REPORT

3 July 2024

SYSTEMATIC UNDERFUNDING AND INDIFFERENCE TO ELDERLY IN CARE CONTINUES

Preamble

After almost five years out of active employment in the aged care sector, Wayne Belcher continues to add value in thought leadership around where the sector might head as the future opens before us. The Report is crafted in the silence of waiting for an Australian Government response to the Recommendations from the Aged Care Taskforce and further drafting of a new Australian *Aged Care Act* due to take effect from 1 July 2025.

This Report provides us with some historical context of aged care in Australia, including remnant policy influence crafted in the mid 1900s. The Report describes in some detail some of the funding challenges that residential aged care providers face, and the challenges for home care services to respond to the need to keep people out of residential aged care.

The underfunding and debt challenges of residential care that were described in detail by the Royal Commission into Aged Care Quality and Safety have persisted, along with evidence of inadequate governance, continuing serious incidents and substandard care, and system reviews that offer inconsistent and untimely solutions to an Australian problem of how to care for our elders. The continuing silence around a broad response to the Aged Care Taskforce is indicative of the perpetual kicking of the aged care can down the road for others to deal with.

With both aged care and the NDIS there is a sleeping giant of long term affordability, the use and value of taxation to fund systems, and whether Australia can afford to not demand more in terms of payment from those that use the respective systems.

Belcher outlines sixteen recommendations for urgent action in the sector, including the trial transfer and AN-ACC funding of vacant residential aged care places to the home care package segment of the aged care sector, and, echoing a 2020 Gratton Institute report, recommending a major trial of alternate payment of accommodation costs in two States.

1 Some background history in Australian aged care

Since before Australian federation, whether for better or poorer, Australia has ‘supported’ its vulnerable elderly. Prior to the 1900s, benevolent asylums (referred to beneath) really were the only option in terms of facility based care of the elderly.

Although sketchy, there is some anecdotal recording that destitute elderly were incarcerated into "protective"[1] asylums and given only the most basic of 'support' – bread and water. Some records from New South Wales show that the number of people in such care almost doubled to 5.6% of the population during the last four decades of the 1800s. In Victoria, there was a quadrupling of the number of people aged 60 years and over during that same period.[2] Families were known to practice "disowning" of their relatives, and even going so far as to change their own names to avoid responsibility for them. It was reported that the Melbourne Benevolent Asylum, entirely dependent on charity for its finances, grew in "inmate" numbers from 232 to 636 between December 1880 and October 1904[3]. What is more, it was reported that those who could not be accommodated in the Asylums were incarcerated in Pentridge Prison[4].

Many of the residents of such asylums were older men who were without property of their own, and no family to provide care and support. The lot of many older women was to live with family as unpaid help, taking care of the housework and child minding.

For our elderly in Australia, the decade either side of Federation was a tough period to be alive. There was no aged pension of any kind in Australia until 1900 (New South Wales and Victoria), 1908 (Queensland), and then nationally in July 1909.[5] The average life expectancy for people born in the years 1891 to 1900 for males was 51.1 years, and for females 54.8 years[6]. No matter how magnanimous the then gesture of an aged pension for women and men at ages 60 and 65 years respectively,[7] the opportunity to ever access a state income source was unreachable for many. Of interest and 100 years plus later, it is only in the past two decades or so that the age at which one can 'earn' an aged pension has started to increase.

2 How well are we living at home in the community

Fortunately, by 2022 life expectancy at birth for males was 81.2 years and 85.3 years for females respectively[8]. While this dramatically improved change in life expectancy for modern Australia is a wonderful achievement, and largely a result of better medical diagnosis and treatment coupled with healthier lifestyles, in some respects we have seen the extremely high death rate in a myriad of fatal infectious diseases (often in infants) replaced with multiple morbidity chronic disease in our senior years.

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1 Taylor Mark and Buys Laurie, 'Ageing in Suburbia: Designing for Demographic Change in Australia and New Zealand' (2014) *Architectural Design,* 84(2)

2 Jallend Pat, *Old Age in Australia: A History* (Melbourne University Press, 2015), 2.

3 'Melbourne Benevolent Asylum', *The Argus* (Melbourne Victoria, Friday 24 December 1880), 10; .and 'An Appeal to the Editor of the Argus', *The Argus* (Melbourne Victoria, Wednesday 19 October 1904), 9.

4 Castieau John Buckley (and edited by The National Library of Australia and Mark Finnane), *The Difficulty of My Position: the Diaries of Prison Governor John Buckley Castieau* (van Gastel Printing Pty Ltd, 2004), 119.

5 Australian Bureau of Statistics, '1301.0 - Year Book Australia, 1988' (Web Report, ABS, 1 January 1988). At https://www.abs.gov.au/ausstats/abs@.nsf/94713ad445ff1425ca25682000192af2/8e72c4526a94aaedca2569de00296978!opendocument. Accessed 26 June 2024.

6 Australian Institute of Health and Welfare, 'Deaths in Australia' (Web Report, AIHW, 6 June 2024). At https://www.aihw.gov.au/reports/life-expectancy-deaths/deaths-in-australia/contents/life-expectancy. Accessed 26 June 2024.

7 *Invalid and Old-age Pensions Act 1908* (Cth), s15.

8 Australian Institute of Health and Welfare (n 6).

By 30 June 2023 significant chronic illness, its associated multiple morbidities, and our societal inability to accept a fee being levied for intensive supportive care at home programs for many of our elders, has led to almost sixty per cent of people aged 85 years and over, living their final days in a residential aged care setting.[9] This figure highlights our continuing struggle to care for our elders in their own home, or the home of family/friends with whom they reside.

