Combined Pensioners & Superannuants Association OF NEW SOUTH WALES INC

CPSA

Submission to the Productivity Commission

Caring for Older Australians

21 March 2011

Combined Pensioners & Superannuants Association of NSW Inc (CPSA)

Address: Level 9, 28 Foveaux Street, Surry Hills NSW 2010 **ABN:** 11 244 559 772

Phone: (02) 9281 3588 **Country Callers:** 1800 451 488 **Facsimile:** (02) 9281 9716

Email: cpsa@cpsa.org.au **Website:** www.cpsa.org.au **Donations:** 1800 451 488

Recommendations

1. A user-pays system be gradually phased out of aged care and replaced by a publicly-funded system.

2. Broadening of the aged care funding base be made conditional on the delivery of aged care of adequate quality.

3. A benchmark to assess the costs of care be developed within the next 12 months to which government aged care subsidies are set.

4. Bonds be removed from the aged care system.

5. Care and accommodation costs not be funded in full or in part by reverse mortgages.

6. If user-payments are extended in aged care, community care recipients' wealth not be based on the value of the family home.

7. Care recipients not be refused access to community care services because of an inability to pay.

8. Strengthen the National Aged Care Advocacy Program to give it more power to support residents in aged care facilities and so that residents have better access to its services and publicise complaints data.

9. An aged care insurance scheme be established to fund aged care.

10. Mandatory reporting of abuse within 24 hours be maintained and extended to resident-on-resident abuse.

11. Entry to aged care include advance care planning where appropriate and provision of advice about the financial implications of aged care by an independent financial advisor.

12. Mandatory staff to resident ratios be implemented with appropriate skill-mixes.

Combined Pensioners & Superannuants Association of NSW Inc (CPSA)
Address: Level 9, 28 Foveaux Street, Surry Hills NSW 2010 **ABN:** 11 244 559 772
Phone: (02) 9281 3588 **Country Callers:** 1800 451 488 **Facsimile:** (02) 9281 9716
Email: cpsa@cpsa.org.au **Website:** www.cpsa.org.au **Donations:** 1800 451 488

CPSA was founded in 1931 in response to pension cuts. CPSA is a non-profit, non-party-political membership association which serves pensioners of all ages, superannuants and low-income retirees. The aim of CPSA is to improve the standard of living and well-being of its members and constituents. CPSA has approximately 139 Branches and affiliated organisations with a combined membership of over 31,200 people living in all parts of NSW.

CPSA welcomes the opportunity to respond to the Productivity Commission's (the Commission) *Caring for Older Australians* draft report. The draft report offers a range of recommendations in order to improve the aged care system, some of which CPSA welcomes such as the proposal to have an independent body assess the cost of care and handle complaints. However, CPSA holds grave concerns about other recommendations particularly regarding funding and the extension of a user-pays system.

CPSA's response to the draft report outlines its stance against a user-pays system in aged care. In addition to that, it identifies problems with the Commission's recommendations regarding the extension of the user-pays system.

Problems with aged care and user-pays

Older people and their families contact CPSA regarding the cost of aged care, poor quality of care in residential aged care facilities, poor staffing, poor access to aged care, particularly community care, poor transition measures between care packages, poor complaints systems and inadequate monitoring of aged care quality. CPSA constituents want to know that quality aged care will be available to them if they need it and that this will not place them at great financial disadvantage.

Public commentary following the release of the draft report suggests that some of the biggest problems affecting older people using aged care services are that they have little choice about the services they receive and have little choice about how they pay for those services.

In CPSA's experience, older people are dismayed at the cost of aged care, including full-rate pensioners in residential aged care with assets below the asset threshold. Although these people are seen to be protected by the so-called safety-net, often they have insufficient resources to cover the cost of pharmaceuticals, healthcare services and everyday living expenses because 84 per cent of their pension goes to the residential aged care facility.

With respect to choice of service, CPSA generally hears from people who are unsatisfied with their current service because of poor care or who cannot get enough care hours in the home. The issue is therefore not 'choice' of service, but poor quality of care because of poor staffing and poor quality monitoring systems.

Perhaps the greatest problem with a user-pays scheme is that it 'penalises' those requiring aged care services. Rather than spread the responsibility of paying for aged care services (a public

Combined Pensioners & Superannuants Association of NSW Inc (CPSA)
Address: Level 9, 28 Foveaux Street, Surry Hills NSW 2010 **ABN:** 11 244 559 772
Phone: (02) 9281 3588 **Country Callers:** 1800 451 488 **Facsimile:** (02) 9281 9716
Email: cpsa@cpsa.org.au **Website:** www.cpsa.org.au **Donations:** 1800 451 488

good) across the tax-paying population, the Commission's recommendations will burden those unfortunate enough to need aged care. Expanding the user pays system will discourage people from accessing aged care, especially those least able to pay, but also those who baulk at having to either sell or mortgage their home to pay for aged care. As a result, for many aged care will become a last resort rather than an essential service they initially access at the home care level. It will mean that many will reach the last resort stage (residential aged care) much sooner than necessary and very likely following avoidable medical interventions due to such things as falls, poor nutrition and lack of primary health care.

Little separates the goals of the 1997 changes to the aged care system and the proposals now on the table. The 1997 reforms were embarked upon to raise revenue, enhance consumer choice, improve service delivery through competition and empower the aged care recipient.[1] However, there was concern that user charges would result in a two-tiered system whereby the worse-off would receive a base level of care while those paying high fees would receive better care and take priority.[2]

CPSA contends that there is now a two-tiered system where those with the capacity to pay access the 'better' facilities (primarily in metropolitan areas), while those with no assets and a small income must take whatever they can get. Many providers have publicly stated that they choose residents on the basis of their capacity to pay, and CPSA does not consider that this will vary dramatically under the Commission's reforms.

