

STATEMENT BY THE ACTING INSPECTOR-GENERAL OF AGED CARE ON THE FINAL REPORT OF THE AGED CARE TASKFORCE

The Acting Inspector-General of Aged Care welcomes the Final Report of the Aged Care Taskforce, many of the recommendations of which – on matters such as fair consumer contributions, safety nets, simplicity and transparency of fees, refundable accommodation deposits, and promoting investment and growth – closely align with the principles and observations in the Interim Inspector-General’s Progress Report on the Implementation of the Recommendations of the Royal Commission into Aged care Quality and Safety.

In July 2023 in my capacity as Interim Inspector-General of Aged Care (IIGAC) I, with the support of the Interim Office, and at the request of the Minister for Aged Care, prepared a Progress Report on the Implementation of the Recommendations of the Royal Commission into Aged care Quality and Safety (the Progress Report), which can be found at [here](#).

The Progress Report was specifically to assist the work of the Aged Care Taskforce, which had recently been established. At the request of the Minister the Progress Report contained a section on (financial) Sustainability and Consumer Contributions (Priority Area 7 at pp32-37). The Progress Report was presented to the Taskforce at its meeting on 12 October 2023 and released publicly on 20 October. The Final Report of the Aged Care Taskforce was publicly released by government on 12 March 2024.


The Progress Report advised the Taskforce that it was critical that Government achieve the right balance for everyone in the system in addressing financing and funding, and a new aged care system will not deliver the necessary change successfully unless it is underpinned by robust, consistent, equitable and sustainable funding arrangements.

The Progress Report drew attention to the need for a more balanced approach between taxpayer and consumer contributions, being alert to intergenerational equity, and the need to maintain safety nets for those with low means. The Progress Report proposed suggested four overarching funding principles:

1. Funding for the aged care system is adequate, secure, and sustainable into the future.
2. Funding arrangements are equitable and ensure aged care remains accessible to all, regardless of means.
3. The costs of aged care are transparent and understandable to all.
4. Funding is economically sound and designed to ensure investment and growth in the aged care system.

Each overarching principle has between three and six component subsidiary principle which elucidate its policy applications (see Attachment).

These principles are evident throughout the recommendations of the Aged Care Taskforce’s Final Report. While the Taskforce’s report and recommendations cover some areas of policy detail that the Progress Report did not, the overall directions of the Taskforce Final Report are consistent with our recommended principles.



Taskforce recommendation 3 was: “It is appropriate older people make a fair co-contribution to the cost of their aged care based on their means.” The Progress Report noted that current inequities in the aged care funding arrangements mean that taxpayers of moderate means facing significant living costs are paying for the aged care of people who may have a high income, assets, or both. We put forward as part of principle 2: “People with the means to pay do pay at a fair and equitable level to those with similar means.”

Taskforce recommendation 4 was “Ensure a strong safety net for low means participants to meet aged care costs.” Stakeholder feedback in the Progress Report reflects support for balanced arrangements of co-contributions while maintaining safety nets for people with low means. This aligns with the theme proposed in part of Principle 2: “People who do not have the capacity to pay for care have access and receive the same safe and quality care as people who have the means to pay.”

Taskforce recommendation 5 was: “Make aged care fees fairer, simpler and more transparent so people can understand the costs they will incur if they access aged care.” The Progress Report recommended in principle 3 that: “The costs of aged care be transparent and understandable to all, including:

- Older people easily understand the cost of care and where their contributions are being spent.
- There is consistency of funding arrangements as a person moves through different parts of the aged care system that lessens the burden of change on the recipient.
- The amount of contribution is clear and simple to understand.
- The amount paid by the Government on behalf of a recipient is transparent.
- The act of making funding simple does not reduce the flexibility to ensure each person’s individual care needs can be accommodated.”


Taskforce recommendation 12 was: “Following an independent review in 2030, transition the sector by 2035 to no longer accept RADs as a form of payment for aged care accommodation and move to a rental only model, provided that the independent review finds there is improved financial sustainability, diversified and adequate sources of capital to meet future demand and residential aged care is affordable for consumers.”

The Progress Report noted that policy settings may be contributing to a funding shortfall between accommodation and living costs, including:

- “A heavy utilisation of RADs is not a “fit for purpose” method of financially supporting many residential care providers and there are often difficult trade-offs for both providers and consumers in making a choice between paying an up-front RAD or a making a DAP.
- Any move to phase out RADs in favour of alternative options needs to be undertaken in a slow and deliberate manner to ensure aged care providers remain viable during the changeover.
- It also requires the availability of alternative long term investment funds – such as from large superannuation funds, both domestic or international – which requires policy stability and a sufficient rate of return on investment.”

Proposed principle 4 also recommended in part that: “funding arrangements be independently reviewed and designed to support the aged care system as it changes and grows.”