If you have ever been in the position of caring for, and supporting a loved one at home, one can understand the wit's end feeling that many struggle with, for example, in caring for a loved one who has advancing dementia or similar deteriorating chronic illness. This is often a thankless, emotionally and physically energy sapping task, whose end is often placement in safe and secure environment with organisations providing 24 hour care. For any person admitted today for residential care there is usually a mix of multiple morbidities that have outstretched the resources of the carer/s at home to cope, or the frequency and amount of organisational support services at home cannot be financially/economically brokered in to assist.

With a renewed enriched focus on Australian Government Support at Home programs due to commence on 1 July 2025, we may see some improvement in this proportion of over 85 years group of elders entering residential aged care. But why can we not 'afford' the cost of this care and enhance the ability of our elders to continue to live, and be cared for, in their home environment?

Sociologically I shall leave that for others to contest. I am certain that there will be several cultural and social issues to which I am not adequately capable of contributing.

However, financially both we, the care recipient and family/friends, and the Australian and various State governments, need to consider what more we can do to enable many more potential residential aged care recipients to avoid admission to permanent care.

3 Paying for the built form in residential aged care

Whenever we hear in the media about the struggles of the aged care sector in Australia it is either around the inability of timely access to a care package, or the extent of under-funding in the sector. I shall remark upon the latter of these two problems in a following section. There is another financing issue that has concerned the sector for almost three decades being the ability to receive adequate income to construct and maintain residential aged care facilities. UTS believes that the raising of adequate capital to provide care for the growing population of older people in need is a considerable challenge.[10]

During the middle of the 20th century there were significant improvements in the care and accommodation of retirees and frail elderly people. The *Aged Persons Homes Act* 1954 (Cth)[11] was implemented at a time of post second World War housing crisis in Australia, ostensibly to encourage lower income recipients to relocate from their suburban home to

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9 Australian Institute of Health and Welfare, 'People using aged care' (Web Report, GEN Aged Care Data, 30 April 2024). At https://www.gen-agedcaredata.gov.au/topics/people-using-aged-care. Accessed 26 June 2024.

10 Sutton Nicole et al, 'Australia's Aged Care Sector: Mid-Year Report (2023–24)', (UTS Ageing Research Collaborative, 2024), 34.

11 *Aged Persons Homes Act 1954* (Cth).

more suitable (size-wise) cottages in multi dwelling communities, thereby freeing up suburban housing for returned service men and their families. This APHA enabled mainly church and charitable, and not for profit defence housing organisations (what became known as the voluntary care sector) to develop early forms of retirement villages throughout most metropolitan areas in our capital cities. Often funding from the Australian Government was as high as a 4:1 ratio[12], that is, $4 from the Commonwealth to every $1 from a provider.

The subsidy arrangements of capital development for independent living slowly diminished until the mid 1980s when funding capital for independent living units was phased out. The capital contributions were now being channelled to residential aged care. Further, the then typical contribution that residents may have made to access previously Australian Government construction funded independent unit living, and hostels was, well into the 1990s and beyond for low level care, a form of interest free loan paid at entry, subject to an annual retention, and the balance refunded to the resident or their estate at exit from that accommodation.

Progressively through the 1960s and 1970s adding nursing home benefits to the *National Health Act 1953* in 1962[13] and commencement of personal care subsidies in 1969 saw the rapid development and growth of nursing homes (high care facilities – then C class hospitals), and hostels (low care facilities). Contemporaneously, in the 1960s the first regulatory arrangements around donations and contributions towards the capital cost of aged care built form were introduced. In his review of the capital funding system for nursing homes in Australia, Gregory expressed "The current system of nursing home funding in Australia does not seem to provide sufficient incentive for the maintenance of the buildings and the replenishment of nursing home capital stock over time."[14] With the introduction of the *Aged Care Act 1997* (Cth) on 1 October 1997, new regulation provided for an accommodation bond to be payable by residents entering care across both low and high level care (and all care to be known as nursing homes). This was the first time provisions for accommodation bonds had been permitted in high care services. Following significant community lobbying and pressure just some six weeks following the commencement of the Aged Care Act 1997 the Commonwealth reversed its decision about accommodation bonds in high care and just six weeks after introduction those high care bond provisions were repealed, with a daily accommodation charge for those who had been assessed as being able to pay were permitted as an alternative. In 2014, following the 2012 Living Longer Living Better legislative review[15], Refundable Accommodation Deposits (RADs) were introduced across all residential services for those assessed as having the means to contribute, finally bringing a consistent form of capital contribution to residential aged care in Australia.

Although there has been regular tinkering around a theme, these regulatory arrangements around contributions towards the cost of aged care capital by residents have essentially been in place for some sixty years. It has proven to be a compromised system, with characteristics of a Ponzi scheme whereby for many residential aged care providers, the RAD reimbursable to a departing resident ideally will be replaced with the RAD from an incoming resident. Only a small proportion of all RADs owing to residents are maintained in

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12 Dargavel Ricki and Kendig Hal, 'Political rhetoric and program drift: House and Senate debates on the Aged or Disabled Persons' Homes Act.' *Australian Journal on Ageing,* 5(2), 23

13 *National Health Act 1953* (Cth).

14 Gregory Robert, 'Review of the Structure of Nursing Home Funding Arrangements' (Report, Department of Human Services and Health, 1994), 1.

