

**National Aged Care Alliance Response
to the
Review of Pricing Arrangements in Residential Aged Care**

Recommendations for immediate change

| What did the Review recommend? | Australian Government response | NACA issues and position |
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| <p>1. The planning arrangements</p> <p>The Australian Government's 2001 commitment to provide 108 places for every 1,000 people aged 70 or older should be confirmed as ongoing.</p> <p>The Review also considers that the planning arrangements should be more flexible so that they can:</p> <ul style="list-style-type: none"> ▪ adjust responsively to the development of new care approaches; ▪ encourage innovation in service delivery; ▪ take account of current utilisation in high care and low care; and ▪ take account of the needs of older people with special needs, including those of Indigenous people, older people in rural and remote areas, older people from culturally and linguistically diverse backgrounds, older people with disabilities, older people with dementia, homeless older people and veterans. <p>There should be a review of the Australian Government's needs based planning arrangements after 2008.</p> | <p>More aged care places</p> <ul style="list-style-type: none"> ▪ The Australian Government will provide \$468.3 million over the next four years to increase the aged care provision ratio to 108 operational places for every 1,000 people aged 70 or over from the current 100 operational places for every 1,000 people aged 70 or over. <ul style="list-style-type: none"> – This includes \$58.4 million provided by this package and \$409.9 million already budgeted for the next four years for places above the planning ratio. ▪ The balance within the provision ratio will be reweighted to double the number of places offered in the community to 20 places for every 1,000 people aged 70 or over, in line with the preference of older Australians to receive care in their own homes for as long as possible. <ul style="list-style-type: none"> – The proportion of places offered in aged care homes will be adjusted to 88 places for every 1,000 people aged 70 or over. Two low-level residential care places will be replaced by ten community care places. – There will be no change in the proportion of places offered as high-level residential care. Currently 62 per cent of all residential places are used for high-level residential care. ▪ About 27,900 new places will be allocated over the next three years, including 13,030 in 2004. | <p>NACA believes that the review of the planning arrangements cannot be left until 2007 – 08 but should be undertaken now because:</p> <ul style="list-style-type: none"> – There is an imperative to reassess unmet need for high care and the balance of residential to community care; – Consider a supply formula to better meet demand on the basis of age and other social and economic variables; – Means of integrating the planning of community care and residential care needs urgent consideration; – There should be greater transparency in how planning arrangements are responding to the needs of special groups; <p>When investigating planning frameworks for the future account should be taken of the need for transition care beds eg what is the evidence base for the 2000 transition care beds?</p> |

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| <p>2. Greater flexibility in allocations</p> <p>The Australian Government should create a strategic pool of up to 3,000 additional places each year for the next four to meet structural and regional distortions, especially in the transition period up to the end of 2008.</p> <p>The places should be able to be used flexibly for any form of care – residential or community care or for such allocations as multi-purpose services and allocations to support innovative care models.</p> <p>The Australian Government should establish a 'Ready List' of providers with plans and approvals to start within three months of allocation of places to secure the rapid implementation of projects so as to diminish the gap between allocation and implementation. Those on the list should be accorded priority for any general offer about bed allocation. Failure to perform as required by status on the Ready List will mean loss of any standing for allocation of places until the specific Ready List project is completed.</p> | <p>More aged care places</p> <ul style="list-style-type: none"> ▪ Places will be set aside in each annual allocation round to meet structural and regional distortions, especially in the transition period up to the end of 2008. These places will be delivered in aged care homes, in the community, and through multi-purpose and innovative care services, and will allow more older Australians to receive the care they need. <ul style="list-style-type: none"> – The Australian Government does not consider it necessary to release additional places on top of the already large allocations planned for the next few years (27,900 new places over the next three years) and the large allocations in recent years (35,371 places in the last four approval rounds). ▪ The allocation process will be improved by announcing places three years in advance. This will improve the rate at which new places become operational by allowing existing and new providers more time to plan for expansion and become 'bed ready'. <ul style="list-style-type: none"> – The Australian Government considers that the Review's recommendation for a 'Ready List' is administratively complex and unnecessary, and that announcing places three years in advance | <p>The decision to give advance notice of the likely regional allocations three years in advance is welcome.</p> <p>However, NACA believes that allocations to providers should be made three years in advance on an in principle basis with certain milestones to be met, such as, local government approval for the in principle allocation to be converted to full approval.</p> <p>Such an arrangement would ensure providers can plan with certainty and assurance.</p> <ul style="list-style-type: none"> – The scheme would also have the benefit of bringing new beds on line at the scheduled time. |

