



Association of Independent Retirees (A.I.R.) Limited

ACN 102 164 385

**Submission to Productivity Commission—
Draft Report on Caring for Older
Australians**

21 March 2011

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Ms Jill Irvine
Inquiry into Caring for Older Australians
The Productivity Commission
GPO Box 1428
Canberra City ACT 2601
Email: agedcare@pc.gov.au

Dear Ms Irvine

Submission to Productivity Commission—Draft Report on Caring for Older Australians

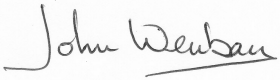
The attached Submission addresses a number of the draft recommendations in the draft report that are of particular concern to fully and partially self-funded:

- Draft Recommendations 6.1,6.2, 6.9, 6.10 and 6.11
Proposed funding system and fees and charges arrangements
- Draft Recommendation 6.4
Accommodation bonds and charges
- Draft Recommendation 6.9
Means test to determine Care Recipients' co contributions for approved care services
- Draft Recommendation 7.1
Aged Care Equity Release Scheme
- Draft Recommendation 9.3
Remote and Rural Areas / Mental Health Services
- Draft Recommendation 11.2
Workforce Issues
- Draft Recommendation 14.1
Indicative Implementation Framework and "Grandfathering" Provisions

Our Association is still analysing the many issues and draft recommendations in the Productivity Commissions' Draft Report and we do have some concerns which we have flagged in this submission. Accordingly, and given the deadline for responses, our submission contains more questions than firm responses on our part and we will use the time available including the opportunity to appear before the Commission to pursue our understanding of what is being proposed. Receipt of the information we have sought from the Commission would also assist us greatly in this regard.

Should you require any further information in relation to this or other matters, please contact Richard Gould who has coordinated A.I.R.'s response to the Draft Report on 02 9545 3863 or richardgould@hotmail.com.

Yours sincerely



John Wenban
National President

Introduction

The Association of Independent Retirees (A.I.R.) is the peak body representing all fully and partially self-funded retirees in Australia.

We are a fully volunteer, not-for-profit organisation, whose major purpose is to represent this section of the Australian population at all levels of Government regarding issues and government policies impacting on the current and future lifestyle and on the financial health and social welfare needs of this group of retirees.

Comments from the Association of Independent Retirees

Our Association appreciates the opportunity of providing feedback on the Productivity Commission's Draft Report on Caring for Older Australians released on 21 January 2011. We also look forward to appearing before your Public Hearing in Sydney on 29 March to elaborate upon the key issues and queries contained in our submission.

Our Association supports the framework for assessing aged care as set out in Draft Recommendation 4.1 and would also like to acknowledge the numerous features of the Draft Report that we believe will improve our aged care system including:

- establishment of a Gateway through which people will obtain nationally consistent and up to date information, be promptly assessed as to their care needs, have their service entitlement immediately approved and be given advice on the types and services available;
- the move to a system based on entitlement rather than a rationed system thus moving the funding from service providers to individuals;
- consumers to receive a flexible range of care and support services that meet their individual needs and that emphasise, where possible, restorative care and rehabilitation; and
- freeing up of the system by removing limits on care packages and residential bed numbers and distinctions between low, high and extra service residential care.

We have set out our specific comments and queries on the Draft Recommendations in the Report hereunder.

<p>Draft Recommendations 6.1, 6.2, 6.9, 6.10 and 6.11: Proposed Funding System and Fees and Charges Arrangements</p>

Our Association appreciates the need for the system of funding of aged care to be reviewed and revised moving forward. **Our concern, as expressed in our initial submission, is that, as a result of such a review, aged persons including fully and partly self funded retirees, should not be asked to pay by way of increases, unreasonable amounts of fees and charges for services provided.**

To be able to make meaningful assessments of, and comments on, the draft recommendations, our Association and, we believe, consumers generally, need to be able to reasonably assess the financial impacts that the draft proposals would have on those who utilise the various aged care services as well as the service and service quality improvements they would expect to experience. Whilst the Draft Report contains a substantial amount of information on the basis of the proposed fees and charges, it does not provide specific information on the indicative cost of services for people of various financial situations and service needs. It does however refer to the fact that prices for care services and the required level of indexation, and the scale of care recipients' contributions for approved care services will be set by the Australian Government, following its receipt of appropriate advice.

To assist us in our assessments, we have sought additional information from the Productivity Commission. In this regard we have provided a number of case scenarios against which we would seek to assess what fees and charges aged persons in various financial situations pay now for services and what they would be likely to pay for the same services under the proposed arrangements. In particular we are looking to much better understand:

- details of the costing models for pricing services across the aged care system including community care
- what prices will be for “care services” against which the co contribution payments, based on a means test, are directed ?
- confirmation that the proposed “everyday living expenses” costs would be calculated at 84% of the single aged pension for all consumers
- what items will be covered in “care services “ and “everyday living” services and what could constitute “additional services” to be paid for separately by the consumer?
- how the proposed new means test, which would include one’s home, would affect people’s financial commitments compared to the present system?