15 *Aged Care (Living Longer Living Better) Act 2013* (Cth).

liquid form by many providers, with the balance having paid off debt finance for the development of additional new facilities. By 2022-23 some $38.1 billion and growing is owed to residents/resident estates, that is, debt to the residential aged care sector and most of its care providers.[16]

Whilst there has not been a failure in the sector requiring a call on the sector 'insurance' cover of the prudential arrangements via the Bond Guarantee scheme for RADS that can be called upon by the Department of Health and Ageing, that is not to say that failures haven't occurred. So far the Australian Government has either carried the cost of these failures itself or brokered an amiable solution between liquidator/administrator and a white knight provider. However, with the average RAD at $332,000 on 30 June 2020[17], and noting that a residential aged care place, along with community spaces such as dining and activity rooms, provides approximately 30m^2 of personal living space (including an ensuite bathroom) one wonders if the RAD/accommodation bond system passes today's pub test of both value for money and space per person.

But this lack of appropriate capital funding for the sector is a problem magnified when both the Aged Care Financing Authority and Grant Thornton have estimated the future capital funding needs of the sector for new facilities and substantial refurbishment of current services will be between $100 and $120 billion by 2030.[18]

The RAD system is based on an outdated model for funding of capital in Australia's aged care sector. The debt burden of the sector growing, not provisioned for repayment, and there is little hope of the sector having the capacity to repay debt in and of its own resources. In addition, RAD payments do not reflect contemporary value for money. The Aged Care Taskforce Recommendation 12 suggested that the current RAD system be next scheduled for review by 2030[19], by which time the premise on which RADs and previous resident paid interest free loans/contributions appears to have been based will itself be above pensionable age. The RAD system should be retired and replaced with a fit for purpose system now, rather than reviewed by 2030 and replaced in the mid 2030s.

4 Royal Commission into Aged Care Quality and Safety 2018 - 2021

Across forty plus years of involvement as an employee, executive, and now a Board director, I have seen much change in Australia's aged care services systems. I have had the honour of working with many committed people who love their job roles and continue to diligently work despite the challenges faced in the sector. I have also had the honour of working on an implementation taskforce of a Minister for Ageing back in the first half of the 2000s, and, working with my own executive team**,** in the early 2000s leading a local government aged care service out of sanctions.

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16 *Senate Community Affairs Legislation Committee Estimates*, (Proof Committee Hansard, Thursday, 6 June 2024), 82.

17 Aged Care Financing Authority, 'Review of the Current and Future Role of Refundable Accommodation Deposits in Aged Care' (Appendix A - A short history of accommodation payments in residential aged care, March 2021), 5.

18 Aged Care Financing Authority, 'Annual Report on the Funding and Financing of the Aged Care Sector – 2021' (Report, ACFA), 111. and Price Darrell, 'Key considerations for a capital model to support sustainability in the aged care sector' (Report, Grant Thornton, October 2023), 22.

19 Aged Care Taskforce, 'Final report of the Aged Care Taskforce' (Report, Department of Health and Ageing, 2023), 30.

At around the mid 2000s I began to calculate what I considered to be a deterioration in indexation value of the recurrent funding to residential aged care. I shared my calculations with Ministers, members of the Opposition, Departmental officers and various aged care peak bodies. By 20 September 2006 I had calculated, and released a media statement to the same effect, that recurrent funding to the residential aged care sector may have been systematically underfunded by up to $4 billion since October 1997. I was of course not the only individual or group to undertake this kind of work, but some of my work was used in several submissions to government committees, for example, the Senate Finance and Public Administration Committee's Inquiry into Residential and Community Aged Care in Australia.[20]

In an online two day professional development forum, a colleague recently shared the following list of outcomes from the Royal Commission into Aged Care Quality and Safety 2018-2021.[21] Where possible I have attempted to match a citation from the Royal Commission with the summary comments below. This list highlights areas of criticism by the Royal Commission into the activities of both the Department of Health and Ageing and residential aged care providers. Each of these summary points deserves a broader discussion and appropriate response from the whole of federal Government and the aged care sector. For the purpose of this Report, I have highlighted just three points for comment:

1 Around 30% of people using aged care services received substandard care[22] at least once over their time in care;
2 "The extent of substandard care in the current aged care system is deeply concerning and unacceptable by any measure"[23];
3 A 1997 Cabinet Memorandum shows current system is "the unenviable trade-off between health of older Australians and the desire to save on public expenditure for that help"[24];
4 Successive governments "consider aged care as a form of welfare for the very needy, to be provided to bare minimum extent required"[25];
5 Government underfunding amounts to $9.8 billion per annum[26] (58% of 2018-19 expenditure) –
  5.1 Inadequate indexation has reduced Australian Government expenditure by 22.4%;[27]
  5.2 Rationed supply has reduced Australian Government expenditure by 25.7%;[28]
6 Systemic problems –
  6.1 Absence of leadership and governance at a system level; [29]
  6.2 Insecure, insufficient Government funding;[30]

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20 Aged Care Association Australia, 'ACAA Submission to Senate Finance and Public Administration Committee Inquiry into Residential and Community Aged Care in Australia, Dec 2008' (Submission No 92, December 2008), 16, Tables 4 and 5.
21 Sadler Paul, 'Module 1: An overview of the aged care system', (Australian Aged Care Law, Legislative Reform & Elder Law, 13-14 May 2024), Slides 12-14.
22 *Royal Commission into Aged Care Quality and Safety: Final Report - Care, Dignity and Respect* (Summary and Recommendations, 28 February 2021) vol 1, 72. At https://www.royalcommission.gov.au/system/files/2021-03/final-report-executive-summary.pdf.
23 ibid, 73.
24 ibid, 1.
25 ibid, 12.
26 ibid, 13.
27 ibid.
28 ibid.
29 ibid, 73.
30 ibid.