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| 3. Increased support for aged care assessment | Providing the right care in the right place | NACA supports comprehensive assessment for high level community care, improved timeliness for assessments and the expansion of the role of ACATs in case management. |
| <p>The additional funding provided in the 2003–04 Budget for the Aged Care Assessment Program should be confirmed as ongoing and indexed each year in line with the base funding for the Program.</p> <p>The Review would also endorse the Australian Government funding an expanded role for Aged Care Assessment Teams to provide a single assessment service for community and residential care services with a stronger focus on supporting consumers in making informed care choices.</p> | <p>will have a similar effect.</p> <ul style="list-style-type: none"> ▪ The Australian Government will provide \$47.9 million over the next four years to: <ul style="list-style-type: none"> – Improve the timeliness of Aged Care Assessment Team assessments; – Expand the role of Aged Care Assessment Teams in case management; – Strengthen the role of Aged Care Assessment Teams in community care, and improve links between community and residential care; and – Develop and apply common assessment and entry processes for community and residential care. | <p>But NACA doubts that the additional resources provided for Aged Care Assessment Teams is adequate to achieve all the Government intends to do. For this reason improved timeliness of ACAT assessment will not be possible. This will place further pressure on ACATs and require significant additional resources.</p> |
| 4. ACAT role in reassessment of existing residents | Streamlining administration for better care | NACA notes that the removal of the ACAT role in moving residents from low to high care (within the same approved service) will remove barriers to funding resident’s care requirements. NACA notes that there has been a strengthening of the existing checks and balances to ensure that the movement between RCS levels occurs within the validation framework. |
| <p>Aged Care Assessment Teams should no longer be required to assess residents whose care needs have increased to a higher Resident Classification Scale category. However, Aged Care Assessment Teams must still be required to undertake an assessment where a resident moves to another facility as a result of increased care needs.</p> | <ul style="list-style-type: none"> ▪ The requirement for an Aged Care Assessment Team to reassess a resident before they can move from low to high level care in the same aged care home will be removed from 1 July 2004. ▪ The Australian Government will provide \$29.2 million over the next four years to strengthen the classification review arrangements. This will limit the risk of inaccurate assessments of care needs. | |
| 5. Resident Classification Scale | Streamlining administration for better care | NACA notes that no evidence has been made available to support the recommendation to reduce RCS classifications to three levels in 2006. This delay means that providers and care staff will have to endure another two years of the current system’s excessive paperwork demands. |
| <p>Basic subsidies should be paid at three levels: high care, medium care and low care, replacing the existing Resident Classification Scale categories in the following way:</p> <ul style="list-style-type: none"> ▪ Low care to consolidate current RCS levels 5 to 7; ▪ Medium care to replace RCS levels 3 and 4; and | <ul style="list-style-type: none"> ▪ A new funding model with simplified resident categories will be introduced in 2006. ▪ The new model will be developed and introduced in consultation with the community and aged care providers. | |