Taskforce recommendation 14 was: “Review the Accommodation Supplement, including improving incentives to meet the accommodation design principles.” The Progress Report noted that current funding is insufficient to meet accommodation costs, particularly after factoring in depreciation and necessary upgrades and rebuilds and that rising expectations are coinciding with period of significantly reduced investment in residential aged care infrastructure (or an increase in ‘investment hesitation’). Policy stability and competitive investment returns will be essential to support investment decisions.” It also proposed as part of principle 4: “Funding is economically sound and designed to ensure investment and growth in the aged care system.”



Taskforce recommendation 16 was: “Establish appropriate safeguards and incentives to protect access to residential care for supported residents.” In the Progress Report overarching Principle 2 and its first part read: “Funding arrangements are equitable and ensure aged care remains accessible to all, regardless of means:

- People who do not have the capacity to pay for care have access and receive the same safe and quality care as people who have the means to pay.”

This summary analysis clearly demonstrates the direct alignment of many of the Taskforce recommendations with the Principles and observations in the relevant section of the Progress Report.

There is however one recommendation of the Royal Commission, to which the Progress Report drew particular attention in Priority Area 7, that has not been addressed by a Taskforce recommendation. Royal Commission recommendation 41 reads in part “By 1 July 2024 the System Government should replace the Aged Care Provision Ratio with a new planning regime which: (a) supports a funding allocation that is sufficient to meet people’s entitlements for their assessed need, (b) provided for demand-driven access to aged care based on assessed need.”

The Progress Report strongly supported implementation of Recommendation 41. *“Traditionally aged care, whether residential or home-based, has been subject to rationing through a bed to regional population ratio (the bed licence system) and a capped supply of HCPs and CHSP services. Planning and provision has not been ‘needs-based’ and in the past some people assessed as needing support and care have been unable to receive it, especially in-home care.*

Bed licences for residential care are set to be abolished by the end of 2024, but policy settings for supporting needs-based supply have yet to be finalised. With increasing allocations of HCPs in recent years, waiting lists for HCPs have reduced significantly, though they do remain, and waiting times are longer than the Royal Commission recommended.

The IIG strongly supports Recommendation 41: to move from a system where planning is based on need rather than rationed. The IIG would welcome positive Government consideration to implementing a needs-based framework for the provision of aged care. Moving to needs based planning and provision would bring aged care into line with the entitlement basis that underpins the provision of health services and social security.

The Taskforce Report did not make any findings or conclusions regarding rationing versus needs-based or make any recommendations or target any of the funding principles towards needs-based planning.

Ian Yates AM

Acting Inspector-General of Aged Care
16 April 2024

Attachment





ATTACHMENT

Principles

The Taskforce may want to consider the following conceptual basis for developing principles to underpin a fair and equitable aged care system for all older people in Australia:

1. Funding for the aged care system is adequate, secure, and sustainable into the future.
 - If people are assessed as having a need for aged care, that need will be met – whether they have the means or not.
 - Funding is adequate to ensure providers and Government have funding certainty with a reliable, predictable, and appropriate funding mechanism.
 - Funding is sufficient to cover the cost of delivering safe, quality services.
 - The funding mechanism is flexible to accommodate the changing nature of aged care provision as innovation advances, models of care evolve, and societal expectations change.
 - Funding arrangements provide for transparency and integrity consistent with agreed goals.
 - Funding is determined according to evidence and appropriately indexed.
2. Funding arrangements are equitable and ensure aged care remains accessible to all, regardless of means.
 - People who do not have the capacity to pay for care have access and receive the same safe and quality care as people who have the means to pay.
 - People with the means to pay do pay at a fair and equitable level to those with similar means.
 - Arrangements are developed objectively, with independent advice taking into account what is the most fiscally responsible outcome.
3. The costs of aged care are transparent and understandable to all.
 - Older people easily understand the cost of care and where their contributions are being spent.
 - There is consistency of funding arrangements as a person moves through different parts of the aged care system that lessens the burden of change on the recipient.
 - The amount of contribution is clear and simple to understand.
 - The amount paid by the Government on behalf of a recipient is transparent.
 - The act of making funding simple does not reduce the flexibility to ensure each person's individual care needs can be accommodated.
4. Funding is economically sound and designed to ensure investment and growth in the aged care system
 - Funding arrangements should be independently reviewed and designed to support the aged care system as it changes and grows.
 - Funding arrangements should support investment, growth, and innovation in the aged care system.
 - Funding arrangements should support a fiscally responsible government.

A clear principles-based framework will provide the Government with a sound basis and realistic expectations for policy decisions concerning funding arrangements. It is recommended that further work be undertaken with stakeholders to develop and test such a framework.

Any principles-based methodology that seeks to simplify and explain funding to individuals should be tested with individuals to ensure they can easily understand it.

