Commonwealth submission responding to the Royal Commission's consultation paper on Aged Care Program Redesign

Introduction

The Department of Health (the Department) and the Aged Care Quality and Safety Commission (ACQSC) believe that all older Australians who require assistance are entitled to aged care services to maintain their independence and a dignified life. Assistance should, as far as practical, be tailored to the needs of each individual and that consistent and fair means testing should apply so that people contribute to their own care according to their means.

The Consultation Paper (the paper) puts forward a vision of aged care that involves putting the person receiving the care at the centre of the system. The paper proposes a single entry point to the aged care system, with either basic screening or comprehensive assessment to determine eligibility and assess need, and a care finder to connect people to care and support. There would be more individualised funding for care, and funding would generally not be dependent on the care setting. The design of the aged care system would be based on a set of principles (set out on page 4 of the paper).

The paper is consistent in many ways with concepts and recommendations in the Productivity Commission Inquiry Report\(^1\), the Legislated Review of Aged Care\(^2\) (the Tune Review), and the Aged Care Roadmap\(^3\).

The Department and ACQSC agree with the design principles proposed by the Royal Commission, and with many of the concepts put forward in the paper. The Department believes further consideration is needed on many of the issues, including particularly:

- how to provide a continuum of care to older Australians to assist them in maintaining their independence and dignity, including how the proposed three service streams would work in practice;
- how to ensure older Australians have maximum control and choice over the supports they receive and the way in which they receive them as well as encouraging innovation of service delivery;
- the importance of ongoing robust needs assessment;
- sustainability of the aged care system, including how demand would be managed in an uncapped system; and
- how the regulatory system would respond to new design arrangements.

In this submission, the term, ‘care recipient’ is generally used to refer to older Australians receiving aged care services and support. The use of this term in this submission is not intended to reflect a view that the interaction of older Australians with aged care services reduces their issues to transactions rather than relationships or care. This is the term currently used in the Aged Care Act 1997, although other terms are also used in the aged care sector such as ‘consumer’ and ‘client’.

The views expressed in this submission are those of the Department and the ACQSC, and decisions on a number of these matters have not been taken by the Australian Government. We would be

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\(^1\) Productivity Commission, Caring for Older Australians Inquiry, Report No. 53, June 2011.
\(^3\) Aged Care Sector Committee, Aged Care Roadmap, March 2016.
pleased to discuss this submission further with Commissioners and/or staff from the Royal Commission.

**Key features of a future aged care system**

Older Australians receiving aged care services must be at the centre of the system. As the paper recognises, all older people and their families and carers should be supported to receive the care and supports they need, when they need it, in the way they need it.

Building on the design principles proposed in the paper, the Department believes the aged care system must:

- support person-centred care that is safe and responsive to each individual’s needs, goals, values and preferences;
- support diversity and choice, and encourage innovation in service delivery;
- assist families and carers to support their loved ones; and
- provide a continuum of care that supports people as their care needs change including a dignified death.

Placing a funding entitlement in the hands of individuals to purchase services will help to encourage innovation and promote culture and practice that lead to good outcomes for care recipients. The regulatory system will also encourage a strongly performing market through a focus on accountability and transparency in the sector. This regulatory approach allows and encourages service providers to innovate and deliver care flexibly to meet care recipients’ needs and preferences.

**The role of Government in aged care**

The Department notes there has been considerable discussion about the role of Government in aged care during the course of the Royal Commission.

The Commonwealth’s role includes setting of policy, supporting access to the system through information and navigation support, provision of funding for care, assessment, advocacy and other services, quality regulation and monitoring, and overall stewardship of the aged care system and its connections to other areas of service delivery, most particularly the health system. There is a key role for the Commonwealth in guiding aged care reform and supporting the transition to any new arrangements. In addition to the roles that families and communities play, the Commonwealth also has a key role in supporting families and carers while their loved ones are receiving aged care services. This includes support for carers through a full suite of Commonwealth payments and services and access to respite arrangements.