In addition to the above queries we are also looking to better understand:

- how the stop loss limits for care costs and safety net limits (which seem to be very appropriate initiatives) will be calculated and work in practice --eg will the safety net amount be calculated on one set of care services or a range of care services for an individual and will it take into account any extra services incurred by the consumer ?
- the details as to how the proposed relationship between daily accommodation charges and accommodation bonds will be determined and work in practice
- whether the scheduled price which the Government would set for each care service would be firm, or one which could be increased by Providers creating the need for gap payments by the consumer?

Draft Recommendation 6.4: Accommodation Bonds and Charges

Our Association supports in principle the move in the Draft Report to control the levels of accommodation bonds, to make them more reasonable and transparent, and to relate them directly to the accommodation charge in the same facility. **We do however find it difficult to comment further on the proposed system of bonds and accommodation charges until some clearer guidelines are available as to how they will be calculated and what their range is likely to be.**

**Draft Recommendation 6.9:
Means test to Determine Care Recipients' Co-contributions for Approved Care Services**

The proposed means test is obviously a very substantial change to the existing system and our Association does have concerns about this proposal but we are looking to understand more about the details at this stage. We do however note that the proposed inclusion of the family home in the means test formula is not, as we understand it, a consistent practice across the board eg. the family home is not included in the calculations for pension entitlement. It is difficult for our Association to make meaningful comments on what has been proposed until we have a clearer understanding of the likely impact of the proposal, how this would work in practice and how it would fit into the overall fees and charges scheme. Again some more information on the cost scenarios we have provided would be of great assistance here.

**Draft Recommendation 7.1:
Aged Care Equity Release Scheme**

We would appreciate more information as to how the Government backed Equity Release Scheme would be expected to work in practice.

The Draft Report says consumers can have access to a Government sponsored Equity Release Scheme to pay for their care and accommodation charges if they "have assets but limited annual incomes". We are still assessing the implications of this proposal.

**Draft Recommendation 9.3:
Remote and Rural Areas / Mental Health Services**

Our Association is of the view that despite the attention given in the Draft Report to services in Remote and Rural areas the Commission's recommendations could more adequately reflect the importance of addressing the issues so crucial to consumers in these areas. **We believe that the consumers living in these areas must be protected in some way from any extra costs involved in providing services to the areas.**

Our Tasmanian Division proposes an addition to draft recommendation 9.3 and AIR supports these views. It is proposed that, as part of the Draft Recommendation which addresses the needs of remote and indigenous people, or elsewhere in the Draft Report, provision be included which addresses the special needs of those elderly members of the community with mental health problems which can manifest in a number of ways and makes the inclusion of such people in group situations fraught with potential problems. It is difficult for such people to live easily and harmoniously with others and it makes the role of carers so much more difficult and demanding. Yet these people have needs that should be provided for. The upheaval necessitated with entry to an aged care facility is often a most traumatic experience for the elderly patient, can be quite destabilising and lead to ongoing mental health problems. **We believe that the Commission's final report should provide additional attention to the needs of those with such mental health problems.**

Finally, but of real importance, is the group of people with lifelong physical and/or intellectual disabilities. We recognise the very recent release of your Commission's Inquiry into Disability Care and Support but believe it is essential that more consideration be given in the Aged Care Reforms to the needs of those with an intellectual disability who are ageing. **We would urge your Commission to further address these matters taking into account the issues our Association raised in our initial submission of 5 August to your Commission.**

Draft Recommendation 11.2: Workforce Issues

Our Association strongly supports your Commission's recommendation relating to the payment of competitive wages to nursing and other care staff working in the aged care sector to assist in their recruitment and retention. **However whereas the Commission recommends that competitive wages for nursing and other care staff in this area are a priority in the determination of price setting for the new aged care funding system, our Association would urge the Commission to recommend that action be taken to address this well recognised wages gap as a matter of highest priority to assist in the recruitment of much needed additional staff in these areas.**

Draft Recommendation 14.1: Indicative Implementation Framework and "Grandfathering" Provisions

Our Association feels that the proposed aged care system, incorporating whatever changes might be incorporated as a result of your consultation process, would need to be very carefully planned and implemented and the time frames proposed in your Draft report as an indicative implementation framework may not be adequate and should be lengthened. Further we believe it would be essential that there be significant consumer involvement at every stage including such involvement in the Aged Care Implementation Taskforce.

Our Association endorses your Commission's attention to appropriate grandfathering arrangements to protect aged care consumers from disruptive change arising from any new policy reform being implemented. Such arrangements should take into account the fact that many people will have factored into their immediate financial planning a level of commitment based on the current aged care system.

Conclusion

Our Association is still analysing the many issues and draft recommendations in your Commissions' Draft Report and we do have some concerns which we have flagged in this submission. Accordingly, and given the deadline for responses, our submission contains more questions than firm responses on our part and we will use the time available including the opportunity to appear before your Commission to pursue our understanding of what is being proposed. Receipt of the information we have sought from the Commission would also assist us greatly in this regard.