6.3 Financing arrangements that do not support sustainability;[31]
6.4 Inequitable means testing;[32]
6.5 Inattention to market structure, evolution and local conditions;[33]
6.6 Piecemeal approach to reform;[34]
6.7 Variable provider governance, management and leadership;[35]
6.8 Undervalued aged care workforce;[36]
6.9 Attitudes and assumptions about ageing and aged care;[37]
6.10 Reactive model of care;[38]
6.11 Lack of voices of older people and diverse communities;[39]
6.12 Ineffective regulation;[40]
6.13 Absence of transparency;[41]
6.14 Missed opportunities for research and innovation;[42] and
6.15 Poor cooperation across health and aged care systems.[43]

As for highlighted point numbered 3 above, in his Preface to the Final Report of the Royal Commission into Aged Care Quality and Safety, the Chair of the Royal Commission, Hon Tony Pagone QC, wrote:

> "The aged care system in Australia today has many flaws. There are, no doubt, some instances of wrongful or inappropriate behaviour, but the system as a whole is a product of different elements frequently acting as expected and intended, but not producing the best outcomes for those in need.[1] The point was eloquently reiterated by Counsel Assisting at the final hearing by reference to a Cabinet Memorandum of 1997.[2] That paper showed the Government being advised by an independent public service about the unenviable trade-off between health for older Australians and the desire to save on public expenditure for that help. That paper, and the continued implementation of the aged care system introduced in 1997, has been part of the cause of the need for this Royal Commission."[44]

1 Transcript, Sydney Hearing 2, 10 August 2020, T8365.5–8.
2 Exhibit 22-1, Final Hearing, Residential aged care – long term, RCD.9999.0539.0001.

Whilst we have an independent public service advising a new government during 1996 and 1997 in preparation for the new Aged Care Act 1997 (Cth), the sector recognised that the new system was fractured within six weeks of its implementation from 1 October 1997 when the much vaunted introduction of Accommodation Bonds was reversed by mid-November following. Access to the much needed capital for nursing home renovation and replacement was lost. The residential aged care sector has been in relative decline, and certainly in catch up mode ever since.

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31 ibid, 149-150.
32 ibid, 157.
33 ibid, 74.
34 ibid, 75.
35 ibid.
36 ibid, 76.
37 ibid, 75.
38 ibid, 76.
39 ibid, 75, 110.
40 ibid, 136.
41 ibid, 76.
42 ibid, 77.
43 ibid, 119.
44 Pagone The Hon Gaetano QC, 'Royal Commission into Aged Care Quality and Safety' (Final Report, Vol 1), 1. See n 22 above.

Despite much lobbying and reactive problem solving, highlighted points 4 and 5 somewhat logically followed – funding to the minimum level required, and a constant decline in indexation of value of recurrent funding, and supply rationed, to a point where the Royal Commission found that by 30 June 2019 funding was estimated to be a shortfall to the residential aged care sector of some $9 billion per annum, and effectively an underspend of almost 26% per annum.

Was this not known and understood by Departmental officials at any time from 1997 until the Royal Commission began in 2018? Of course it was! My own voice was one of several at the time, and in September 2006 I distributed a media release advising that from my own calculations at 30 June 2006 there was a shortfall in funding, relative to indices such as CPI, of $4 billion per annum.[45] And there have been numerous reviews of the aged care system during those 20 or so years and noted by the Royal Commission in its findings.[46] Indeed, by March 2021, as the Royal Commission final reports were being published, the Sydney Morning Herald asked "24 years, 18 inquiries: can we face the truth of aged care?"[47]

5 The Aged Care Task Force and the aged care kicking can

In response to the outcomes and recommendations of the Royal Commission into Aged Care Quality and Safety, and the 2022 change in government, the new Minister for Aged Care created the Aged Care Task Force to work with the Minister (and her Department) to move the sector forward. New aged care legislation is proposed and excepting that in mid 2024 no-one is certain of whose rights will have priority in the new Aged Care Act, this new act is anticipated to be rights based.

However, the new aged care legislation will not take effect until most likely 2025, and then most likely towards mid-2025. The Royal Commission concluded its work with the publishing of its Reports in March 2021. That is more than four years ago, and the aged care can continues to be kicked down the road.

The Aged Care task Force completed its work in 2023, and its report was published in 2024, but the recommendations have been, once again, kicked on down the road.

Among other commentary, I heartily endorse the Gratton Institute's comment that "Australia has let older Australians down – our aged care system is a mess and is not fit for purpose."[48] Furthermore, Australia's aged care system is "so broken that … Nothing will improve unless the federal government spends more on aged care."[49] What started as well-meaning independent public service advice to the new Howard government in 1997 has been tinkered with, kicked down the road again and again for the past, almost thirty years. It has remained stubbornly ingrained in the Departmental practice, with career bureaucrats seemingly unable to shift the hearts and minds of their political overlords to change. It has remained political,

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45 Belcher Wayne, 'Systematic under-funding of residential aged care reaches $4 billion nationally' (Media Release, 20 September 2006).

46 *Royal Commission into Aged Care Quality and Safety: Final Report - Care, Dignity and Respect* (n 22 above), 27, 75.