The Commonwealth is not a service provider of aged care. The Commonwealth’s role is to ensure that the policy settings are appropriate – including ongoing review of those policy settings – to encourage service providers to innovate and deliver high quality care that meets the needs of consumers, and to deliver a regulatory system that promotes a high performing sector that instils strong community confidence.
The future aged care system

The following section outlines a range of considerations relevant to the design of a future aged care system.

1. Continuum of care
2. Choice and control for aged care recipients
3. Assessment and managing demand
4. Supporting people to access and navigate the system
5. Care setting
6. Funding and financing
7. Quality and safety regulation
8. Other matters

1. Continuum of care

The Department agrees with the proposed principles of delivering care according to need, and providing equity of access regardless of location, means or background. The fact that the current system does not do this consistently, as reflected in some of the evidence presented to the Royal Commission on home care and other aspects of the current system, is one of the major problems that the Royal Commission has identified in aged care.

A system built on these principles will need to provide older people with access to a ‘continuum of care’ - a system that accommodates people’s preferences to live at home where possible, and effectively and efficiently supports older people with low level support needs (e.g. transport, meals, social supports) through to the highest level of support (e.g. nursing care, palliative care). Funding and program arrangements must be flexible to enable people to move seamlessly between services and care settings, and to access additional care and support as required.

The Department sees merit in a re-orientation of aged care around the major service streams identified in the paper. We agree with the rationale put forward for the three service streams, in particular, that this would provide more flexibility for people to build their own bundle of supports and care, and adjust or expand the bundle as their care needs increase (including access to respite), and allow a greater focus on investment approaches including aids and equipment and home modifications. The Department believes further work needs to be done as to how the changes in each stream would enhance service delivery, to ensure that the model would be effective in improving access, services and service availability for consumers.

The Department supports the approach of resourcing different service or investment streams, but we do not think they should be thought of as separate programs, each with a separate needs assessment and eligibility gate. They need to be thought of as parts of a bundle of services that might be different for care recipients with different types and levels of need. The work needed to effectively manage this approach is discussed further below.

The Department agrees the investment stream or similar should include wider investments in the capacity of carers, including but not limited to respite care. In this context, it is important to appreciate that services such as advisory services and other support for people caring for a loved one with a complex condition, for example, are an important form of investment in addition to respite services.
The Department notes the paper suggests potential different ways of funding care services, in particular, nursing and allied health services. The Department agrees that nursing and allied health services should be available across the care continuum (where clinically appropriate), but we believe it is not practical or necessary for these services to be funded separately in a residential care setting, and may even fragment care.

2. Choice and control for aged care recipients

The Department believes that choice and control should be a central feature of a future aged care system. The care recipient (or in some cases, a family member, carer or advocate acting on behalf of the care recipient) should be able to exercise choice and control in relation to their aged care. This includes the ability to choose their service provider and to easily change their provider if they wish, as well as to influence the way that their care and services are delivered. In home-based care, some care recipients may wish to actively manage their care themselves, including the co-ordination of services and a budget, or they may choose another party, such as their service provider or a care co-ordinator (i.e. an independent person to assist in gathering information, making decisions and practical arrangements for different services or providers), to manage these elements.

The Department believes it is important to build reforms on the basis that individuals can exercise choice and control, while providing alternatives where this is not possible, rather than assume older people cannot do this and allow aged care providers to design services based on what they believe people need, as happens currently in many instances.

Ensuring diversity, choice and encouraging innovation in service provision

The paper says 'the aged care sector is not, and unlikely to ever be, a fully efficient market. The direction of the current reforms puts too much faith in market forces and consumer choice as the primary driver of improvement in the aged care system'.

While the Department agrees that the aged care system is not a fully efficient market, there are many benefits to allocating funding directly to aged care recipients rather than providers and to allowing greater competition between providers. The Department believes that through active market stewardship, effective quality monitoring and safeguarding, and the sponsorship of independent advocacy, the benefits of a robust market can be harnessed while risks of allowing greater market forces to prevail are managed.

Anecdotally, providers report that understanding funding they receive for home care packages is ‘at risk’ (in the sense that care recipients are able to move their package to other providers) has made them focus more on providing person-centred care and understanding the individual needs of their clients, rather than adopting a one-size-fits-all approach. A recent trial by COTA Australia of a self-management model for home care indicated that self-management enables care recipients to remain engaged, interested and active participants in their own care. Providers would need to consider how their business models and risk management respond to increased self-management by care recipients.

