whole industries disappear overseas. The current workforce is more deregulated, more are working part time /temporary and salaries have not kept pace with the real costs of living

Women

Women are the most likely group to live past 75 and to need more intensive care. However current trends may not provide this group with the financial resources to meet proposed demands suggested in the Report

Women still do not have equal pay and what salaries or wages that they do have are lower than that for men. Accordingly for most women in the workforce now , their super fund resources are limited .Indeed recent reports indicate more than half the female workforce have less than $10,000 in their superannuation

Women are more likely to leave the workforce to have children or look after a relative. Whilst age discrimination affects both men and women, women can find it very difficult to return to work after an absence of some years and especially after the age of over 40/50 years.

Many women are more likely to undertake part time work or temporary work and therefore are less likely to accumulate a significant superannuation asset. The Report relies on the next generation having a significant super fund asset to help with their aged care when this asset will not be available for many women. Women are the group most likely to be in need of aged care and therefore will not have a super fund asset to draw upon.

Whilst many are married and may be able to acquire a home, many are and will remain single. Therefore access to home ownership has become more difficult for this group...

Indeed this report is really targeting what assets women do have as they are the group most likely to need the intensive aged care.

Age Discrimination

In addition active discrimination against potential workers in their 40’s, 50’s and 60’s continues to make it difficult for many in this age group who are next in line to retire to accumulate any assets/ income.

The Global Financial Crisis, the Recession or the next financial crisis all affect ability of the over 40’s to remain within the workforce. Every time there is a cut back in staff or retrenchment, in the private or public sector, this group is the one who find it more difficult to return to the workforce. In a job with similar or better pay and conditions than their previous job.

They will have limited access to superannuation benefits which could provide them with a sustainable income when they do retire. . This is because they will be more likely to have short term work or at a lower level of pay/salary if they do manage to get a job

Carers

There are many issues related to this. If it is a family member or relative, they may be forced to leave work or reduce the hours of work. More than likely this will be a female aged between mid-40's to mid-60. This will reduce their capacity to work and save via the super fund.

Access to a carers allowance is limited by restricting access based on how well/ill the relative is. Whilst the Report talks about training and education little is said about greater financial support for all carers and access to a range of community services. For a carer there needs to be greater access to respite for cares to ensure that the can have a break.

Staff – Aged Care Workers

It is no surprise that the sector has problems attracting and retaining staff.

In Sydney the salaries are so low that they are no longer sustainable for the members of the workforce. They find it difficult to rent much less own a home.

The current Federal Government has proposed to cut back on a major rental housing affordability program as part of its cost cutting to raise money after the floods and cyclones. Unfortunately this is indicative of the problems that the community will face when trying to address social justice and access and equity issues.

The Report should be recommending that an affordable housing program targeting the aged care work force should be established and the current affordable rental housing program should be retained.

Natural Disasters and Climate Change

If the financial crisis did not devastate many people, the natural disasters of recent months will. Many communities and individuals have lost homes, their business, local infrastructure and community services.

The Report does not acknowledge that climate change and natural disasters will have a big impact on individuals and the community. Not least, many in the over 60 age group, in the affected areas will find that their house has been destroyed and of little value. Many in the older age group who had been living independently will move into aged care/ nursing home retirement village.

No mention is made that this will have a negative impact on their ability to pay for aged care.

Another issue is the lack of coverage for floods and other disasters for the over 60's. This should be a compulsory inclusion in all home insurance schemes. Many older retired people have found that they were not covered for the floods this will make it difficult for them to recover and many will decide to go into some form of care without the asset that they used to have

Long Term Trend

A key reason why the current proposals are on the table is because successive Federal Governments have failed to put in place a long term funding program to support aged care services in general and for the more intensive care need funding requirements.

This Report reflects the concerns that these failures have created. However demanding or relying on accessing the assets that the aged person may have is not the answer to these Federal Government failures.

Conclusions

Solutions will not be found in expecting the individual to provide a significant part of the cost for aged care.

This recommendation sounds like the privatised medical health care insurance sector in the US. This has devastated the middle class, the blue collar workers and many in the small business sector. It is not sustainable.

Pushing the costs of aged care onto the individual in Australia will have a similar effect. In the US health care insurance sector is very profitable however this has come at the expense of the health of the citizens of the US and economic wellbeing The US is the only Western country where significant numbers of the middle class can go bankrupt trying to pay their medical bills.

There should be a national levy attached to the Medicare levy – similar amount to that of the current proposed disaster levy. The disaster levy expects to raise $1.8bn in one year. A similar permanent levy even with a slightly greater levy could raise funds not only for the actual cost of the care but also provide a financial stream to provide affordable housing for the aged care workers and also provide the resources for the capital works program.

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