47 Topsfield Jewel, '24 years, 18 inquiries: can we face the truth of aged care?', *The Sydney Morning Herald* (online, 1 March 2021).

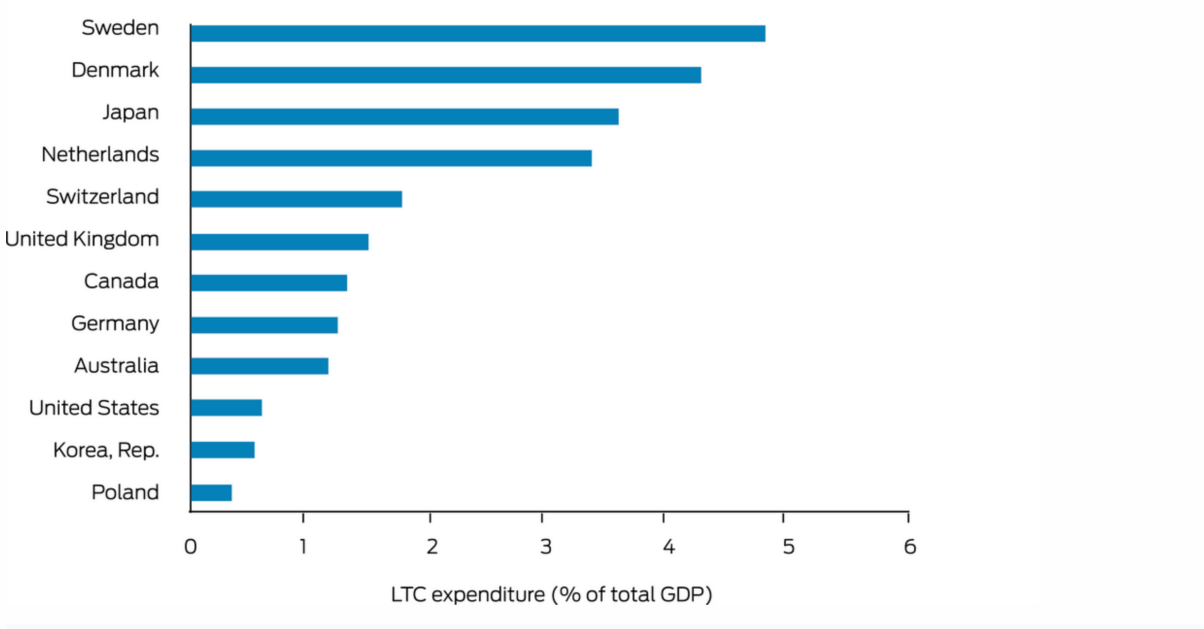
48 Duckett Stephen, Stobart Anita and Swerissen Hal, 'Reforming aged care: a practical plan for a rights-based system' (Report No 2020-17, Gratton Institute, November 2020), 3.

49 ibid.

and in need of courageous decisions, much of which will revolve around additional funding to the sector and how that funding can be derived and put to best outcomes for individuals in a rights based aged care service program.

I have called for substantial additional funding for the sector for decades. Nothing that I ask for excludes the need of the sector to get its provision of care to a level of quality that leaves substandard care in the past. The sector is responsible for its responsible clinical and care behaviour. Quite correctly, the reputation of individual services and/or provider organisations should stand or fall on their demonstrated care provision. But where the sector is clearly not paid based on the need for care of each individual and their associated accommodation costs (hotel service costs), there will always be the opportunity for providers to share the responsibility for poor service with the lack of adequate funding supply of the regulator who controls all the purse strings.

For example, we know that Australia's expenditure on long term care (aged care) as a proportion of GDP is relatively low compared to several OECD nations, yet amongst this same group of OECD nations, Australia has the highest proportion of people aged 65 years and over living in institutions (based on 2015 OECD data).[50]



Notes: Data refer to 2015 or nearest year. A: Data not available for UK; it is unclear whether or not older people living in skilled nursing facilities are counted in US data. B: Data not available for New Zealand. Old age benefits in kind were not reported for Canada or Poland; Germany reports zero expenditure as benefits in kind. US expenditure may only include institutional care.[4] Data extracted on 6 May 2019 (A) and 15 September 2019 (B) from https://stats.oecd.org/index.aspx?DataSetCode=HEALTH_STAT.[3]

We also know that there is a difference of approximately $1,000 per day for the cost of care for a resident in permanent residential aged care, and that same resident spending a night in a teaching hospital's extended care service, with that last day of care where there is no real clinical care provided. That is, the individual is occupying the room prior to discharge back to the facility. In a recent online conversation with other providers a group of us determined,

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50 Dyer Suzanne M et al, Online, 'Is Australia over-reliant on residential aged care to support our older population?', *Medical Journal of Australia* (29 June 2020), 156-157.. At https://www.mja.com.au/journal/2020/213/4/australia-over-reliant-residential-aged-care-support-our-older-population. Accessed 26 June 2024.

without any great accuracy, that the hospital cost approximately $1,300 for the day, and the income for the aged care facility for that day would likely not exceed approximately $360 for that same day.

The immediate response from governments is that this is a Commonwealth : State matter, and whilst that is right, that simply ignores the person for whom we all care and want the best clinical and social outcome. This observation simply highlights the gross underfunding inequity that the age care sector confronts daily.

Furthermore, in home care services we also find differences between NDIS payment levels and those paid in aged care. For example, and Occupational Therapy service provided to a CHSP recipient (Commonwealth Home Support Program) will range from $108.16 to 135.84 per hour of service delivery for the 2024-25 financial year.[51] Yet the same Occupational Therapy (or any similar AHPRA registered allied health professional) service provided to a NDIS service recipient, for example, for capacity building, will be reimbursed by the NDIS during 2024-25 at $193.99 per hour.[52]

Why?