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| <ul style="list-style-type: none"> High care to replace RCS levels 1 and 2. | | |
| <p>6. Funding supplements</p> <p>The arrangements through which supplements are paid for the provision of oxygen and enteral feeding should be extended to other specific care needs or medical conditions.</p> <p>These specific care needs could include:</p> <ul style="list-style-type: none"> short-term medical needs, such as IV therapy, wound management, intensive pain management and tracheostomy; specific care needs, such as for dementia sufferers exhibiting challenging behaviours or for residents requiring palliative care; and care needs of people from diverse or disadvantaged backgrounds such as the homeless elderly and indigenous Australians. <p>The rate of payment for any new supplements should reflect the incremental increase in the cost of providing the appropriate treatment and/or level of care.</p> | <p>Providing the right care in the right place</p> <ul style="list-style-type: none"> New supplements will be introduced in 2006 to better target assistance to residents with higher care needs by supporting the provision of care to residents with dementia exhibiting challenging behaviours and residents requiring complex palliative nursing care. The new supplements will be developed and introduced in consultation with the community and aged care providers. <ul style="list-style-type: none"> The Australian Government considers that extending supplements to other conditions or circumstances would add unnecessary complexity to the payment system and administration. The care needs of people from diverse or disadvantaged backgrounds are supported by a number of Australian Government programs. <ul style="list-style-type: none"> The Australian Government will provide an additional \$11.6 million over the next four years to strengthen culturally appropriate aged care. The Australian Government will provide an additional \$10.3 million over four years to extend the conditional adjustment payment and the increase in the concessional resident supplement to Aboriginal and Torres Strait Islander Flexible Services from 1 July 2004. A viability supplement will also be paid for the first time to these services from 1 January 2005. | <p>NACA supports the concept of the introduction of the two new supplements but seeks an explanation of why the other recommendations of the Pricing Review were not picked up in respect of specific care needs. NACA believes it will be unrealistic to fund the supplements from existing care funds.</p> <p>The lack of new funding for short-term medical care, dementia care, and palliative care will reduce the quality of life for older people in residential aged care, and increase their entry in the acute care system.</p> <p>The dementia supplement could be targeted to dementia specific care for those ambulant with severe behaviours (10% of those with a diagnosis at any time). Given the prevalence of dementia, mainstream residential care facilities would need to continue to provide dementia care for many residents.</p> <p>NACA seeks consultation on how the dementia and palliative care supplements would work and an assessment of the impact of the proposed supplements on the care of other residents.</p> <p>NACA asks how the Government intends to address the other specific care needs identified by the Pricing Review that have not been addressed in the Government's response.</p> |
| <p>7. Aged Care Standards and Accreditation Agency</p> <p>The role of the Aged Care Standards and Accreditation Agency should be directed mainly to the</p> | <p>Providing the right care in the right place</p> <ul style="list-style-type: none"> The Australian Government will provide \$36.3 million over the next four years to increase | <p>NACA considers that taken overall the Government response to the Pricing Review focuses little attention on achieving better quality</p> |

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| <p>accreditation of services and the dissemination of accreditation results.</p> <p>The Agency should significantly improve its focus on supporting informed consumer choice and consumer input to monitoring standards by:</p> <ul style="list-style-type: none"> ▪ improving direct communication with consumers, including those with special needs, and by better informing other organisations of the level of quality provided by specific services; and ▪ exploring, with consumers and the industry, a star rating system to assist consumers to more readily compare services and to provide incentives for providers to become more competitive in providing quality services. <p>The costs of accreditation should continue to be shared by Government and providers:</p> <ul style="list-style-type: none"> ▪ Providers should bear the total cost of accreditation audits after 2008; and ▪ Government funding for the Agency should be increased, based on the robust assessment of the costs of current and projected workload. This funding should be governed by an agreement with the Department of Health and Ageing, which specifies the services required of the Agency and their unit costs. | <p>the funding for the Aged Care Standards and Accreditation Agency, which has responsibility for accrediting and monitoring aged care homes to ensure that providers are complying with their responsibilities.</p> <ul style="list-style-type: none"> – This is in addition to the \$27.7 million over the next four years already budgeted as base funding for the Agency. ▪ Accreditation fees will be indexed from 1 July 2004, so providers continue to make an appropriate contribution to the cost of accreditation. <ul style="list-style-type: none"> – The Australian Government will continue to provide \$1.8 million over the next four years to subsidise the accreditation fees of small homes. ▪ The Australian Government will provide \$2.1 million over the next four years to develop, in consultation with the community and aged care providers, a web-based information system to provide information on aged care homes. <ul style="list-style-type: none"> – This includes exploring, in consultation with the community and aged care providers, the development of a standards rating system for aged care homes. | <p>outcomes in residential aged care. Moreover there is a need to review the tensions between the functions of the agency in terms of the accreditation (including monitoring), review audits and education functions). NACA believes there are conflicts of interest in these functions and is finalising a discussion paper on future directions for accreditation in the aged care sector.</p> <p>NACA believes that the first step in considering the development of a standard rating system should be to find out what information it is that consumers want.</p> <p>NACA would not support a fee index any higher than the funding indexation system that is applied to the residential sector.</p> <p>NACA supports the continued subsidy to small aged care facilities to meet the cost of accreditation.</p> |