It is hard to believe that many residents 'feel empowered' if they have paid either an accommodation bond or charge. Rather, most feel devastated that they have had to eat into the one asset they intended to pass on to their children. Cheryl Tilse's interviews with aged care residents regarding the introduction of the accommodation bond and accommodation charge found that the sale of the home signified a 'major loss' accompanied with a sense that older people who had worked hard to purchase a house were now being penalised because they needed aged care services.[3] Similarly, the notion that care recipients who have paid a bond are able to 'negotiate' the amount is somewhat farcical as providers do not have to negotiate. They can say "it is X number of dollars, or you will not access the service."

This is of fundamental importance to the Commission's inquiry as its funding recommendations are predicated on a belief that the care recipient and their family will make rational decisions about aged care services as though they were purchasing a fridge. Accessing aged care, especially residential aged care, is for most an enormously emotional event. Older people generally do not want to be institutionalised, family members are often extremely stressed, there is normally not much time between the Aged Care Assessment Team's assessments and

[1]Tilse, C., (2002) 'Cash, Customers, and Care: The Experience and Meaning of Differential Payment for High Care Places in Aged Care Facilities' *Australian Journal Of Social Issues* Vol. 37 No. 4
[2] Ibid., p. 1
[3]Tilse, C., (2002)

Combined Pensioners & Superannuants Association of NSW Inc (CPSA)
Address: Level 9, 28 Foveaux Street, Surry Hills NSW 2010 **ABN:** 11 244 559 772
Phone: (02) 9281 3588 **Country Callers:** 1800 451 488 **Facsimile:** (02) 9281 9716
Email: cpsa@cpsa.org.au **Website:** www.cpsa.org.au **Donations:** 1800 451 488

needing to vacate a hospital bed and on top of that accessing services involves large financial decisions.

In CPSA's experience, older people are deeply opposed to the notion of selling the family home or delving into superannuation savings (or both) to access a bed in an aged care facility. Older people feel that being left with an arbitrary amount of $39,000 in assets provides no safety-net at all. Couple pensioners whose income is supplemented by superannuation are particularly adversely affected because of this arrangement.

The circumstances of CPSA members Harry and Wendy[4] offer an example of the adverse impact of the aforementioned asset test. Harry and Wendy are married, are in receipt of a part-rate Age Pension. Wendy cares for Harry who has dementia. Harry's condition was gradually getting worse and it was decided that he go into an aged care facility. Half of Harry and Wendy's superannuation balance was to be subject to an assets test to determine Harry's accommodation charge, because it exceeded the asset threshold at the time. Wendy would move from a couple rate of pension to a single rate, as well as lose a substantial amount of income from their superannuation nest egg. The loss of superannuation (because of the aged care assets test) meant that Wendy was to receive a full-rate. However, Wendy's expenses were unlikely to reduce in line with the reduction of income (especially because she was helping with Harry's healthcare costs not covered by his income). To the detriment of Wendy's health she continued caring for Harry at home because the nursing home charges were unaffordable. The only other option would have been for Wendy to enter residential aged care as well, even though she did not need it herself.

CPSA is also concerned that some older people will not access aged care because of pressure placed on them by family members concerned about the cost. Unfortunately, CPSA has heard of cases where a child of someone needing care stops the older person from accessing it because the child is concerned about their inheritance. This becomes more apparent in circumstances where the child has power of attorney and the parent needing care has not made plans regarding their healthcare and finances if their decision making capacity declines.

Recommendation: A user-pays system be gradually phased out of aged care and replaced by a publicly-funded system.

The Commission's Report concerning broadening the funding base for aged care focuses on the need for additional funding for the purpose of accommodating increased demand due to an ageing population. The Commission's focus is therefore on quantity of aged care to the exclusion of quality of aged care and any improvements that may be needed in that area and the additional funding that may be needed to achieve those improvements.

This means that the Commission is prepared to countenance the Government potentially reducing its per capita spending on aged care in real terms. Broadening the funding base is

[4] Not their real names

Combined Pensioners & Superannuants Association of NSW Inc (CPSA)
Address: Level 9, 28 Foveaux Street, Surry Hills NSW 2010 **ABN:** 11 244 559 772
Phone: (02) 9281 3588 **Country Callers:** 1800 451 488 **Facsimile:** (02) 9281 9716
Email: cpsa@cpsa.org.au **Website:** www.cpsa.org.au **Donations:** 1800 451 488

essentially about keeping the Government's overall spending on aged care steady, while seeking ways of making care recipients' housing pay for the overall cost rises.

CPSA suspects that the Commission's proposals for broadening the funding base are prompted by purely practical considerations. Money needs to be found somewhere and the Commission's proposals do so without the need for the Government to increase taxes.

This seems to be the driver of the Commission's proposals and perhaps also explains why the issue of quality of aged care - whether we are able to tell what quality we are getting from monitoring of compliance with standards (for residential care) that are widely acknowledged to be vague, what quality improvements might cost and how these improvements should be paid for - is ignored.

It is disappointing to see the Commission note that the current accreditation system and compliance monitoring is probably not all that good, without proposing that funding arrangements should only be changed once there are adequate accreditation and compliance monitoring systems in place.

