

Aged care in Australia: consumer choice and control within a highly regulated market-based system

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Context

The demand for aged care services in Australia is expected to increase as the population becomes older and frailer, and experiences higher rates of cognitive decline. People 65 years and over as a proportion of the total population are projected to increase from 15% in 2017 to 23% in 2066. In 2019, an estimated 387 800 Australians had dementia, nearly half of whom were 85 years and over. This number is anticipated to grow to around 900 000 by 2050.

Publicly subsidized aged care services are funded through a mix of government subsidies (the largest share) and consumer contributions, priced using a combination of cost- and market-based mechanisms, and delivered by private not-for-profit and for-profit providers as well as the government. There are three mainstream aged care programmes: the Commonwealth Home Support Program (CHSP) to promote continued independent living; the Home Care Packages Program (HCP) for those with more complex needs; and residential aged care for those no longer able to live in their own home. In 2018–19, over 1.3 million people received some form of subsidized aged care service, around 5% of the population.

The funding and regulation of aged care services are primarily the responsibility of the national government; therefore, provision varies little among states. The national government provides the subsidies from its general tax revenue with expenditure in 2019–20 budgeted at A\$ 21.6 billion (4.3 % of its general government sector expenses). This expenditure currently represents 1.1% of Australian GDP and is projected to increase to 1.7% of GDP by 2055.

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Key findings

- Access to subsidized aged care services in Australia is determined by need rather than age. There is no legislated minimum age for receiving these services, but they are generally considered to be for people starting from 65 years (50 years for Indigenous Australians). People 85 and older are the majority of users.
- Assessment is a three-stage process. The first is a simple eligibility check completed online or over the phone to establish if and what type of services are required. The second is a more in-depth, face-to-face assessment to establish the person's health status, functionality within the home environment, and any existing support. The third is an income check (and, for some services, an asset check) to determine the amount of consumer contribution.
- The national government applies three main types of planning, and supply controls and limits on fiscal outlays. The supply of home support is controlled by the national government capping the annual CHSP funding grants to providers. The government exercises control over the number of home care packages (HCP) through national-level demand-side queuing, which allows the government fiscal control over the HCP while maintaining a consistent and equitable national approach to consumer access. The national government controls the size of the residential aged care market through supply-side caps in the number of places allocated to providers, known as bed licences. The number of additional residential aged care places made available in each state and territory is controlled by a periodic competitive allocation round for approved providers.
- Aged care services are paid for through a mix of government subsidies and supplements (77% of funding) and consumer contributions. The level of government subsidies and some elements of consumer contributions are cost-based and government-regulated. The Minister for Aged Care determines the rates for subsidies, supplements and the maximum allowable consumer contributions each year. These are published as a schedule of fees and charges.
- The consumer-directed care approach within home care allocates the subsidies to consumers rather than to providers. This enables consumers to have choice, flexibility and control over the types of services they receive, how and when they are delivered, and which approved provider/s deliver them. Providers of subsidized home care must set out an individualized budget and issue monthly income and expenditure statements to provide transparency over what budget is available and how funds are spent. They are also required to publish the prices they charge for individual services within a package on the government's My Aged Care website.

Best practices

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- **Getting the assessment process right is essential for ensuring timely and equitable access to appropriate aged care services and the sustainability of national budgets.** Aged care assessment is currently a complex, multi-stage assessment process, which evolved as different government programmes were introduced, each with their own eligibility criteria and assessment workforce. There is a great onus on the assessment workforce, which is primarily trained in personal support and health care, to rigorously apply the eligibility criteria set and to do so consistently across regions and over time. A new framework for a streamlined consumer assessment for all aged care programmes will be implemented in 2021 to reduce the number of assessments that a consumer is subject to, make the assessment more targeted to need, and improve the rigour and timeliness in access to appropriate services.
- **Australia has moved to a market-driven model for the allocation of home care places, albeit within the constraints of demand side controls over the release of funds.** In residential care, however, the national government manages its fiscal exposure through the periodic competitive allocation of additional places (bed licences) to providers. A significant consequence of this supply-side cap is that providers have historically regarded the government, rather than consumers, as the customer. The allocation process itself has lacked transparency and has supported the building and operation of standardized aged care facilities unappealing to many older people. The threshold for eligibility for residential aged care may have to be increased and the assessment of approved providers more rigorous, since a more open market may result in a wider range of accommodation settings for residential care.
- **Adequate staffing is crucial for the provision of quality aged care.** Staffing adequacy is determined by a number of factors including the number of staff per consumer, continuity of staff providing care to individuals, skill mix (proportion of care provided by registered health professionals versus vocationally trained care staff) and appropriate training. Staffing adequacy is also determined relative to the personal, social and clinical needs of the consumers receiving care. Australia currently has no specific minimum standards for the number, skill mix or qualifications of staff providing aged care at home or in a residential facility. The (relatively) low level of wages paid to personal care staff exacerbates the challenge in employing a well-qualified and stable care workforce.

Lessons for other settings

- **Designing services that better reflect consumer wishes and improve fiscal sustainability.** The Australian Government is currently transitioning its policy and public funding emphasis from services that provide residential care for older people to those that support people to live in their own home for as long as possible. There is a shift from a reactive approach to service provision towards providing access to services and supportive technologies directed at preventing or delaying admission to expensive residential or hospital care.
- **Household wealth and equity.** There have been calls to widen means testing to a broader range of ACS and to include assets such as the family home to improve both sustainability and equity. This is particularly important in countries like Australia with relatively low levels of taxation, which are heavily reliant on income tax and have high household wealth. Broad eligibility criteria would assist in requiring older people to contribute to their needs.
- **Market mechanisms, quality and spending.** Australia's approach to aged care services uses consumer choice and control within a market-based system to drive competition on quality and price. While most consumers are satisfied with the quality of the services they receive, evidence from the Royal Commission into Aged Care Quality and Safety suggests that market mechanisms and the regulation of the sector have not had a universally positive effect on quality. At the same time, the consumer-directed care approach for stimulating competition has increased administration costs in the implementation of accounting systems to manage and report individual care budgets.

The WKC and the OECD have produced a report summarizing key findings from nine country case studies on "Pricing long-term care for older persons". The cases represent a range of health care systems and experiences in organizing and financing long-term care (LTC) for older persons. The report identifies best practices and policy lessons, which demonstrate the benefits of investing in quality LTC in the context of ageing populations. The summary report and case studies can be found here: https://extranet.who.int/kobe_centre/en/project-details/pricesetting2