Aged care reforms have never been predicated on a fully efficient market where people’s choice solely drives innovation and efficiency. There is not a single market and there are different factors influencing access to services, including location. However, the reforms have sought to enable care recipients to choose service providers, and to give them control over the types of services they

\[4\] Consultation Paper, pp.13-14
\[5\] Consultation Paper, p.3
receive, particularly in their homes. There are also examples of provider behaviour change in response to market pressures (e.g., lowering of exit fees in home care packages).

One of the major benefits of expanding the opportunity for older people to make choices, with appropriate support, is that it will encourage innovation in service delivery. To support choice and innovation in a more market-based aged care system, further work is required to develop a stronger role for Government as market steward to ensure that appropriate information, supports, and other mechanisms are in place.

Innovation can also be incentivised by a risk-based regulatory system that differentiates the treatment of providers based on their risk profile, their behaviour (including transparency), and the level of trust they have earned from the regulator. A regulatory system that also has an education function to actively promote innovation, better practice and systemic learning from adverse events will drive the development of service cultures and practices that lead to good outcomes for care recipients and a strongly performing market.

The recent Aged Care Approvals Round (ACAR) Impact Analysis is an important piece of work in the context of increasing consumer choice and driving innovation in residential aged care. The Impact Analysis is considering the potential implications of new models for allocating residential aged care places to support greater choice for care recipients, replacing the current system of allocating places to providers through the ACAR. Any changes to the allocation arrangements would require detailed implementation and transition arrangements, including necessary sequencing with broader reforms and appropriate market stewardship arrangements, before introducing a new model.

3. Assessment and managing demand

Entry point, assessment and screening pathways

The Department agrees that it needs to be easier for consumers to navigate, access information and register for aged care. The Department also agrees that the aged care system should have a single entry point for information, registration and assessment, as currently performed through My Aged Care, but that there should be multiple pathways through which older people, their families and carers are supported and connected to that single entry point. The Department notes the views expressed in the Interim Report that the current design and operation of My Aged Care is not meeting the community's needs. While there are multiple pathways into aged care, the common point at which older people will gain face to face contact will be at the point of assessment. Further consideration needs to be given to whether, in addition to My Aged Care and Services Australia shop fronts, there is a need to enhance the assessment process to provide guidance on other aspects of navigating the system.

The model proposed in the paper outlines two pathways to access aged care services, depending on the level and intensity of support required:

- basic screening for access to entry level support in people's own homes; and
- comprehensive assessment through a single assessment service to approve people for more intensive services.

The paper suggests that 'single entry point' is referring to service entry, rather than a single point at which older people can access services and registration ahead of assessment for services. While there would be a single entry point to the aged care system, the system should also have a 'no wrong door' approach that supports and connects older people and their families and carers to assessment and information services.
The assessment system needs to be agile so that it can quickly respond to changes in a person’s needs. The Department recognises that, in some circumstances, there needs to be an accelerated pathway to services, for example, to immediately access meal or transport services following a period of hospitalisation or the sudden absence of a carer.

However, the Department does not consider that basic screening should be widely used to access entry level support in people’s homes. The Department considers the starting point to access aged care services should be an assessment of need, rather than basic screening or a simple assessment of eligibility. This is necessary so that people only receive the care and services they need and to ensure the long-term sustainability of the aged care system.

All services should have some level of assessment of need. The intensity of the assessment should be calibrated to risk or level of services sought (for example, a highly intensive needs assessment would not be appropriate for someone who only needs low level services).

The needs assessment should be undertaken by organisations that are independent of service providers. The establishment of a new National Aged Care Assessment Service is central to having an effective needs assessment process that is simple to use for consumers. An integrated assessment will also provide more opportunity to offer reassessment interventions where this is likely to benefit the person, and to link the person with other supports such as health and community-based services.