Recommendation: Broadening of the aged care funding base be made conditional on the delivery of aged care of adequate quality.

Funding shortfalls

The draft report fails to outline how the funding recommendations put forth will ensure that aged care is adequately funded. Indeed it may be impossible to determine how much additional revenue the reforms will deliver because they depend on the wealth of older people needing care, what sort of care they access and how much wealth they are able to 'unlock'. In terms of underfunding of aged care, the Commission cites figures put forth by providers estimating that the sector is underfunded by approximately $900 million per annum.[10] It is unclear if this funding shortfall estimate refers to care and accommodation funding or care funding alone.

The Commission notes that increased government subsidies will place pressure on the public purse. Subsidies will need to increase, especially so if aged care staff wages rise, which should be an essential part of reforming the system. However, it is unclear how increased funding through higher co-contributions from care recipients will deliver the funding revenue needed, especially in the short term.

The Commission notes that the Baby Boomer generation generally will not be needing care for another 20 years, but at the same time argues that because the Baby Boomer generation is close to needing care, an insurance-type scheme is not feasible either, because it will not be able to manage the 'bulge' of boomers about to hit our aged care system.

[10] Productivity Commission, p. 128

Combined Pensioners & Superannuants Association of NSW Inc (CPSA)
Address: Level 9, 28 Foveaux Street, Surry Hills NSW 2010 **ABN:** 11 244 559 772
Phone: (02) 9281 3588 **Country Callers:** 1800 451 488 **Facsimile:** (02) 9281 9716
Email: cpsa@cpsa.org.au **Website:** www.cpsa.org.au **Donations:** 1800 451 488

It has been widely acknowledged that the scare campaigns about the threat of an ageing population are largely unfounded. Healthcare costs are set to increase, not because of ageing, but because of the spiralling cost of health technology and pharmaceuticals.[11] Healthcare rises related to population ageing are also found to be manageable because these rises occur very slowly and economic growth is able to cover their cost.

A study looking at the Canadian public healthcare system found that economic growth would easily placate increased healthcare costs due to population ageing (which were minimal anyway) and therefore concern about the ability of the public system to support an older population were misguided.[12] Equally, in 2000, the Commission's assessment of Australia's ageing population and funding for aged care showed that by 2031 "…even with relatively conservative GDP projections, expenditure [for long-term care] grows by only about 25 per cent when expressed as a share of GDP".[13] The Australian Government spends relatively very little on aged care services sitting at fourth from the bottom among countries in the Organisation for Economic Co-operation and Development (OECD). Sweden spends 4.5 times that of Australia on aged care in terms of GDP, and even by 2050, Australia is projected to spend just half of what Sweden spends *now* on aged care (in terms of GDP).

As there is little public and objective information on funding shortfalls in the aged care sector, CPSA supports the establishment of an independent body to assess aged care costs. However, CPSA does not understand why user-payments will be extended in the system whilst a benchmark of the cost of care is being developed. What happens if the independent assessment finds that aged care recipients have been paying too much? Further, how can a government ask aged care recipients to pay more for their care when there is no case showing that aged care is underfunded? CPSA recommends that the assessment of care costs be undertaken first, and government subsidies be set accordingly.

Recommendation: A benchmark to assess the costs of care be developed within the next 12 months to which government aged care subsidies are set.

Accommodation bonds

CPSA is opposed to bonds as a means of funding aged care. The average bond has reached $233,000, which translates to $65.90 per day or $461 per week.[14] In CPSA's experience, people pay large bonds to access aged care, not because the bond is excluded from the pension means-testing, but because they are asked for large bonds by care providers to whom bonds are very

[11] Treasury (2009) 'Retirement Income Report: Report on strategic issues' *Australia's Future Tax System* available at: http://taxreview.treasury.gov.au/content/Content.aspx?doc=html/pubs_reports.htm p.33
[12] Lee, M. (2007) 'How Sustainable is Medicare? A Closer Look at Aging, Technology and Other Cost Drivers in Canada's Health Care System' *Canadian Centre for Policy Alternatives*
[13] Madge, A. (2000) 'Long-Term Aged Care: Expenditure Trends and Projections' Staff research paper, Productivity Commission, Canberra, p. x
[14] Assumes forfeited interest of 8.74% over one year and the maximum retention amount of $307.50 per month being applied by the provider.

Combined Pensioners & Superannuants Association of NSW Inc (CPSA)
Address: Level 9, 28 Foveaux Street, Surry Hills NSW 2010 **ABN:** 11 244 559 772
Phone: (02) 9281 3588 **Country Callers:** 1800 451 488 **Facsimile:** (02) 9281 9716
Email: cpsa@cpsa.org.au **Website:** www.cpsa.org.au **Donations:** 1800 451 488

attractive, especially since the size of the bond is not restricted (except for leaving the care recipient with more than $39,000 in assets).

Payment of bonds either necessitates the sale of the home or the family of the care recipient coming up with the money. It poses an enormous financial burden on the care recipient (and their family), especially if the bond money is not paid in full within six months of entering an aged care facility and interest accrues on the amount owing (the current maximum interest rate is 9.02%). In addition, although residents are able to choose to pay the bond in instalments, most choose not to because they would be required to pay interest on the amount left owing.

As the Henry Review pointed out, an accommodation bond is effectively a tax imposed on the care recipient it is not tied to the cost of accommodation rather the wealth of the individual. The Commission recommends that bonds be capped at the same level as the accommodation charge so as to ensure that residents do not pay bonds that exceed the cost of their accommodation. While this is preferable to the current situation where providers can charge according to the care recipient's assets, if the resident has sold their home to fund a bond, it is likely they will pay more for their care because of their overall asset level.