8. Aged care workforce

The Australian Government should refocus and expand its support for the education and training of aged care nurses and aged care workers.

The Australian Government should increase the number of registered nurse places at Australian universities by 2,700 over the next three years, with 1,000 first-year places commencing in the 2005 academic year. These additional places should only

Better skills for better care

- The Australian Government will provide \$101.4 million over the next four years to assist the development of a well trained aged care workforce.
 - 4,500 additional vocational training places will be created each year for aged care workers, to improve the quality of care and to provide better career pathways for aged care workers. These places will assist 15,750 aged care workers

NACA notes the range of support provided to the aged care workforce but is very disappointed that the Government has not fully addressed the significant shortfall identified in the Hogan report.

Alliance members expressed disappointment at the absence of any commentary on the need for wage parity for the aged care workforce or any suggested mechanisms to achieve and maintain parity, or the quantum of funds required.

What did the Review recommend?

be available to universities that offer specialist training for aged care nurses, including preceptor programs for newly graduated nurses and aged care placements for students.

The Australian Government should support aged care providers to assist at least 12,000 enrolled nurses to complete medication management training, 6,000 aged care workers to complete a Certificate Level IV qualification and 24,000 aged care workers to complete a Certificate Level III qualification by 2007–08. This training support should only be available to providers who are compliant with the education and staff development accreditation requirements, maintain their training expenditure at a minimum of their 2003–04 level and also provide in addition at least half of the cost of the additional training supported by this measure.

The Australian Government should work with state and territory governments to expand the number of aged care training places available in the Vocational Education and Training Sector.

Australian Government response

undertake vocational education and training over the next four years.

- 1,500 additional ‘certificates of attainment’ in medication management will be supported each year to allow enrolled nurses to expand their skills and improve the quality of care and efficiency of aged care homes. These places will assist 5,250 enrolled nurses obtain medication management qualifications over the next four years.
- 400 additional higher education places will be created in 2004–05, rising to 1,094 over four years, to increase the supply of registered nurses. These places will allow 1,600 students to commence nursing education over the next four years.
- 2,000 additional places will be created in the Workplace English Language and Literacy (WELL) program each year, to assist aged care workers from culturally and linguistically diverse backgrounds to improve their qualifications and provide higher quality care. These places will support 8,000 aged care workers undertake the WELL program over the next four years.
- The Australian Government will also work with state and territory governments to expand the number of aged care training places available in the Vocational Education and Training Sector.

NACA issues and position

9. Guarantee fund

The Australian Government should establish a guarantee fund:

- managed by an Authority established for the purpose;
- funded by an industry levy, the amount of which is determined on actuarial advice; and

Building better aged care homes –strengthened prudential arrangements

- The Australian Government will provide \$0.8 million to support the establishment, in consultation with the community and aged care providers, of a provider funded guarantee fund to strengthen the security of residents’ bonds.

NACA supports an examination of appropriate means to protect consumer funds including by arrangements such as trust funds, insurance or a guarantee fund.