As the Royal Commission is aware, work is underway to establish a single assessment workforce and network of assessment organisations from April 2021. The new streamlined aged care assessment arrangements will assess consumers to access all aged care services, and will replace the existing independent Regional Assessment Services (264,377 assessments for 2018-19) and the Aged Care Assessment Teams currently (178,363 assessments for 2018-19) provided by state and territory health departments under contract with the Commonwealth Department of Health.

The integrated assessment workforce will deliver consistent, quality and timely assessment and provide the Commonwealth with greater transparency of assessment outcomes. The assessment workforce will necessarily work closely with the wide range of community and health services funded and operated by state and territory governments. The tender arrangements will include measures to ensure there are no conflicts of interest.

**Management of demand**

The aged care system is currently ‘capped’ through various mechanisms:

- a planning ratio determines the number of Commonwealth-subsidised residential aged care places and short term restorative care places allocated to approved providers, as well as the number of home care packages available to eligible care recipients; and
- through specific funding appropriations for grant programs such as the Commonwealth Home Support Programme (CHSP) and the National Aboriginal and Torres Strait Islander Flexible Aged Care Program.

The paper appears to suggest that the future aged care system would no longer be capped. However, the paper does not discuss in any detail how demand would be managed in an uncapped environment. Demand would need to be managed in order to ensure people receive the services they need and that the aged care system is sustainable in the longer term.

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The Department believes all older people who need aged care services should receive them and the level of support funded by government should reflect their means. Attention must be given to accurately measuring need, fairly applying a means test, and working with aged care recipients to ensure they get the right level and type of service.

Options for working to manage demand could include rigorous needs assessment, active linking to mainstream service systems (including primary care and social supports), reablement approaches to assessment and providing care, investment to enable more efficient care, and more integrated support for informal care including respite. The role of price signals also needs to be considered.

If the Royal Commission intends to recommend a system based on individual need, it should give consideration to the following types of matters:

- how incentives, assessment and linking services work together to influence choices and demand in the system;
- in the context of a very dynamic system (approximately 450,000 assessments and 340,000 re-assessments each year), how the system is designed so the services people receive adjust as their needs change; and
- how the system is monitored and managed so that costs can be understood and innovation encouraged.

A system based on individual need would require a much more active approach to demand management, and a systematic approach to understanding the bundles of services across the proposed three service streams required by care recipients with different types and levels of need. The workforce implications of a system based on individual need, in terms of supply and skills required for workers, also need to be carefully considered.

4. Supporting people to access and navigate the system

The paper identifies the need to better support older people to access and navigate the aged care system, including 'a shift to face-to-face support as well as the use of online and phone channels'\(^9\).

The Department agrees that there should be more support for people to understand and navigate the system. In addition to giving consideration to the important role of assessors in providing initial face-to-face contact with older people, the Government is funding a number of Aged Care System Navigator Trials to test different models to support people and build their capacity to understand and engage with the aged care system. The Aged Care System Navigator trials have a strong focus of face-to-face support in order to better assist people to understand and navigate the aged care system.

The Department believes there is merit in expanding advocacy and navigation arrangements so people can be supported in making the right decisions for their care, as well as facilitating access to the single entry point. By connecting with these trusted parties who are already supporting older people, the system can reach out to people who would otherwise not access care.

There should also be more emphasis on case management and co-ordination with other systems. This could include active case co-ordination in linking people to mainstream supports and responding to changes in need (both at assessment and service delivery). Models operating in other social care programs (e.g. local area co-ordinators in the NDIS and arrangements for DVA clients)

\(^9\) Consultation Paper, p.8
could be examined. There are also opportunities for Primary Health Networks to be more actively involved in aged care. Further design work is needed in these areas.

5. Care setting

The Department agrees with the paper that accommodation options need to become more diverse and innovative, with a shift towards less institutional and more home-like forms of care. This could include the delivery of aged care services in independent living units, supported accommodation and retirement village settings, which currently sit outside of the aged care legislative framework. The Department believes innovation is more likely to occur in circumstances where markets exist and where care recipients have control of their funding.

