Our reference
Your reference

Human Services
People*first*

ACM 12187

30 November 1998

Mr Mike Woods
Commissioner
Productivity Commission
PO Box 80
BELCONNEN ACT 2616

Dear Mr Woods

Re: Productivity Commission Inquiry into Nursing Home Subsidies

During our discussions at the Commission's recent public hearings in Melbourne, you invited the Victorian Department of Human Services to provide additional information to the Commission. In response to your invitation, please find attached:

- an outline of Victoria's proposal to trial a more flexible model of funding and purchasing residential care; and
- comparative national data on resident dependency levels.

The charts attached were developed from raw data supplied by the former Commonwealth Department of Health and Family Services. A number of assumptions have been made in developing the charts and these are outlined in the attached information.

I understand that the two Victorian submissions to the Commission have been endorsed by the Premier and both the content of the submissions and the attached information of Victoria's preferred model for residential care are approved for public release.

I would like to thank you for the invitation to provide additional material to the Commission and look forward to seeing the final recommendations of the Inquiry.

Yours sincerely

ALAN HALL
Assistant Director, Aged Care
Aged, Community and Mental Health Division

Department of Human Services
(Incorporating Health, Aged Care, Housing, Aboriginal Affairs, Youth and Community Services)

555 Collins Street
Melbourne 3000

GPO Box 4057
Melbourne 3001
DX 210081

Telephone
(03) 9616 7777
Facsimile
(03) 9616 8329

Victoria's preferred model for residential care

Introduction

This model has been developed by the Aged Care Branch of the Victorian Department of Human Services on the basis of current research into classification and funding arrangements for all forms of aged care.

This outline has been forwarded to the Productivity Commission in the context of the *Inquiry into Nursing Home Subsidies* and stems from the State's concern that the Commonwealth reforms have been unable to remove funding rigidities and program boundaries to provide access, choice and quality care for older Victorians.

The Victorian model captures the spirit of the Commonwealth's structural reforms of aged care, continues the separation of payments for care from charges for accommodation and provides consumers with increased choice.

Key Principles

Victoria is strongly supportive of adopting a bilateral approach to residential aged care. As a significant provider of residential care services, the State has the flexibility to develop and trial more innovative options for care which meet client needs and encourage cost efficient service provision. In keeping with Victoria's client-focussed approach to developing an integrated system for aged care, the State is keen to pursue this option with the Commonwealth, using public sector services as the basis for a trial.

The key principles underpinning Victoria's proposed residential care model are:

- funding based on the care needs of the individual;
- providing a choice for consumers about the location where their care can be most appropriately delivered;
- creation of a clear distinction between subsidies to purchasing care and subsidies and client contributions towards capital;
- portability of subsidy which allows consumers choice about where and how they purchase care; and
- creation of a more competitive market where providers need to provide high quality services to attract consumers.

Summary of Proposed Arrangements for Trial

The preferred Victorian model includes:

- funds pooling for high and low residential care and community aged care packages (CACPs);

- funds for residential care to be provided as a funds entitlement to the consumer following determination of their eligibility and care needs;

- an enhanced ACAS/Geriatric Evaluation Service would operate in each region (or sub-region) to assess and reassess individual care needs;

- following this assessment, the consumer will be able to purchase care in the setting of their choice (eg in their own home, with a current high care provider or in another setting);
- the funding provided for a package of care could be supplemented with a facility charge package where a consumer seeks care from an approved, accredited residential care provider; and

- the funds pool has the flexibility to be expanded later to include a range of other key related programs where both Commonwealth and State fund similar or linked aged care programs.

A trial of this type for residential care in Victoria would capitalise on the availability of a large pool of public sector beds, many in rural areas of the State, which could be used to trial the preferred Victorian system of attaching a capped funds entitlement to clients who required high level care and supporting individuals in the accommodation of their choice. The scope and size of the trial would require further planning and consultation.

Basis for proposal

The Victorian proposed funding system is based on the principle that public funding to support care needs should directly relate to the care needs of each individual and should be available to support each individual in the setting that most appropriately meets the person's care and other needs and the person's preferences.

As the focus of the Commission's Inquiry is on the funding of residential care, the proposed funds pooling model is directed at the provision of residential care services (high and low care) and Community Aged Care Packages (CACPs). However, once this base has been established it could be expanded to include a range of other key related programs where both Commonwealth and State fund similar or linked aged care programs.