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| <ul style="list-style-type: none"> ▪ in the event of a defined 'default event', people with entitlements are able to recover accommodation bond amounts from the Fund. <p>A default event in relation to an approved provider, happens when:</p> <ul style="list-style-type: none"> ▪ the approved provider becomes bankrupt or insolvent; ▪ the approved provider if it is a corporation, is being wound up or ceases to exist and there are insufficient funds to repay the accommodation bond entitlements; and ▪ the approved provider is otherwise unable to meet the approved provider's liabilities under the enabling legislation. <p>As well as management of the Fund, the Fund Authority is to have prudential oversighting authority of approved providers. The powers of the Authority should include but not be limited to:</p> <ul style="list-style-type: none"> ▪ the ability to examine the financial affairs of an approved provider, by means of inspection and analysis of the records, books and accounts; ▪ the ability to review the value of the assets of each approved provider's corporate entity; ▪ the ability to appoint an administrator of the corporate entity; ▪ the ability to apply to court for the winding up of insolvent approved providers; and ▪ the ability to require an approved provider to enter into negotiations for the disposal of assets and if that fails, to secure an outcome to avoid where possible a claim on the Fund. ▪ | <ul style="list-style-type: none"> ▪ The current financial protections provided to residents will be strengthened by: <ul style="list-style-type: none"> – Making the conditional adjustment payment (see Recommendation 13) subject to approved providers making their audited financial statements publicly available; and – Collecting better information about companies and other entities that own services, and their key personnel. ▪ The Australian Government considers that the high degree of regulation recommended by the Review cannot be justified. The provider funded guarantee fund offers a similar degree of security to residents without the high cost of additional regulation and administrative burden to providers. | |
| 10. Financial assessment on entry | Streamlining administration for better care | |

| What did the Review recommend? | Australian Government response | NACA issues and position |
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| <p>Assessment of residents' or prospective residents' income and assets should be the responsibility of the Australian Government and carried out by Centrelink and not the aged care provider, preferably prior to entry into care.</p> | <ul style="list-style-type: none"> ▪ The Australian Government will provide \$19.7 million over the next four years to transfer responsibility for asset testing new residents from aged care providers to Centrelink (and the Department of Veterans' Affairs) from 1 July 2005. | <p>NACA supports the transfer of this responsibility to Centrelink. Centrelink must be adequately resourced to be able to do this in a timely manner to ensure residents' entry to aged care homes is not delayed.</p> |
| <p>11. Viability supplement</p> <p>The Australian Government should increase the total amount available for the viability supplement for rural and remote services.</p> <p>The Australian Government should also review the viability supplement's rates and eligibility requirements to ensure that they do not create perverse incentives against consolidation. At the very least the eligibility requirement should be raised to include facilities with 30 beds or fewer.</p> | <p>Investing in better care</p> <ul style="list-style-type: none"> ▪ The Australian Government will provide \$14.8 million over the next four years to increase the viability supplement paid to rural and remote providers. <ul style="list-style-type: none"> – This is in addition to current viability supplements worth about \$13 million a year. ▪ The eligibility criteria for, and rates of, the viability supplement will be reviewed in 2004-05 with the new funding flowing from 1 January 2005. ▪ For the first time a viability supplement will also be paid to Aboriginal and Torres Strait Islander Flexible Services (see Recommendation 6). | <p>NACA welcomes the increased funding for viability payments to rural and remote services and Aboriginal and Torres Strait Islander flexible services. The review of the supplement must take into account the need for services to remain viable in rural and remote communities.</p> <p>Maintaining links to family, friends and community is an important part of ensuring a better quality of life for people using aged care services. NACA believes that preserving locally available services is more important than arbitrary considerations of industry consolidation.</p> |
| <p>12. Targeted capital assistance</p> <p>The Australian Government should maintain a small targeted capital assistance program to assist those services experiencing exceptional circumstances.</p> | <p>Building better aged care homes</p> <ul style="list-style-type: none"> ▪ The current targeted capital assistance program of capital grants to rural and remote providers will continue. | <p>NACA notes that targeted capital assistance will continue to be available. A study into its adequacy in supporting access to services in these areas would be appropriate.</p> |
| <p>13. Conditional incentive supplement</p> <p>The Australian Government should introduce an incentive supplement, payable in addition to all existing subsidies and supplements, with the value of the supplement for each resident to be set at 1.75 per cent on an annual basis. The need for, and value of the supplement, should be reviewed in 2007-08. Continued eligibility of providers for the supplement should be linked to gains in efficiency, productivity and</p> | <p>Investing in better care</p> <ul style="list-style-type: none"> ▪ The Australian Government will provide \$877.8 million over the next four years for a conditional adjustment payment that will increase residential care subsidies by seven per cent over four years (1.75 per cent cumulative per year) on top of the increases due to the annual indexation of subsidies. <ul style="list-style-type: none"> – The conditional adjustment payment will raise | <p>NACA welcomes the payment of the additional subsidy of 1.75% as some recognition that the existing COPO indexation has been inadequate and that the sector has substantially achieved whatever efficiency gains are available.</p> <p>Hogan recommended that the 1.75% be paid on all existing subsidies and supplements. The Government has decided to apply the 1.75% to</p> |