It is perplexing that the Commission's report recommends that bonds be extended to high care places, when in the weeks following the release of the Commission's report, the Commission noted its opposition to bonds generally. CPSA acknowledges that the Commission intends to remove the artificial distinction between low and high care places. In this case, CPSA considers it more appropriate to abolish bonds altogether rather than open them up to high care.

The Commission recommends that the market set the price of accommodation and that the proposed Aged Care Regulation Commission (ACRC) monitor the sector for price gouging. There is no definition of what would constitute price gouging, how it would be monitored, how the quality of accommodation would be monitored, and how prices would be regulated if price gouging was found to exist.

Recommendation: Bonds be removed from the aged care system.

Reverse mortgages

In June 2009, there were 38,000 reverse mortgages worth $2.6 billion, with the average loan across singles and couples ranging between $70,000 and $80,000, representing approximately 70 per cent of loan amounts available.

If the Commission's recommendation regarding the use of reverse mortgages were to be implemented, the Australian market in reverse mortgages would need to expand significantly. The Commission has suggested Government-backed schemes along the lines of the Pensioner Loans Scheme (with, CPSA understands, a mere 30,000 participants) and the New Zealand Residential Care Loan Scheme, which is a Government-administered reverse mortgage scheme to fund private contributions to the cost of aged care.

Combined Pensioners & Superannuants Association of NSW Inc (CPSA)
Address: Level 9, 28 Foveaux Street, Surry Hills NSW 2010 **ABN:** 11 244 559 772
Phone: (02) 9281 3588 **Country Callers:** 1800 451 488 **Facsimile:** (02) 9281 9716
Email: cpsa@cpsa.org.au **Website:** www.cpsa.org.au **Donations:** 1800 451 488

The Residential Loan Scheme plays a very small part in funding residential aged care in New Zealand. The 34,000 bed residential aged care industry generates earnings of approximately NZ$170 million per year. Estimated expenditure on the Scheme for 2010/2011 is just short of NZ$14 million, or 8 per cent of total industry earnings. New Zealand's aged care funding system features an income and assets test, with levels set in a way designed to only include expensive owner-occupied housing in private contribution assessments.

For these reasons (the Residential Loan Scheme is a tiny component of aged care funding and the Scheme effectively excludes owner-occupied housing) the Residential Loan Scheme is not a model that can be readily implemented in Australia. Australia's residential aged care industry has close to 215,000 beds, 70,000 community aged care packages and 600,000 clients under HACC. It is proposed that owner-occupied housing should be included in the means testing for private contributions to the cost of aged care. It is also proposed that Government-backed equity release should be used as a tool to free up money for care recipients to make increased private contributions.

Clearly, the Government, if it adopts these proposals, would need to create an agency to facilitate reverse mortgages and, inevitably, it would do this by involving the existing reverse mortgage industry, which would need to grow very big very rapidly while catering to fundamentally different consumer needs. The dominant reason why people currently take out reverse mortgages is to fund home improvements. That would change to funding aged care.

Given the greater risk associated with reverse mortgages as opposed to straight mortgages, the Government would be expected to carry and fund that risk. It is noted that the Commission's report has not attempted to quantify this risk, but, when it does, it may well find that using commercial reverse mortgages to fund aged care is more expensive than increasing aged care funding directly, without the middle man of the reverse mortgage industry.

Despite reverse mortgages being peddled as a method to fund aged care *without* needing to sell the home, this is of course not true. The home will still need to be sold to pay back the debt. Reverse mortgages are expensive, as compound interest accrues on the loan in addition to fees and charges. In addition reverse mortgages can be very risky depending on the mortgagee's age, the state of their home and movements in interest rates.

Reverse mortgages are complex, expensive and there is a risk that the debt will outstrip the value of the home. Although most reverse mortgage financial institutions offer a 'No Negative Equity Guarantee' (NNEG) which ensures that the debt cannot surpass the value of the home, most NNEGs are conditional on such things as maintaining the house, maintaining building insurance and paying council rates on time. There is also the risk that building insurance is inappropriate or inadequate. One need only look to the recent Queensland floods and the large number of policy holders not covered for flood damage. If the mortgagee breaches their contract because they have failed to maintain its conditions, the NNEG is rendered void. They

Combined Pensioners & Superannuants Association of NSW Inc (CPSA)

Address: Level 9, 28 Foveaux Street, Surry Hills NSW 2010 **ABN:** 11 244 559 772

Phone: (02) 9281 3588 **Country Callers:** 1800 451 488 **Facsimile:** (02) 9281 9716

Email: cpsa@cpsa.org.au **Website:** www.cpsa.org.au **Donations:** 1800 451 488

are then at risk of having to sell the home prematurely and/or being in debt to the bank because the debt exceeds the home's value.

Reverse mortgage lenders generally allow people aged 60 and above to unlock between 10 and 40 per cent of the value of their home. Therefore, if reverse mortgages are to be seriously considered as a potential source of revenue for aged care, wealth data of older people does not provide an accurate reflection of the level of funding such a policy would deliver. For example, an older person whose house is worth $350,000 may be only able to unlock between $35,000 and $140,000 to cover care and accommodation costs depending on their circumstances. It is therefore misleading to imply that total housing wealth of older people is readily available to fund aged care.