Why do we have these inequities in funding for ostensibly the same form of service to an individual? Is the difference here based on the age of the care recipient, or their developmental/reablement likelihood? Isn't this difference in service provision rate discriminatory against the provider and the use of their skill?

6 What urgent improvements can be made to our aged care sector?

We know from earlier work by the Grattan Institute[53] that approximately 25% of all permanent residents who have died will have been in a residential aged care facility for less than six months. That percentage increases to approximately 83% within four years. This variable length of stay highlights the mix of chronic disease management for someone who, for a myriad of reasons, may no longer be able to be cared for at home versus the very frail who enter care with multiple morbidities leading to death.

What could have been committed to support elders so that the "25%" of people who died within six months of admission to a residential aged care facility might have been able to die in their own home and in their own family and suburban community? What services were they lacking? What human resource was needed that could not be sustained? What clinical oversight and care service management might have been provided in collaboration with family and friends to avert an institutional admission? What home modifications, if any, might be provided to assist the person to stay at home? What home care cost might that have amounted to versus the cost and trauma of leaving home to go into an institution?

What about the other 55% over the ensuing three and one half years? If any admissions might have been averted, what additional program cost would that add to the aged care

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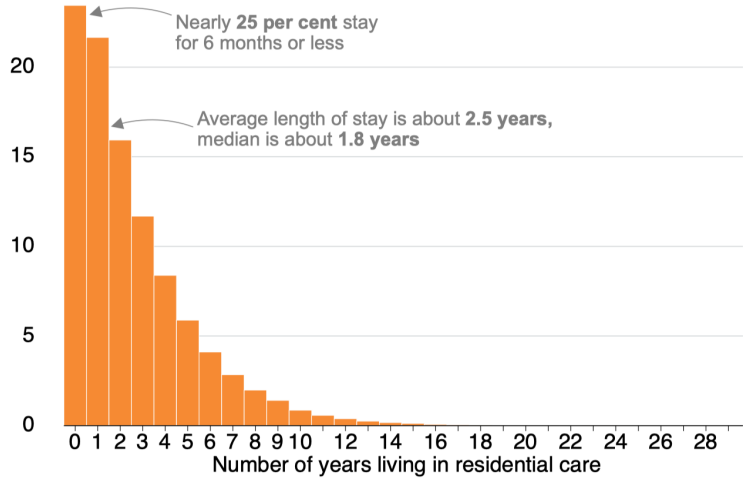
51 Department of Health and Aged Care, 'Commonwealth Home Support Programme 2024-25 Extension' (Provider update, February 2024), 3.

52 National Disability Insursance Scheme, 'Pricing Arrangements and Price Limits 2024-25' (Pricing Arrangements, 28 June 2024), 74-75.

53 Duckett Stephen, Stobart Anita and Swerissen Hal (n 48), 32.

system generally, and then add to and subtract from home care packages (soon to be known as Support @ Home), and residential aged care respectively?

Figure 2.3: Although many residents die within months of being admitted to residential care, others stay for many years
Percent of residents that died in 2018-19

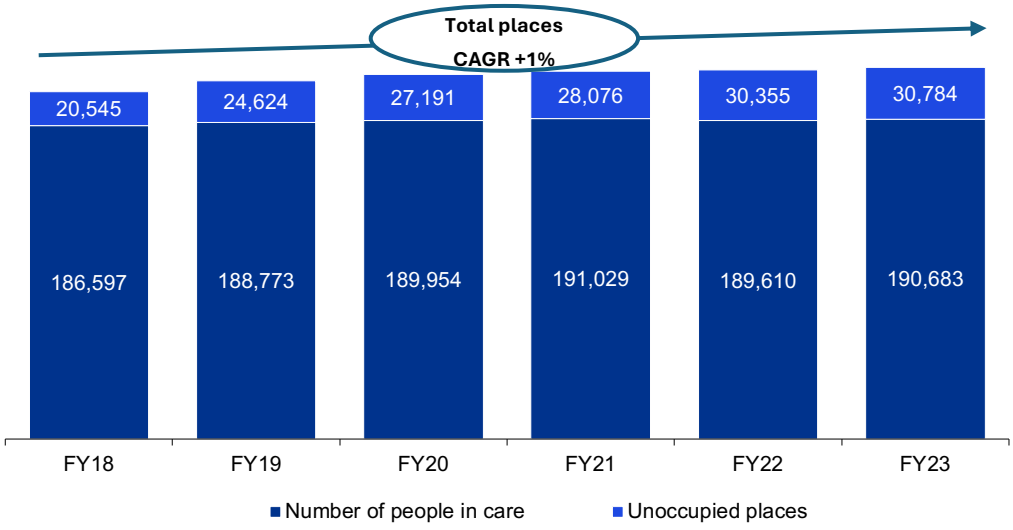


Notes: This chart includes only residents who were admitted after the age of 65 years on a permanent basis. Although not clearly visible, 32 residents died in 2018-19 after living in residential care for between 20 and 30 years.

Source: Grattan analysis of Australian Institute of Health and Welfare (2020d).