Rather than support a subsidy system for a group of providers, funds for residential care should be provided directly to the consumer following the determination of their eligibility and care needs. The individual should then be able to purchase care in the setting of their choice. This might be with an existing accredited residential care provider, in their own home or in some other type of accommodation. The funds entitlement which is similar, and indeed an expansion of the current Community Aged Care Packages (CACP) scheme, could be supplemented by a facility charge package where the consumer seeks care from an approved, accredited provider. The value of the care package should be linked to the consumers need for service, as occurs currently, while the facility package should most likely be fixed. Funds sufficient to provide the current benchmark levels of service provision would ideally be included to provide the funding base. This base should then be indexed for inflation and growth in the target group to ensure that service provision does not erode over time. Day to day management of the program should reside with one level of government to ensure co-ordination and integration across the aged care specific program.

Client Assessment and funding principles

A trial of the proposed model would need to consider the following principles for client assessment and funding:

- An enhanced Aged Care Assessment Service (ACAS)/Geriatric Evaluation Service would operate in each catchment area to assess and reassess individual care needs. Access to care would be through assessment against a comprehensive classification system assigning a resource value to each level of assessed need.

- Once the individual's care needs were assessed, their dependency level would be linked to a Classification Scale (possibly through extension of the existing RCS or a modified version to apply across residential and home based settings). Assessment would assign the person, through the care needs classification scale, an average cost of care/maximum level of public subsidy (allocated funds entitlement).

- This would link the individual to a package of care (to maximum dollar value) to meet their assessed level of care need in the setting of their choice (in the home or residential care). The dollar value of the package of care would provide access to services from a defined group of approved service types. The Commonwealth Aged Care Act's income testing arrangements could be used to determine the proportion of public/individual payment at each dependency level on an individual basis.

- As the value of the package would vary with any increase/decrease in dependency levels, regular monitoring of each individual would be necessary to ensure that care needs are recognised and individuals can purchase an adequate amount of care. For example, care needs could be reassessed on a twelve monthly basis at categories 5-8 and a six monthly basis for categories 1-4. Care needs would be automatically reviewed after a sudden or sustained change in health status (e.g. all/certain acute hospital admissions).

- Where significant State based differences in the cost of service provision exist that are outside the control of providers, the subsidy levels/costs of care should be adjusted on a State by State basis to reflect those cost differences.

Trial options

Following assessment and determination of eligibility, an individual would have three options available.

1. An individual chooses care in air approved aged care facility

If an individual chose a residential care setting to receive care, the subsidy could be paid direct to the residential service provider selected by that individual. This would provide a clear stream of funding to residential care providers to address the care needs of residents. Capital upgrade and maintenance requirements would be met from a separate payment stream (e.g.. the current accommodation bonds/accommodation charge/concessional resident supplements linked to an assets test OR an alternative funding stream - see options below).

People who choose to use their care package to purchase care in a residential setting would need to have access to quality facilities which meet Accreditation/ Residential Care Standards as outlined in the *Quality of Care Principles.* To meet Accreditation/Residential Care Standards, the funding system would need to provide the capacity and incentives for providers to upgrade and maintain building quality to contemporary standards/expectations (which are likely to increase over time). Residential care providers could receive a separate payment/income stream to ensure suitable building quality which is tied to certification/accreditation. There are number of options for how this could operate:

- 100% of residential building subsidy paid by Commonwealth.
- Proportion of residential building subsidy paid by Commonwealth and a proportion paid by consumer. This could be fixed or vary in accordance with individual asset testing.
- A percentage of variable residential building subsidy paid by the individual in accordance with asset testing. Commonwealth pays for the whole subsidy where assets are below a fixed amount.

2. An individual chooses to remain at home and purchase care

If an individual's choice was to remain in their home and access services, their funds entitlement could be utilised to engage an existing brokerage service to purchase the appropriate package of services on their behalf from the pool of approved providers. The brokerage service would have the capacity to spread costs across a larger number of people and the potential to purchase services at a lower unit cost. However, administration costs would have to be taken into account.

Given the preference of most people to remain in their home as long as possible, use of a "package of care" system would be likely to shift the proportion of service provision from residential care to community care. This would necessitate a significant increase in availability of appropriate respite care to support carers in their role. Provision of sufficient levels of respite, both home-based and residential, is therefore an integral component of this proposal.

3. Air individual chooses to receive care in another form of accommodation

If an individual chose placement in another form of accommodation (eg supported residential service, public housing unit) they could utilise their funds entitlement with the assistance of an existing brokerage service, in a manner similar to that outlined in option 2.