Ideally, care and services should be able to support people at home as they age, even those with relatively high care needs. However, the Department believes there will be an ongoing need for the system to provide some form of collective or shared accommodation suitable to providing 24-hour care for those with high needs, e.g. advanced dementia, very frail, or those with complex care needs nearing end of life. Traditional residential aged care will remain a choice for some people, and in some cases will be the best option. For example, for older Australians who do not have stable housing or the means to enter the other home-like care options, and those who would benefit from the social benefits of living in a residential care setting.

6. Funding and financing

The Department notes that while funding and financing issues are not dealt with in detail in the paper, the paper invited comments on these matters. The Department provides the following general comments to assist the Royal Commission's future thinking on funding and financing issues.

Common approach to funding for care and services

The Department believes that, in developing a continuum of care (including across different service streams if that approach was adopted), there should be a common approach to funding needs based on the Australian National Aged Care Classification (AN-ACC) model of identifying groups of care recipients with similar characteristics, costs and risks.

Funding for care should be based on the efficient price of care, be priced clearly and based on care needs. There should be a clear line of sight from assessed care needs to the funding provided and to the services delivered. However, different approaches to funding mechanisms could be pursued. For example, this could involve the provision of subsidies via the care recipient (similar to the NDIS), or different combinations of subsidies and grants to provider organisations. Grant funding might be appropriate for activities such as advocacy, social connection and capacity building. Like mainstream supports, these activities could be specified in individually-funded plans even though they are funded by different means. Individual funding could apply for higher cost groups in home-based settings, and casemix funding for residential-like settings.

The provision of funding cannot be totally 'individualised'. A system where every service offer is unique to the individual is unlikely to be equitable, and would be impossible to cost and manage. Even the NDIS, which is highly individualised, still requires an understanding of the typical care packages that care recipients with similar levels and types of need receive.

Preparatory work is required to analyse and consider core issues that will need to be addressed to support the establishment of a single unified system to support care for older Australians in their homes. For example, work is required to determine the risk/cost groups and the target bundle of
services that would provide support for the different groups across personal care, domestic support and investments such as aids and equipment and home modifications.

In residential care, under AN-ACC, it is proposed Government will make an annual determination of the 'efficient' (average) price for a day of care for a residential care recipient through an annual costing study process. For each resident, care funding comprises a 'fixed' component based on the characteristics of the service and a 'variable' component based on the individual frailty and functionality characteristics of the resident. This model creates an explicit relationship between cost and price, is self-adjusting thereby reducing incentives for 'cherry picking' and underservicing residential care recipients’ care needs, and empirically determines appropriate annual price indexation arrangements.

Care recipient contributions and fees

The operation and sustainability of a future aged care system will crucially depend on the approach to care recipient contributions. The Department believes some standardisation of care recipient contributions and fees across services is required. Fees and contributions currently vary across programs so that care recipients attracting the same level of funding make different contributions. As suggested by previous inquiries, such as the Tune Review, further consideration could be given to whether older Australians who can afford to do so should make greater contributions towards the costs of their care and accommodation. As the Aged Care Financing Authority has noted, "consumers who can afford to do so have a responsibility to contribute to the cost of their aged care" and are "more willing to contribute to the cost if they 'value' the services being provided". ¹⁰

The design of future financing arrangements also needs to consider how to ensure:

- the contribution system as a whole is proportionate to the care recipient's capacity to contribute to the cost of their care;
- the structure of the financial arrangements does not create barriers to accepting the appropriate level of care (e.g., not accepting a lower level package because high private contributions means only higher level packages are attractive); and
- there are effective price signals (where relevant) to care recipients and providers about the costs of care.

Further consideration needs to be given to how to determine accommodation pricing and daily living expenses in a future aged care system, options for providers to differentiate themselves with different service offerings, and the need to regulate this in such a way as to protect consumers while not dampening the beneficial effects of competitive market forces.

¹⁰ Aged Care Financing Authority, Attributes for Sustainable Aged Care, p. 26.
7. Quality and safety regulation

Regulation is critical to protecting the wellbeing and dignity of older people receiving aged care services by promoting high quality aged care and best practice, as well as addressing non-compliance. It should be risk-based and encourage service providers to innovate and embed good practice as part of their ongoing operations.