The reverse mortgage recommendation also raises questions about how the means-test will be applied, namely, will it give regard to the person's actual wealth or the amount of equity they are able to unlock through a reverse mortgage? If the former, care recipients with modest homes, those who reside in low-wealth areas and younger care recipients will be placed at a great disadvantage because they will not be able to access as much equity from their home as more suitable candidates for a reverse mortgage would. That's because their wealth would be assessed as being a certain amount and their care fees set accordingly. In CPSA's view, this would leave the individual with little choice but to sell the home to access aged care services as a reverse mortgage would not provide sufficient funds.

A care recipient would also end up spending much more than the cost of their care if they took out a reverse mortgage to fund it. To provide an example, the South Australian Government's Seniors Equity Loan[16] allows people aged 60 or over to access between 10 and 35 per cent of the value of their home depending on their age. The mortgagee must maintain building insurance and pay council rates on time otherwise they breach the conditions of the contract and therefore forego the NNEG. Compound variable interest is currently charged at 8.6 per cent.

Under the Seniors Equity Loan, if an 85 year-old took out an $80,000 loan against her $400,000 home, after five years her debt would be $122,792. If we translate this to an aged care scenario, this individual would pay over $8,500 per year in *interest alone* just to fund her aged care bed. CPSA considers this to be a grossly inefficient way to fund aged care because of the huge amount of money going toward interest repayments as opposed to the cost of accommodation. Mortgage fees and charges would be on top of this amount.

It is unclear what would happen in the instance of a couple both needing care at different stages under the reverse mortgage funding model. If a spouse requires care and pays for it using a reverse mortgage, the equity in the home will naturally decline (to varying degrees depending on the length of time that care was received and the home's value). If the other spouse needs to go into an aged care facility five years after the initial reverse mortgage is taken out, that individual

[16] Home Start Finance (2011) 'Seniors Equity Loan' available at: http://www.homestart.com.au/home-loans/seniors-equity-loan

Combined Pensioners & Superannuants Association of NSW Inc (CPSA)

Address: Level 9, 28 Foveaux Street, Surry Hills NSW 2010 **ABN:** 11 244 559 772

Phone: (02) 9281 3588 **Country Callers:** 1800 451 488 **Facsimile:** (02) 9281 9716

Email: cpsa@cpsa.org.au **Website:** www.cpsa.org.au **Donations:** 1800 451 488

may not be able to access another reverse mortgage, or access enough equity via a reverse mortgage, to fund aged care costs. This person will have little choice but to sell the home, pay off the initial reverse mortgage debt and use the rest to pay a bond or periodic charges.

Similarly, if a reverse mortgage is used to fund a person's aged care from the point when they need domiciliary care through to when they need residential care, potentially a long period, a reverse mortgage may simply not cover care costs.

The reverse mortgage proposal will disadvantage children or dependents of older people living in their home. Often older people look after a child with a disability or live with a child with a disability who has not been in a position to purchase their own home. If the older person needing care takes out a reverse mortgage to fund care costs, the house will eventually be sold leaving the child with no home.

Currently, equity release providers make detailed stipulations in contracts about obligations on informal carers having to move out when the person they cared for dies. This means that anyone cared for by an in-house informal carer would have to live with the knowledge that, to receive aged care, the informal carer would become homeless on their death.

At a practical level, a care recipient using a reverse mortgage to fund aged care may not be able to maintain their property, pay for building insurance or council rates simply because they could not afford it. If someone resides in a residential aged care facility, has taken out a reverse mortgage to pay for it and has no other income than the pension, they are likely to not have enough money to afford building insurance, council rates or repairs on the home. This group will almost definitely breach the conditions of a reverse mortgage NNEG.

No two older people are alike. Older people residing in low-wealth areas where house values are substantially lower than their metropolitan counterparts will inevitably be constrained in unlocking equity in their home to fund aged care costs. It is therefore conceivable that older people will be left with no choice but to sell their home to meet accommodation costs because a reverse mortgage will not unlock adequate funds. From CPSA's point of view, reverse mortgages are an ill-thought through policy proposal that stands to leave care recipients exposed to large amounts of debt and cost them far more than the cost of their care or accommodation.

Recommendation: Care and accommodation costs not be funded in full or in part by reverse mortgages.

Care costs

CPSA is disturbed by the prospect of inclusion of the family home to assess care cost contributions. This will almost certainly deter people from accessing community care.

Means-testing the family home to assess care cost contributions for community care breaks one of the tenets of the current system that ensures the home is not used in means-testing for care

Combined Pensioners & Superannuants Association of NSW Inc (CPSA)
Address: Level 9, 28 Foveaux Street, Surry Hills NSW 2010 **ABN:** 11 244 559 772
Phone: (02) 9281 3588 **Country Callers:** 1800 451 488 **Facsimile:** (02) 9281 9716
Email: cpsa@cpsa.org.au **Website:** www.cpsa.org.au **Donations:** 1800 451 488

contributions. Indeed, CPSA is not aware of any other community care system whereby the home is factored into a means-test to assess the care recipient's capacity to pay.

CPSA presumes that if the care recipient is unable to meet the care contributions through their income alone, they will have to take out a reverse mortgage to pay for care costs. This will certainly be the case for pensioners whose sole source of income is the pension. The pension provides a subsistence level of income. For pensioners with high healthcare costs for example, it becomes near impossible to afford other essential goods and services such as electricity, rates, transport, etc. Full-rate pensioners who own their home that is valued above whatever the threshold will be will have little choice but to get a reverse mortgage to pay for home care or move house and use the proceeds to fund care costs.