We also know that there has been a growing, but recently steady number of vacant places over the past handful of years, combined with a similarly steady number of occupied places on 30 June each year:[54]

FIGURE 8: TOTAL OCCUPIED AND UNOCCUPIED RESIDENTIAL AGED CARE PLACES 2018–2023



Source: KPMG 2024, (using data from GEN Aged Care)

54 KPMG, 'Aged care market analysis 2024' (Report, June 2024), 17.

KPMG also suggests that while on 30 June 2023 there had been an increase of 20% in the number of people accessing a home care package across the nation, growing the total of these community care recipients to almost 260,000. Despite that program growth, a further 28,245 people were waiting for allocation of a home care package.[55]

From a broader community anecdotal perspective in aged care, we regularly hear about the:

- Continuing insufficient funding to the sector;
- Lack of provider service transparency;
- Lack of residential aged care places;
- Lack of community based home care packages;
- (Despite it seems the seriousness of the recent Royal Commission) the increasing serious incidents of substandard care;
- Elders blocking beds in our public hospitals due to shortage of aged care places;
- Excessive costs in fees and charges;
- The lack of responsiveness by the relevant Australian Government Department to improve and/or robustly change the system; and
- Enormous complexity of navigating the aged care system.

Some of these anecdotal points may be well argued and likely I have not provided an exhaustive list. However, I believe there is a more foundational matter that is missing from our aged care landscape. That is, and I may be wrong, but I do not recall it, a large scale future search or appreciative inquiry to hear a consultative voice of the people contributing to what Australians really think about ongoing aged care service provision and financing. Matters that might need input are around housing, superannuation, program types, taxation, program financing, interfaces between aged care and health and aged care and disability services. If, as the Royal Commission has critically determined, politicians and senior public servants have built the foundation of our current programs on the balance of minimum cost for welfare support, and that has ended over time with approximately 25% recurrent "saving" in annual program expenditure, and undersupply of appropriate program opportunities, then perhaps the option to ask the broader community for its views on future service provision, outside of a Royal Commission environment, is a useful option.

The following ought to urgently be considered:

6.1 Along with the current in draft new rights based Aged Care Act, assess the voice of the people on the matters relevant to Australia's aged care system, and design the new aged care system;

6.2 Noting the broader society should not support the trade-off between payment of real costs of care versus an inheritance to the client's estate, directly confront and address the issue of increased taxation to cover the cost of aged care through development of mechanisms that both continue the current provision of means tested safety net for those who are of pension (or equivalent low income) status with no assets, but means test those with greater income to fund care and any related accommodation from their lifetime earnings.

6.3 Bring forward the RAD review to commence in the 2025-26 financial year;

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55 ibid, 3.

6.4 As perhaps the first phase of that review, and as per the Gratton Institute's recommendation for a large scale test of rental payments of accommodation fees,[56] provide both legislative and prudential support for providers and residents alike for testing of accommodation rental options in Tasmania and South Australia;

6.5 Along with the Property Council of Australia, examine whether residential aged care places can have the individual's room gain some form of strata title, and the relevant business case for potential future use;

6.6 In instances where a form of refundable accommodation deposits continues, based on the means testing process for each resident, permit a higher level of retention from the RAD to the provider to adequately reward non-care costs of service provision;

6.7 Along with relevant providers encourage and promote unoccupied residential aged care places as alternate short term housing alternatives to be occupied subject to means testing of incoming tenants. Offering such accommodation is likely fraught with complexity but this might be a small part of the solution to Australia's current housing stress, and provide accommodation for desperately needed workforce participants;

6.8 Encourage innovative and "residential aged care safe" community housing design that can safely provide residential aged care in apartment living in an urban community, whether an existing retirement community or a local suburban development;

6.9 Increase the specifically high care home care package provision with associated AN-ACC funding to 30,000 places over three years, at 10,000 places per year;

6.10 Given that there seems to be a recurring quantity of unoccupied residential aged care places, reallocate the AN-ACC funding provisioned for those places to a new high care classification home care package where an older person can receive residential aged care subsidy equivalent for their care at home;

6.11 Through the proposed single assessment service, allow for high care service program admission to either a residential aged care service or a home care package, along with the same AN-ACC care subsidy funding allocated to the resident;

6.12 With an assessment focus on what would enable this person to postpone institutional admission, ensure adequacy of independent living centre information, advice and coordination services, assistive devices and resources that enable a delayed admission to residential aged care;

6.13 Subject to current physical capacity and morbidity, and prior to admission to institutional care, require all incoming residential aged care recipients to complete a home based reablement training program with an allied health worker/exercise physiologist that maximises as far as possible each older person's physical capability;

6.14 Along with registration of workers in the sector, add to, or modify the current Working With Children's cards or blue cards depending on jurisdiction to form a national "working with vulnerable people" system that is usable in all human service sectors;

6.15 Craft a regime of sanctions for individual workers of any classification breaching the Act's requirements in direct care to any recipient of care, and penalties applicable to organisations who hire sanctioned workers to their workforce; and

6.16 In both residential aged care and home care packages, increase funding for care based on need for clinical and personal care services by 25% to 35% recognising that care for very frail elderly with multiple morbidities and significant chronic disease requires clinical governance oversight of a range of specialities with concomitant costs. Thought might be given here to increasing the number of minutes of care per day and adding back in allied health and medical professional time allocated to clinical service

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[56] Duckett Stephen, Stobart Anita and Swerissen Hal (n 48), 44-47. The Gratton Institute's report cited here as numerous relevant recommendations for the shaping of aged care in Australia. The Gratton Institute's work ought to be more favourably considered and pursued.

provision and oversight. On 29 June 2024 I received a note informing me that the prospective indexation increase for the 2024-25 year for home care packages was 3.1%. Systematic underfunding continues. Annual CPI for the year ended 31 March 2024 in Australia was 3.6% following a year end 31 December 2023 figure of 4.1%.[57] Who knows how quickly inflation will really drop, but to be provided with prospective funding that is much less than needed by the sector continues to insult our aged care providers.