Areas for further development

There are a number of aspects of the proposal which require further development. These include:

- development of an enhanced assessment service in line with current Victorian redevelopment's of community-based and assessment services;
- possibility of increased frequency of re-admissions;
- potential issue of less certainty for some residential care providers;
- possible increases in demand for carer services;

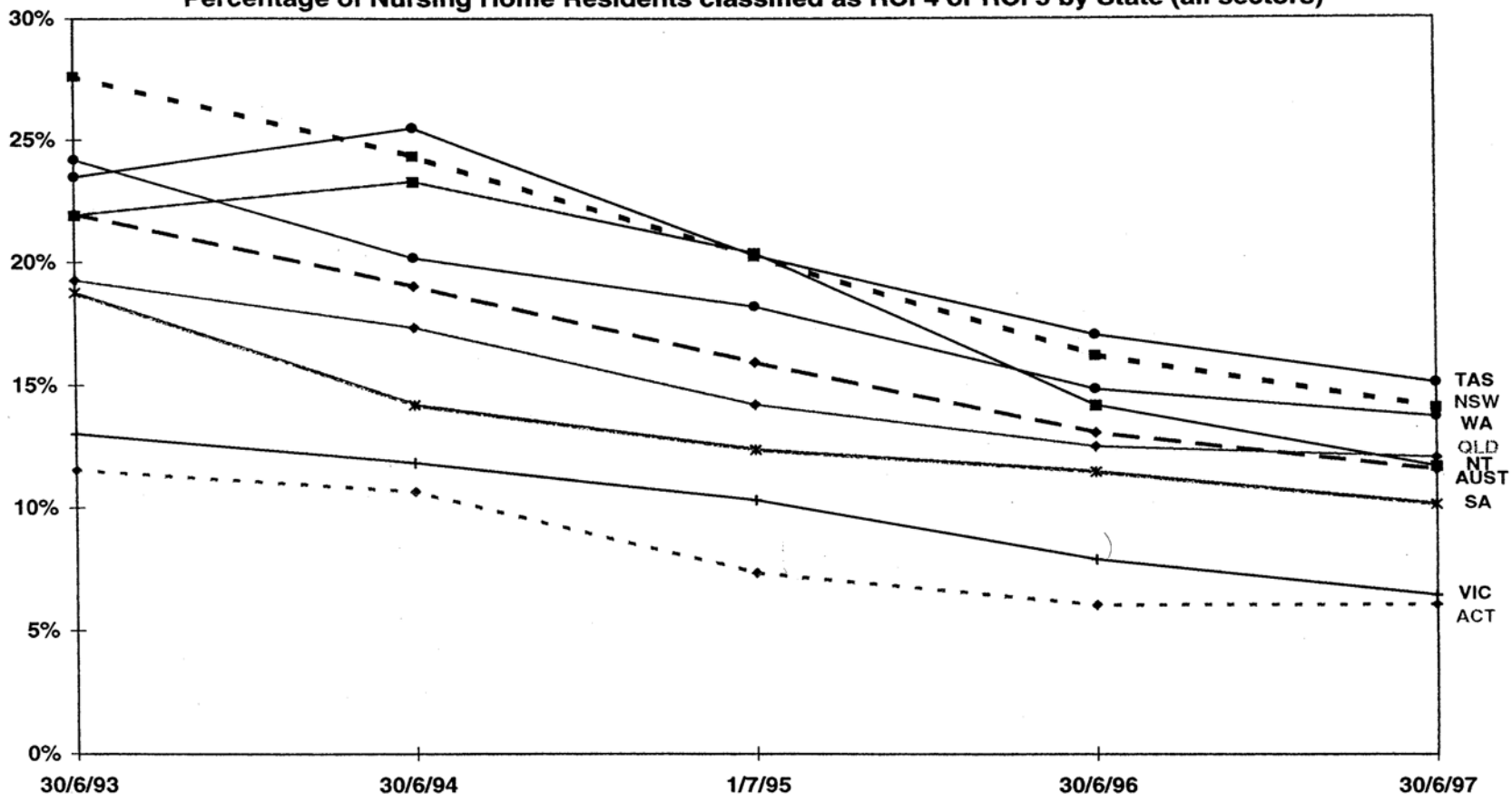
- exposure of service gaps in the current system as greater demand is placed on community based services;
- the need to consider the adequacy of existing assessment and care planning tools to cover both residential and community care settings;
- Whether the care package caps and income testing should apply beyond the residential care system; and
- following ACAS assessment of eligibility, whether the number of places available should be capped based on catchment areas or sub-catchment areas.

Basis for Commonwealth/State co-operation

Co-operation between the Commonwealth and State to facilitate a trial of this model could be based on the current arrangements proposed in the Joint Commonwealth/State Aged Services Development Framework being developed and trialed in Victoria. This Framework aims to improve access to services for older Victorians by implementing co-operative planning and purchasing arrangements where responsibility for service provision does not clearly reside with either level of government (eg respite or rehabilitation services).

The responsibilities of the two Governments during the trial could be based on the principles in the current Victorian HACC Agreement.