CPSA questions the wisdom of including the family home in care co-contribution assessments when there is a large body of evidence that suggests access to community care prevents more expensive residential aged care and hospital care in the future. In addition, the Commission and a large number of stakeholders have acknowledged that older people want more community care options. Requiring contributions of up to 25 per cent of the cost of care depending on the home's value will undoubtedly deter people from getting the care in the home they need.

Recommendation: If user-payments are extended in aged care, community care recipients' wealth not be based on the value of the family home.

Current home care services (both HACC and Commonwealth Care Packages) allow providers to exercise discretion as to who they charge fees and how much those fees are. Although providers may charge care package recipients up to 17.5 per cent of the full-rate age pension as a co-contribution fee, CPSA understands that few providers actually charge that much. Equally, HACC providers in NSW cannot refuse someone services because of an inability to pay.[17] CPSA understands that providers generally do not refuse services because of an inability to pay and some request arbitrary amounts, such as a gold coin donation.

At times older people receiving HACC services contact CPSA because they have been requested to make higher contributions to the cost of their care. Generally, once CPSA advises them of their rights (that they cannot be refused care because of an inability to pay) they are able to negotiate with the provider and maintain HACC services.

Tying community care contributions to community care costs is likely to leave pensioners in the lurch because the pension will not necessarily increase in line with care cost increases, particularly if aged care staff wages rise substantially. Full-rate pensioners with little or no income supplementing their pension are particularly exposed, as the pension typically increases by only about 5 per cent per annum. Therefore, pensioners will have to cut back on expenditure

[17] Home & community care (2007) 'Fee Guidelines' available at: http://www.health.gov.au/internet/main/publishing.nsf/Content/66EE6641031A81F8CA256F1900108E74/$File/HACC%20Program%20Guidelines%202007.pdf

Combined Pensioners & Superannuants Association of NSW Inc (CPSA)
Address: Level 9, 28 Foveaux Street, Surry Hills NSW 2010 **ABN:** 11 244 559 772
Phone: (02) 9281 3588 **Country Callers:** 1800 451 488 **Facsimile:** (02) 9281 9716
Email: cpsa@cpsa.org.au **Website:** www.cpsa.org.au **Donations:** 1800 451 488

in other areas to cover the cost of care. Already pensioners cut back to cover spiralling costs of essential services, often forgoing healthcare services and limiting their use of utilities. Therefore, pensioners paying for aged care services as a proportion of care costs rather than as a proportion of their pension may well find that they cannot afford the services or subsequent price rises, or more services when their care needs rise.

Recommendation: Care recipients not be refused access to community care services because of an inability to pay.

Concessional residents

The Commission relies on the Australian Government providing adequate subsidies for concessional residents who do not have the financial capacity to contribute to the cost of their care and accommodation. The level of subsidies is to be determined by the independent ACRC, which will presumably recommend accommodation and care subsidies be set at levels higher than they are now. However, there is no guarantee that government will set subsidies accordingly. If the supply side is opened up, government will have fewer levers to control costs. Further, costs will vary from area necessitating subsidies to be set according to geographical area. Concessional residents are therefore vulnerable to ending up with underfunded care services because they do not have the capacity to contribute to the cost of their care.

Concessional residents stand to have somewhat fewer choices of aged care services (residential care services) than they do now under the Commission's reforms because of the tendering of concessional places recommendation. Obviously, if aged care facilities could 'swap' their non-concessional beds for concessional ones or vice versa, concessional care recipients will have little if any choice about their service provider. If choice is fundamentally lacking from the current system and a core reason for its problems, why should choice be afforded only to those with the capacity to pay?

With respect to the accommodation payment for concessional residents, CPSA does not support the provision of a higher payment to newer facilities, on the basis that older and most likely underfunded facilities in need of maintenance are penalised. It stands to reason that newer facilities will be built in more affluent areas if the Commission's reforms come into effect. This raises questions about equity if these facilities receive higher accommodation subsidies for their concessional residents than older facilities.

Aged care insurance

CPSA calls for an aged care insurance funding scheme to be established to move away from the user-pays funding model. An insurance scheme would avoid penalising aged care recipients for accessing care services, ensure that funding was spread evenly regardless of the care recipient's wealth, and safeguard funding adequacy over the long-term.

Combined Pensioners & Superannuants Association of NSW Inc (CPSA)
Address: Level 9, 28 Foveaux Street, Surry Hills NSW 2010 **ABN:** 11 244 559 772
Phone: (02) 9281 3588 **Country Callers:** 1800 451 488 **Facsimile:** (02) 9281 9716
Email: cpsa@cpsa.org.au **Website:** www.cpsa.org.au **Donations:** 1800 451 488

An insurance scheme, similar to Medicare, would raise revenue in accordance with capacity to pay as tax-payers contribute to the scheme in line with their income. In effect, this achieves the same principle as the Commission's recommendations pertaining to wealthier aged care recipients paying more for their care. The difference is that an insurance model spreads responsibility among both care recipients and non-care recipients, thus removing barriers to aged care access that may arise under a user-pays system. As the Commission points out, "access to care is based on need rather than ability to pay." CPSA considers aged care services, especially high care services, healthcare services and should therefore be universally available.

It is perplexing that the Commission, within a short period of time, publishes two reports, both of which deal with the funding of care (aged care and disability care), where one report rejects the notion of insurance, while the other report sings its praises.