Effective regulatory design uses a range of mutually reinforcing levers to promote a strongly performing market, and provide the necessary oversight to meet community expectations that services are providing safe and quality care. The following elements are fundamental to this:

- **Standards**: Statutory-based obligations of the quality of care and services provided to care recipients in any care setting, monitored for compliance by the aged care regulator and enforced. Standards set requirements relating to characteristics of aged care and the care environment that contribute positively to, or place at risk, a care recipient's safety, health, wellbeing and quality of life. Standards promote the proactive efforts of providers to meet quality expectations, and provide the regulator with a basis for an objective, consistent assessment and reporting of provider performance;

- **Risk-based responsive regulation**: Intelligence-driven regulation that targets areas and services of greatest risk to care recipients' safety, health and wellbeing;

- **A range of regulatory tools**: A range of education, compliance and enforcement powers that promote improvements in care and support effective action to hold providers to account for poor performance;

- **Care recipient engagement**: Regulation that empowers care recipients and supports a person-centred culture of safety and quality, promoting confidence that the aged care services they access will meet their needs and provide the best possible experience and outcomes;

- **Performance information**: Transparent information on the performance of services that supports care recipient choice and incentivises continuous improvement of care and services provided;

- **Differentiated regulatory treatments**: Differentiated treatments that recognise levels of risk and stronger performing services to incentivise market performance;

- **System-wide learning**: Regulation that uses evaluative feedback loops, through information on risk, performance and complaints, to assist providers to identify and examine their own performance and to improve outcomes for care recipients; and

- **Regulatory design**: Regulatory design that is consistent with the Commonwealth's *Regulatory Powers Act*, best practice regulation and the design of the aged care system.

The ACQSC's contemporary regulatory approach works across three domains to maximise outcomes:

- **Prevention**: making it clear what is expected, through education and preventative measures to promote system-wide learning;

- **Detection**: effective detection of possible harm to care recipients;

- **Response**: providing accountability through a range of fit-for-purpose tools that enforce compliance where necessary.

A best practice, integrated regulatory model comprises approaches across these three domains. The model's settings need to be geared to make it logical, attractive and straightforward (as well as required) for providers to deliver the right care in the right way for each individual, with consistent, transparent consequences if they fail to do so.
8. Other matters

Specialist advice and services

The Department agrees the system needs to ensure people with very high care needs can access specialist advice and services when they need to. This includes support for people with complex dementia, chronic health conditions, catastrophic physical disability after the age of 65, and palliative care and end of life care.

The Commonwealth submission in response to the Canberra hearing on aged care and health interface issues will address these matters in more detail.

Access for diverse groups

The Department agrees with the Royal Commission that caring for people with diverse groups has to be core business. The Department will continue to work toward improvements in this regard in concert with the Diversity Sub-Group of the Aged Care Sector Committee, with people with diverse characteristics and life experiences and their representation organisations. We refer to the departmental evidence and other material provided to the Royal Commission following the Melbourne hearing on diversity.

The Department also notes that one further aspect of current arrangements in this area is the requirement of the Aged Care Quality Standards for aged care providers to demonstrate that:

- each care recipient is treated with dignity and respect, with their identity, culture and diversity valued; and
- care and services are culturally safe.

The Department will continue to work with the ACQSC and aged care providers on the implementation of this Standard.

Access to aged care services in rural and remote areas

The paper refers to the complexity of delivering aged care services in rural and remote areas. The Department recognises these challenges, and refers to the Commonwealth submission and other material provided to the Royal Commission following the Mudgee hearing on the provision of aged care in regional areas.

Implementation and Transition

The Department agrees that major reform of the aged care system is likely to be complex, and will need to be managed carefully with a clear implementation and transition plan over a number of years. Ongoing consultation and communication with a range of stakeholders will be crucial for effective implementation. Major reform is likely to require significant legislative and ICT changes, which will take time to implement.

There are real lessons to be learned from other major social policy reforms with expedited implementation. Care needs to be taken to get the fundamental systems and services right, to allow providers time to adjust to reform and to provide information to both existing and prospective participants in the system with sufficient notice to manage their arrangements.