7 Opportunities and challenges

There are opportunities for organisational growth within the aged care sector. The number of residential aged care providers is diminishing, and conversely the number of home care package providers increasing.[58]

Whilst the Australian government can adjust its program priorities, an additional 25% to 35% in the aged care system outlays will stretch the support of any responsible parliamentarian, and no doubt be difficult for the Minister to gain success in Cabinet. A broader Australian conversation is important, but I imagine than the generations following the baby boomers will be less likely inclined to be comfortable with additional taxation demand to support frail older Australians. However, those following generations should not expect an automatic passage of an entire estate from their elders once they have passed on through the aged care system. A bequest from an estate would certainly help with the cost of housing but it is not, and should not be considered, a right to inherit.

Australia needs it elderly to draw down from their wealth, if they are in that position, to fund their own aged care. For those that have no such wealth, I believe Australia will continue to provide care and support for them just as it has in the past 60 or so years.

We have not seen the end of the decline in providers of residential aged care, and likewise, perhaps at a slower pace, we will surely see more home care providers in the years to come. Scale will continue to play a part in organisational wellbeing. Organic growth and the acquisition of other services are opportunities that will present from time to time. A community service only based business is likely easier to scale up and down as demand changes than a residential aged care service. Businesses will need to be smart and agile, using significant technological resources to assist in workforce utilisation and care provision and monitoring.

There are some significant continuing risks for providers including organisational governance, workforce, and adequacy of funding. The governance risk has increased in recent times, largely in response to Royal Commission findings of evidence gained that organisations were not well led by their Board and directors were unaware of the extent of substandard care within their governance responsibilities. Boards need to be on the lookout for repetitive, systematic shortcomings in care and management that are likely to be closely monitored by the regulator.

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57 Australian Bureau of Statistics, 'Consumer Price Index, Australia,' (Quarterly Report, 24 April 2024). At https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release. Accessed 29 June 2024.

58 KPMG (n 52), 2.

An organisation's workforce is a perennial matter for risk management. In these times of generally great scarcity of skilled and committed workforce, it is unfortunate that there have been recent concerns raised about organisations profiting from the underperformance in minutes per day per resident, when it is so difficult to attract and retain a full complement of staff. Of course, the possibility of consequential underperformance in terms of care outcomes, and lifestyle experience and service satisfaction, is iterative and quite likely. Being able to manage that risk and building and maintain a positive culture is a sizeable challenge, albeit not impossible.

Returning to an earlier observation in this Report where the Chairman of the Royal Commission into Aged Care Quality and Safety attributed much of the evidence of substandard care to the systematic underfunding of the aged care sector, it is apparent that the funding can continues to be kicked down the road, seemingly for when the major political party in government gains a majority in the House of Representatives to deal with. The Act under which aged care in Australia currently operates was promulgated in 1997. The sector has been lobbying and protesting during much of 28 years since 1997 about the relentless underfunding. That might highlight weakness of the aged care peak bodies advocating during those years, but I think not. The stubbornness of incumbent governments to persist with 'welfare only' levels of funding has been problematic, but perhaps it has also highlighted the cottage nature of much of the sector.

Both sides of this funding equation need to change. Hopefully, responding with service provision to a rights based piece of legislation in our aged care services will be the beginning of a new and better program and aged care system. But it might require organisations to better manage their risk profile and use technology tools that match risk appetite to strategy and be able to smartly review their causative actions with responsive controls. Boards/owners need to be on top of this risk management responsibility. An organisation that is successfully governing, managing, and carefully mitigating its risks is a well led organisation, and should be able to wisely consider and take up opportunities, and carefully deal with challenges and risks as they occur. Combining those skills with a person centred approach to care will strongly assist to facilitate the organisation's success.

I am left with one significant concern If we do not see appropriate reform in funding of aged care in Australia, my concern is that the generations that follow the baby boomers will likely reject a taxation that applies solely to them, for the benefit of today's elderly in care. That is, if we cannot develop a mechanism where today's elderly in care (whatever the location of that care) do not contribute to that care, my concern is that neither will anyone else be inclined to continue to do so.

This is a matter for the whole of Australia to discuss and solve. Until we have had a broad based national debate about this we should not leave the matter to a handful of senior public servants and Federal Cabinet to design the solution.

Otherwise, we may end up where we began this Report – with our frail elderly Australians living their final days in alms houses …

Wayne L Belcher OAM

WLB:WLB [2406]

About the author – Wayne L Belcher OAM

Although Wayne Belcher retired from active employment in the aged care sector in late 2019, he has maintained an active role in the sector and is currently on the Board of four sector related organisations, two of which are part of the same group. These organisations cover most direct care service arrangements in the sector.

In total, Wayne bas spent forty two years in the sector, and a further six years in the health care sector. Wayne has held CEO roles for over twenty years of his employment in the aged care sector.

Wayne has post graduate academic qualifications in health sciences (Gerontology and Health Administration), theology, and business law, and he is an alumnus of Curtin University, the Australian College of Theology, Southern Cross University, and the Wharton School in the University of Pennsylvania in the United States of America.

Wayne was awarded the Medallion of the Order of Australia in the 2007 Australia Day Honours in recognition of his service to the community.

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