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| workforce training. | <p>subsidies by an average of about \$500 per resident in 2004-05, rising to about \$2,000 per resident by 2007-08.</p> <ul style="list-style-type: none"> ▪ The adjustment payment will be conditional on each provider giving its staff information and opportunities regarding workforce training, making audited accounts publicly available each year and taking part in a periodic workforce census. ▪ The need for and value of the conditional adjustment payment will be reviewed in 2007-08. | <p>the RCS care subsidy only, which is disappointing.</p> <p>Though NACA welcomes the additional subsidy, it has not been possible to determine the basis on which Hogan has made this recommendation. Has the reviewer determined that the real cost increases for the aged care sector are COPO plus 1.75%? Is there a retrospective component to the 1.75% or purely prospective?</p> <p>NACA is concerned that there is a current commitment to the 1.75% for four years only. Given that it is being paid as a separate supplement, there is a further concern that Government could easily change or in fact, remove the supplement completely.</p> <p>NACA believes work needs to commence immediately to reach agreement on what review process will be required in financial year 2007/08 to ensure that there is an appropriate indexation system that meets the real cost of delivering quality care.</p> <p>NACA is also disappointed that similar relief has not been provided to community care places such as EACH and CACP.</p> |
| <p>14. Comprehensive data repository</p> <p>As a complement to Recommendation 13, the existing aged care information infrastructure should be substantially expanded, building on the existing expertise within the Australian Institute of Health and Welfare and should include quality and financial performance data.</p> | <p>Investing in better care</p> <ul style="list-style-type: none"> ▪ The audited financial statements of providers will be used to develop benchmarks on performance to assist providers achieve appropriate efficiencies and improve the quality of care. | <p>The Alliance supports the development of a comprehensive data repository if it will assist in improving care outcomes. Extensive consultation should occur with the aged care sector to determine data requirements, particularly in relation to quality and financial performance.</p> <p>NACA does not believe that the financial statements or the development of financial benchmarks should impose additional costs on</p> |

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| <p>15. Corporate information</p> <p>The names of entities and major shareholders of the companies and associate companies having ownership or part ownership of residential aged care services should be required by the Department of Health and Ageing.</p> <p>The monitoring and authorisation of transfers should be extended beyond key personnel to personnel of entities owning providers, subject to review after 2008.</p> <p>In the contribution to efficiency improvements, the Department of Health and Ageing should implement immediately provisions for electronic funding and information transfers for all accounting, financial and supervisory requirements relating to providers.</p> | <p>Streamlining administration for better care</p> <ul style="list-style-type: none"> ▪ The Australian Government will provide \$33.0 million over the next four years to develop and implement electronic funding and information transfers for all accounting, financial and supervisory requirements relating to providers, with the new arrangements rolled out from early 2005. ▪ Aged care providers will be required to supply more comprehensive information on ownership and key personnel to assist with the monitoring of the suitability of providers. | <p>the sector or direct resources away from care services.</p> <p>NACA supports the provision of additional financial resources for e-commerce activities. Any additional information required should be simple and easy to provide and not at an additional cost to providers.</p> <p>NACA supports public disclosure of the names of entities and major shareholders of the companies and associate companies having ownership or part ownership of residential aged care services as recommended in the Hogan report.</p> |