Requiring people to contribute more for care has been found to prevent people from accessing care services. If older people refrain from accessing aged care services it is highly likely they will need to use the public healthcare system more, at a greater cost to the public purse than if they were to use aged care services. It is critical that the Commission consider the implications of expanding a user-pays system in terms of access to care and the cost of not accessing services.

Access and quality would not depend on the wealth of the care recipients under an insurance model. Australia already has a two-tiered system of aged care and it is clear that for quality to improve, namely through better staffing, funding must increase to fund that reform. CPSA is not convinced that the Commission's recommendations will achieve the necessary funding increases for aged care services catering for concessional residents because the Commission has failed to identify how government subsidies will be raised. In essence, even with an independent price setter, there is little to force the government to match subsidy levels as identified by the ACRC (other than public scrutiny).

Needless to say, an assessment of funding shortfalls in the sector as well as a benchmark of the cost of care must be established to determine the amount of revenue an insurance scheme should raise. A comprehensive assessment of the additional revenue needed to fund higher wages for aged care staff as well as funding for more staff is critical to the success of such a review. This assessment and benchmarking should commence as soon as possible.

Recommendation: An aged care insurance scheme be established to fund aged care.

Resident advocates

Many residents of aged care facilities are not in a position to speak out regarding the care they receive, the conditions in a facility and whether or not they feel comfortable. Certainly, many residents are not in a position to notify management about whether or not they feel they are receiving value for money. Contrary to wide-held assumptions, it is not a straightforward process to move to another facility (and therefore exercise choice) and indeed this may well be

Combined Pensioners & Superannuants Association of NSW Inc (CPSA)
Address: Level 9, 28 Foveaux Street, Surry Hills NSW 2010 **ABN:** 11 244 559 772
Phone: (02) 9281 3588 **Country Callers:** 1800 451 488 **Facsimile:** (02) 9281 9716
Email: cpsa@cpsa.org.au **Website:** www.cpsa.org.au **Donations:** 1800 451 488

impossible for people living in rural or regional areas where there are very few aged care facilities.

CPSA believes there is a need for individual advocates for aged care residents who do not have a family member or friend advocating on their behalf, particularly for people with conditions such as dementia. The Australian Government's National Aged Care Advocacy Program (NACAP) does assist care recipients and their families, but often it is a family member or representative making enquiries on behalf of a resident. CPSA also questions this program's effectiveness. In NSW, CPSA understands that the NSW Aged Care Rights Service is refused entry to about 10 per cent of the aged care facilities it attempts to access, in breach of the *Aged Care Act 1997*.

NACAP should be strengthened and have more teeth. To ensure better access to NACAP by residents, CPSA recommends that a community visitor scheme be employed similar to those present in the disability sector. Visitors would regularly enter aged care facilities to ensure the rights of residents were being upheld and advocate on their behalf if need be. CPSA also believes that complaints data held by NACAP state bodies should be made public.

Recommendation: Strengthen the National Aged Care Advocacy Program to give it more power to support residents in aged care facilities and so that residents have better access to its services and publicise complaints data.

Accreditation of residential aged care

There are a number of reasons why there is a lack of confidence in the accreditation system. Firstly, aged care accreditation focuses on systems and procedures rather than actual care outcomes. Therefore, if a facility has an acceptable 'plan' to manage, for example, wounds or medication, it has effectively satisfied the relevant aged care standard. What actually takes place with respect to medication or wound management is not necessarily picked up as accreditation focuses on the process rather than the outcome.

Secondly, some standards lack clear guidelines, making them easy to flout. Staffing and skill-mix is a good example. The current standard for human resources requires a facility to have "appropriately skilled and qualified staff sufficient to ensure that services are delivered in accordance with [the aged care] standards and the residential care service's philosophy and objectives".[18] This is very vague and it is unclear how assessors are able to make an accurate judgement about a facility's success in meeting this standard.

Thirdly, facilities have ample time to 'prepare' for accreditation. It is well known that facilities put their best foot forward when accreditation is due because they receive three months' notice of the site audit. This may point to why so often poor care is uncovered in facilities shortly after an accreditation visit where 44 of the 44 standards were passed. Theoretically, unannounced

[18] The Aged Care Standards and Accreditation Agency 'Accreditation Standards' *Quality of Care Principles 1997* available at: http://www.accreditation.org.au/accreditation/accreditationstandards/

Combined Pensioners & Superannuants Association of NSW Inc (CPSA)
Address: Level 9, 28 Foveaux Street, Surry Hills NSW 2010 **ABN:** 11 244 559 772
Phone: (02) 9281 3588 **Country Callers:** 1800 451 488 **Facsimile:** (02) 9281 9716
Email: cpsa@cpsa.org.au **Website:** www.cpsa.org.au **Donations:** 1800 451 488

visits are designed to pick up on poor care and conditions in facilities in between accreditation. However, because these checks are less thorough than site audits (usually a one day visit opposed to three or four days for a site audit) and only a handful of standards are considered, these visits do not always pick up on deficient care. Even the Aged Care Standards and Accreditation Agency (the Agency) acknowledges that some facilities regress following a site audit.[19]

CPSA strongly objects to any reduction in unannounced visits be reduced. The Commission's suggestion that unannounced visits be targeted at risky facilities to reduce the 'burden' on providers, defeats the purpose of unannounced visits, primarily to pick up on poor care in facilities that have passed accreditation.