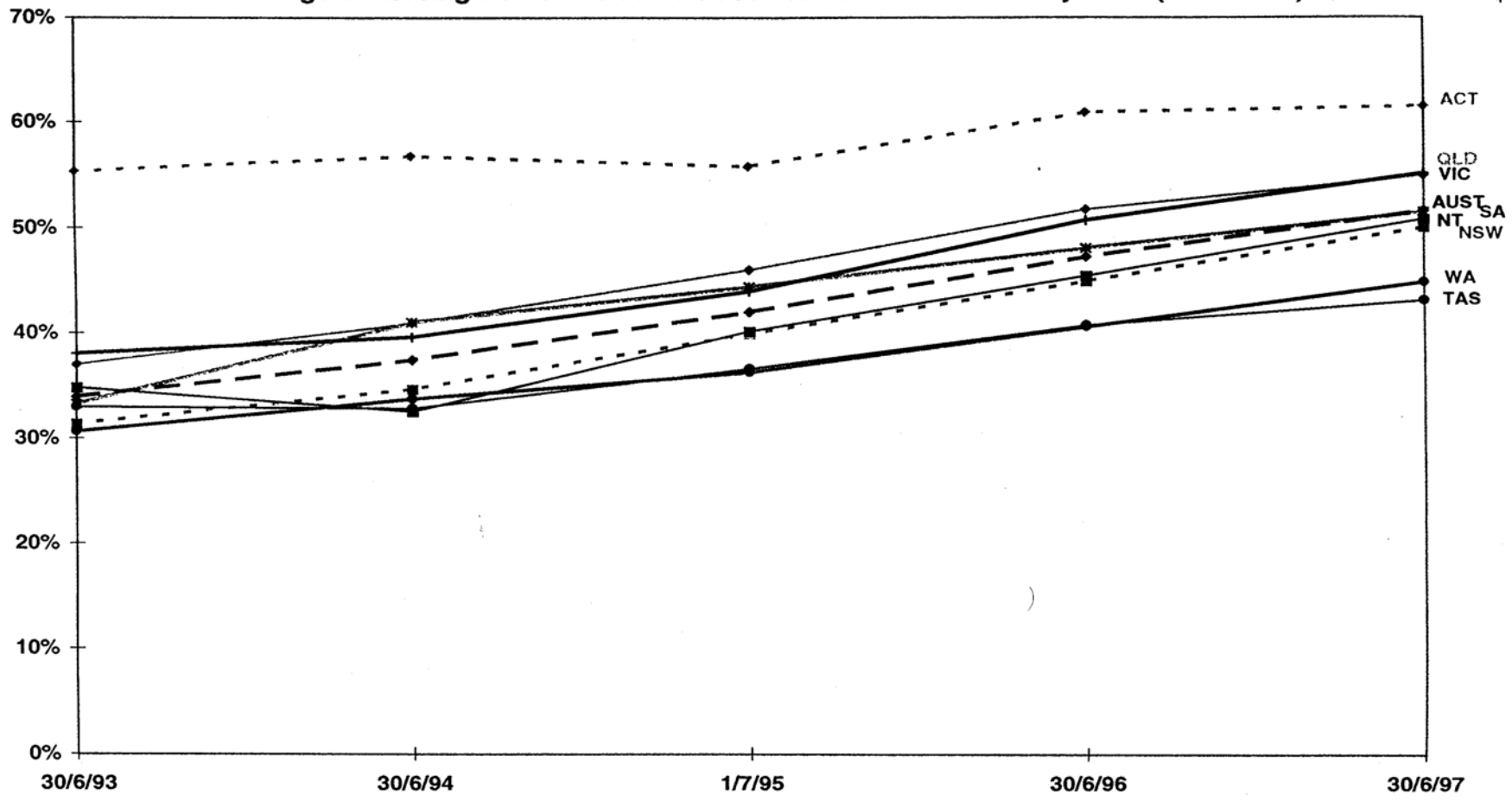
Percentage of Nursing Home Residents classified as RCI 4 or RCI 5 by State (all sectors)



April 1998

Victorian Department of Human Services (data supplied by the Commonwealth Department of Health and Family Services)
Provided to the Productivity Commission Inquiry into Nursing Home subsidies

Percentage of Nursing Home Residents classified as RCI 1 or RCI 2 by State (all sectors)



Victorian Department of Human Services (data supplied by the Commowenalth Department of Health and Family Services)
Provided to the Productivity Commission Inquiry into Nursing Home Subsidies

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Qualifications to data used for:

- Percentage of Nursing Home Residents classified as RCI 1 or RCI 2 by State (all Sectors) and
- Percentage of Nursing Home Residents classified as RCI 4 or RCI 5 by State (all Sectors)

1. End of financial year data was supplied by the Commonwealth Department of Health and Family Services from 30/6/93 to 30/6/97 by State.

2. Where residents were classified as "other", data was excluded from totals.

3. Data is based on resident dependency assessed against the Resident Classification Instrument for high care residents. One of the criticisms of this instrument was that it failed to adequately reflect the needs of residents with challenging behaviours or dementia in the assessment of dependency.