

## **SUBMISSION ON THE ANNUAL REVIEW OF REGULATORY BURDENS ON BUSINESS: SOCIAL AND ECONOMIC INFRASTRUCTURE SERVICES**

### **AGED CARE**

#### **Comments re Recommendation 2.1**

Prior to the introduction of the 1997 Aged Care Act there were two distinct systems of aged care – Nursing Homes and Hostels. Each system had its own method for classifying residents and funding arrangements.

The 1997 Aged Care Act sought to create one residential aged care system and a common method of resident classification the Resident Classification Scale (RCS) was introduced.

However the decision not to extend accommodation bonds into High Care (Nursing Homes) created a need to classify residents as either high care or low care because of the need to differentiate those who are required to pay an accommodation bond and those who are not required to do so.

This differentiation adds to the complexity of the system and providers need to be aware of the classification of residents prior to entry so as to know whether they can be charged an accommodation bond or not. If this distinction is removed there would be no need to classify residents as high care or low care. What would need to be known is whether a resident requires 24 hour nursing care and/or requires a secure dementia unit.

The present system also denies the resident the right of choice. There are some residents for whom payment of an upfront lump sum would be their preferred option. There are others for whom a weekly charge would be the preferred option. There may be others who would prefer the charge to be against their estate.

Also the present system is also unfair for residents. A resident living in a multi bed ward with a shared ablution area is being charged the same as a resident who has a single room with its own ensuite facility. Surely the charge should reflect the type of accommodation! An example of this unfairness is Warabrook Centre and Kara Centre, roughly five minutes apart in Newcastle. At Kara the majority of the residents are in four bed wards. At Warabrook all the residents have fully air-conditioned single rooms with ensuites. The accommodation charge for all the residents is the same.

Rather than the present rigid system a system of choice needs to be developed. This system needs to be across the whole of the residential aged care system and the distinction between high care and low care abolished for funding purposes. If the distinction between high care and low care were to be abolished and a more flexible charging system introduced part of the reason for extra service facilities would be removed ie the availability of an accommodation bond. Most Extra Service Homes offer extra services (not care services) which attract a higher daily fee than the standard. This is necessary to gain approval from the Dept of Health & Ageing for extra service places. If more flexibility was introduced Homes could offer extra services on a fee for service basis across all levels of care, not just high care facilities.

The Australian Government expenditure for residential and community aged care has risen over time in response to the ageing population. In 2008-09 it is expected to be \$9.3 billion compared to \$6.7 billion in 2004-05 and \$3 billion in 1995-96. As the Australian population ages there will be the greatest transfer of wealth to the next generation than has ever occurred before. Australians will need to accept that those who can afford to pay for their care should be required to do so rather than the Australian community paying for care of older Australians so that their children will benefit from their parents' estates. This will become an important issue as the ratio of tax paying residents to older Australians changes significantly. For this reason providing flexibility in the payment system will become increasingly an issue and the current rigidity needs to be changed. Older Australians and their families will want great choice in how they pay the care costs.