Finally, the Agency generally only visits facilities during business hours. CPSA often hears of facilities that put on skeleton staff at night and weekends. This can lead to residents waiting until Monday for treatment if their health declines over a weekend either because management was not present to make a decision about the resident's care or the resident's decline was not picked up by overworked staff. Unannounced visits should take place outside of business hours to gain a clear picture of the quality of care and lifestyles for residents.

Mandatory reporting of abuse

CPSA supports mandatory reporting of abuse. In the 2009/10 financial year the Department received 1,488 reports of alleged physical or sexual abuse. Mandatory reporting of abuse followed horrific cases of repeated sexual assault of nursing home residents by a staff member in 2005 that went unreported for months despite being witnessed by other members of staff.

Mandatory reporting of abuse of children exists in all states and territories and is broadly accepted as necessary to protect children who are by definition vulnerable, from further harm. Residents of aged care facilities are also vulnerable, because they are frail, are dependent on aged care staff to carry out daily tasks, have a limited capacity to speak out and are institutionalised. It is therefore necessary to have mandatory reporting of abuse regulations.

CPSA does not consider the 24 hour reporting guidelines to be burdensome. Surely management would want any suspected abuse dealt with as soon as possible in order to protect residents for whom they are responsible. Notifying the police and the Department within 24 hours is the least that management could do to protect residents from (further) abuse.

Arguably, the number of reports made to the Department only relate to alleged abuse committed by staff or volunteers as the Act allows providers to exercise discretion if the abuse is committed by a resident. This clause fails residents who are abused by fellow residents. CPSA regularly hears from distressed family members of residents who have to fight to get their

[19] The Aged Care Standards and Accreditation Agency (2010) 'Submission to the Caring For Older Australians Inquiry', p. 7

Combined Pensioners & Superannuants Association of NSW Inc (CPSA)

Address: Level 9, 28 Foveaux Street, Surry Hills NSW 2010 **ABN:** 11 244 559 772

Phone: (02) 9281 3588 **Country Callers:** 1800 451 488 **Facsimile:** (02) 9281 9716

Email: cpsa@cpsa.org.au **Website:** www.cpsa.org.au **Donations:** 1800 451 488

relative moved to a different part of a facility so they can escape abuse from a fellow resident. As the Department or the police do not need to be notified about the abuse, there is little pressure on facilities to ensure this abuse does not take place. As the incidence of resident-on-resident abuse is not collected by the Department, it is impossible to accurately determine how widespread the problem is and develop a policy response to it.

CPSA objects to the Commission's suggestion that alleged cases of abuse could be handled by way of conciliation. Alleged abuse should be investigated; not managed through conciliation. It is unclear how conciliation would deliver any benefit to a resident who was the subject of abuse or prevent abuse of other residents by the perpetrator.

Recommendation: Mandatory reporting of abuse within 24 hours be maintained and extended to resident-on-resident abuse.

Entry into aged care

In order to better enable older people to get the care they want, CPSA recommends that advance care planning be made part of the entry process for people with the capacity to make decisions about their future healthcare. It has been widely acknowledged that advance care planning for nursing home residents improves their quality of life. However, there is no mechanism at the moment within the aged care system to promote the use of advance care planning.

The aged care entry point, whatever form it takes, should include a process where older people are advised by an independent financial advisor about the financial implications of accessing aged care. Older people should be advised of the cost of care, how one's income and assets are means-tested and which care option may be best for the older person taking their circumstances into consideration. At the moment, prospective care recipients are left to negotiate with providers certain fees and charges (including bonds). If the older person has not had previous contact with the aged care system (and even if they had), they are unlikely to be in a good position to properly negotiate and achieve the best outcome. There must be an independent player in the mix to walk older people and their representative through the financial side of aged care so that decisions are not made about their care that are not in their best interest. This is of particular importance if aged care is further opened up to the market.

Recommendation: Entry to aged care include advance care planning where appropriate and provision of advice about the financial implications of aged care by an independent financial advisor.

Mandatory staff to resident ratios

CPSA calls for mandatory staff to resident ratios in residential aged care including appropriate skill mixes. If staff are time poor or staff lack correct skills (or both), quality care is undermined. As approximately 70 per cent of residents in aged care facilities are classified as 'high care', the

Combined Pensioners & Superannuants Association of NSW Inc (CPSA)
Address: Level 9, 28 Foveaux Street, Surry Hills NSW 2010 **ABN:** 11 244 559 772
Phone: (02) 9281 3588 **Country Callers:** 1800 451 488 **Facsimile:** (02) 9281 9716
Email: cpsa@cpsa.org.au **Website:** www.cpsa.org.au **Donations:** 1800 451 488

vast majority of residents have significant care needs. CPSA recognises that there are substantial workforce issues facing the industry. However, staff cut backs are not uncommon, which compromises quality care for residents.

The Victorian Government has mandatory staff to resident ratios in its aged care facilities and also gives non-government facilities the option of signing up to their system. The care staff to resident ratio is 1:7, with a supervising staff member alongside. Such a ratio gives facilities a clear measure for their staffing requirements. It also provides residents and relatives an assurance that an adequate number of care staff will be rostered on.

Recommendation: Mandatory staff to resident ratios be implemented with appropriate skill-mixes.

Combined Pensioners & Superannuants Association of NSW Inc (CPSA)

Address: Level 9, 28 Foveaux Street, Surry Hills NSW 2010 **ABN:** 11 244 559 772

Phone: (02) 9281 3588 **Country Callers:** 1800 451 488 **Facsimile:** (02) 9281 9716

Email: cpsa@cpsa.org.au **Website:** www.cpsa.org.au **Donations:** 1800 451 488