Response to medium- term recommendations for a sustainable industry

16. Concessional, transitional and assisted residents

The Australian Government should consider modifying the concessional resident supplement arrangements by:

- increasing the maximum rate of the concessional resident supplement to \$19.00 a day, indexed annually;
- abolishing the 40 per cent threshold;
- introducing a sliding assisted resident supplement for residents with assets between 2.5 times and ten times the pension to ensure that the assisted resident supplement plus the maximum accommodation charge payable by each resident is equal to the maximum rate of the concessional resident supplement; and
- extending the concessional resident arrangements to all transitional residents remaining in the system.

Building better aged care homes

- The Australian Government will provide \$438.6 million over the next four years to increase its capital contribution to the cost of care.
 - The maximum rate of the concessional resident supplement will be increased from \$13.49 to \$16.25 (indexed) per resident per day from 1 July 2004. The other rates of the concessional resident supplement will be increased proportionately.
 - The rates of the respite supplement will be increased in line with the increase in the concessional resident supplement, that is, by \$2.75 per resident per day from 1 July 2004.
 - The rates of the transitional resident supplement will be increased to match the new maximum rate of the concessional resident supplement, that is, to \$16.25 per resident per day from 1 July 2004.
- In addition, in recognition of the forward plan for improved safety and building standards for aged care homes developed and agreed with the aged care sector, and in particular improved fire safety, the Australian Government will make a one off payment to aged care providers in 2003-04 of \$513.3 million, or \$3,500 per resident.
- The Australian Government will consult with the community and aged care providers on the appropriateness of the other parts of this recommendation.

NACA would not support abolishing the concessional rate in the absence of a supplement for disadvantaged groups (see recommendation 6).

NACA calls on the Government to explain how the concessional rate was determined to be \$16.25 when Hogan recommended \$19.00.

NACA believes that there will be a \$2.5B shortfall in the capital required because:

1. The Government figure of \$10.1B over ten years to finance new, renovate and replace aged care building stock is an under-estimate and the total capital requirements are closer to \$12 B; and
2. The funds generated will fall short of the Government estimate by \$500M.

See the response to 19.

17. Adjusted subsidy reduction

The Australian Government should abolish the adjusted subsidy reduction so that all providers receive the same level of subsidy.

Longer term considerations

- The Australian Government will consult with the community and aged care providers on the appropriateness of this recommendation.

NACA would welcome being consulted on this recommendation.

18. Pensioner supplement

Eligible pensioners should be able to gain the benefit of the rent assistance payment and the pensioner supplement should be abolished.

The maximum basic daily care fee for all residents should be set at 85 per cent of the value of the maximum rate of the basic single pension plus the full value of the maximum rate of rent assistance.

Longer term considerations

- The Australian Government will consult with the community and aged care providers on the appropriateness of this recommendation.

NACA would welcome being consulted on this recommendation.

19. Accommodation payments

Accommodation payments for non-concessional new aged care residents should be as follows:

- Options for making capital contributions should be consistent in low care and high care, not least to remove disincentives to ageing in place;
- The notion of a 'bond' that is both a form of corporate debt (a no interest loan) and a source of fees through retention payments is confusing and should cease. Corporate debt and fees (no matter how derived) should be clearly separated;
- Subject to retaining at least the statutory level of assets, new residents to have the option of paying:
 - fully refundable lump sum bond (not subject to retention amounts) to be held for the period of the resident's stay; or
 - a daily rental charge, applicable for the duration of the resident's stay;
- The accommodation bond should be payable on entry to the service and should be repayable within a reasonable period of the resident's departure from the service, being seven days in the case of transfer to another residential care service and two months in case of death; and
- Existing residents should continue to be covered by the current accommodation payment arrangements including the five-year limit on charges and

Building better aged care homes

- The Australian Government will increase the maximum rate of the accommodation charge that new high care residents who have the ability to make a contribution to the cost of their accommodation can be asked to contribute.
 - The maximum rate of the accommodation charge for new residents entering from 1 July 2004 will increase by up to \$2.34 per day. No resident will pay more than \$16.25 for the charge.
 - This is in line with the new maximum rate for the concessional resident supplement (see Recommendation 16).
- The five-year limit on paying accommodation charges will also be removed for new high care residents, so that they make a capital contribution throughout their stay.
- Current residents will not be affected by these changes.
- The existing bond arrangements remain unchanged.
- The rate of the accommodation charge that a resident can be asked to pay will continue to be means tested.
- Respite residents will continue to be exempted from paying accommodation charges.

NACA acknowledges the increase in the rates of payment for these residents. But the rates struck by government are significantly below those recommended by the Pricing Review and as a consequence will leave aged care providers short of the capital funding needed to fund the proposed numbers of aged care places. The difference between the recommended rates (\$19) and that adopted (\$16.25) will amount to approximately \$200 million over four years. The difference between the adopted rates and the amounts raised by the average low care bond over the same period is around \$1 billion.

The Government's response includes welcome elements, such as:

- removing the five year limit on the payment of the accommodation charge by new residents; and
- increasing the maximum rate for the concessional resident supplement.

NACA notes however the Government response provides insufficient incentives to build high care beds.

It is not clear why the principle of charging residents for the whole length of their stay was not extended to the retention drawdown period on bonds which remains at five years.

retentions from bonds.

- The Australian Government will consult with the community and aged care providers on the appropriateness of the other parts of this recommendation.
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20. Research into neuro–degenerative diseases

Attention should be given to research into neuro–degenerative diseases, with funding provided for:

- comprehensive prevalence studies; and
- further data matching studies to enable a better understanding of neuro–degenerative disease pathways and the services accessed along pathways.

The NHMRC should continue to give priority to research into the prevention of dementia and dementia related illnesses and to encourage multi–disciplinary research into the care of people with such illnesses.

Support for research into neuro-degenerative diseases

- The Australian Government has identified research into neuro-degenerative diseases as a high priority and is committed to reducing the future burden of these diseases in the Australian community.
- In 2003, the National Health and Medical Research Council (NHMRC) awarded over \$6.4 million to fund research addressing neuro-degenerative diseases.
- Neuro-degenerative diseases are one of the research themes to be progressed through a multi-disciplinary research collaboration, *Ageing Well, Ageing Productively*, between the NHMRC and the Australian Research Council.
- A National Neuroscience Consultative Taskforce is being established to develop a *Brain and Mind Research Alliance* to increase Australia’s scientific capacity to reduce the burden of brain and mind disorders.

NACA supports a greater priority being placed on research into the prevention and treatment of neurodegenerative disorders and the care of people with such diseases of which cognitive and movement disorders and dementia are the largest components in terms of numbers. On the basis of the Government’s own figure of \$6.4 million only \$35.00 would be spent on each person with a diagnosis of dementia or 0.2% of the health cost of dementia care.

There is a pressing need for research into a broad range of ageing and aged care issues which by any standard is poorly funded.

Response to options for further consideration

Options 1-6 to improve consumer choice and competition

- Vouchers
- Contracting agency
- Means testing

Longer term considerations

- The Australian Government will consult the community and aged care providers on the appropriateness of the longer term options (except option five) presented by the Review including:
 - placing the choice of provider in the hands of the prospective resident or the resident’s family

Options 1-6 :

NACA would welcome being consulted on this recommendation.

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- Asset transfer period
 - Revised assets test arrangements
 - Place allocation auction
- by granting them an authority to spend aged care monies on care and accommodation;
- establishing a contracting agency to negotiate the prices and conditions for residents in facilities;
 - bringing the aged care means testing arrangements in line with those for the age pension;
 - extending the asset transfer period; and
 - introducing an auction/tender system for place allocations.
- The Australian Government rejects the suggestion in option five that it exempt the proceeds of sale of the family home from a tax imposition or inclusion in an asset valuation assessment. It considers this would in effect create a government deposit-taking interest-paying institution, which would represent a reversal of its current policy on the public ownership of financial institutions.
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