

Aged Care Royal Commission Interim Report

A PwC Commentary

November | 2019



Introduction

The Prime Minister, Scott Morrison, announced the Royal Commission into Aged Care Quality and Safety on 16 September 2018. The Royal Commission was built on multiple reviews in this space over the last two decades including a Productivity Commission inquiry into aged care, the 2011 report of Caring for Older Australians, a 2017 review mandated by the Aged Care (Living Longer Living Better) Act 2013 and multiple other government and independent consultant pieces of work in this space. The focus of the Royal Commission was to look at how older people are cared for in Australia and work out what needs to change to make aged care services better, with clear terms of reference covering the following areas:

- How can we make sure that aged care homes and services provide good and safe care?
- What can be done so there are enough good quality aged care homes and services in the community?
- Are there enough good quality services in remote, rural and regional Australia?
- What are the best ways to help and care for people living with dementia?
- What are the best ways to help and care for younger people with disabilities who are currently living in aged care homes?



Two commissioners were appointed: Richard Tracey AM, RFD, QC and Lynelle Briggs's AO. The Royal Commission was due to run until 30 April 2020, which subsequently has been extended by six months to allow longer to hear responses and build these into recommendations. The Interim Report has just been published as planned on 31 October 2019.

PwC would like to echo the sentiments across the sector in acknowledging the significant contributions of the Honorable Richard Tracey AM FRD QC to both the development of the Interim Report, as well as more broadly in the Aged Care sector. He sadly passed away on 11 October after finalising the content of the Royal Commission's Interim Report with Commissioner Briggs.

The report highlights that Australia has struggled to consistently provide quality aged care services to all and the problem is becoming more urgent.. This was summed up by the Commissioners describing the aged care system as "a shocking tale of neglect". There are six key themes that we see emerging from the Interim Report that present insights in how the system may improve as a result of this important review:

1. The consumer experience is poor, particularly in relation to access to information and services
2. The quality of care is not consistently of an acceptable standard, including dealing with dementia, use of restraints and young people with disability or requiring palliative care in aged care
3. Workforce design needs to be reconfigured with the right size, skills, diversity, recognition and culture to meet the growing demands and complexity of aged care
4. Technology and innovation play a key part in enabling new models of care (including a shift to care in the home) and shaping the future of how aged care will be delivered
5. Business models need to evolve to ensure stakeholders are financially viable and can deliver the best consumer experience and quality of care, enabled by people and technology
6. The funding model needs to be reconfigured to support the broader changes required



The Interim Report was published in three volumes:

Volume 1, with an overall theme of neglect, has 10 chapters:

1. **The Current System** - providing a history and overview of the Aged Care system in Australia, an overview of current programs that exist such as My Aged Care, Home Support and Residential Aged Care. Additionally covers funding mechanisms and safety and quality frameworks.
2. **The Well-travelled Path** - outlines the multiple reviews that have occurred by successive Australian governments and the entrenched systemic flaws that still exist in the system to date.
3. **Demographic, Social and Economic pressures** - outlines changing demographic impacting demand for services, and increase in prevalence of diseases such as dementia. Discussion of innovation and flexible care, which will be explored in the next phase of the Royal Commission's work.
4. **'An overwhelming sense of loss'** - contains personal descriptions of what it is like to seek access to, and live within, the current aged care system.
5. **Finding the Door** - explores the 'front door' of access to the aged care system including the limitations of online portals, lack of localised and face-to-face services, inadequacies of the My Aged Care website, and long waiting list times for access to Home Care Packages.
6. **The Lottery** - examines the issues surrounding waiting times for lists and access to care, particularly the physical and emotional costs of being made to wait for access to required services.
7. **'Elders are our future'** - considers aged care for Aboriginal and Torres Strait Islander people, and problems with access to services, types of programs and funding that are currently available.
8. **Restrictive Practices** - evidence about the use of physical and chemical restraints in residential aged care, why they are being used and observations and directions for reform

9. **Workforce Matters** - outlines some of the complex issues for the aged care workforce that were raised throughout the hearing and submission process.

10. **Falling Through The Gaps: Younger People in Residential Aged Care** - discusses the issue of younger people living in residential aged care, their personal experiences, and the policy framework enabling this to occur.

Volume 2, containing hearings and case studies

Volume 3, containing appendices and summaries of community forums

The Interim Report suggested that there are three immediate areas for action, these being: providing more Home Care Packages, reducing over-reliance on restrictive practices (particularly chemical restraint¹) and reducing the number of younger people with disability in residential aged care.

The next steps for the Royal Commission relate to addressing "an aged care system that too often fails to provide appropriate standards of care or to treat older people, and their families and friends with dignity and respect". The Final Report will recommend steps for transformation and reform, based on knowledge of older people and their family and friends, as well as experts, advocates, providers and policymakers.

PwC reflections the Interim Report's findings

From reviewing the Interim Report and our broader work across the sector, we have provided a summary of the report and highlighted potential implications for system-wide reform and what individual players can start doing now to position for the future, emerge stronger and build trust.

¹ Chemical restraint refers to medications such as antipsychotics and benzodiazepines (minor tranquilisers or sleeping pills) which are used to restrict people's movements or ability to make decisions



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Customer Experience

Summary of report

The report highlighted that the consumer experience can be poor, particularly in relation to access to information and services - creating 'an overwhelming sense of loss':

- Finding the door - intimidating assessment and paperwork processes mean it is overwhelming having to find out what services are available, negotiating with a provider and entering a contract. Difficult decisions are made without the benefit of information or support, and often under time pressure at a time of crisis.
- The Lottery - long waiting times for access to Home Care Packages - with physical and emotional costs of being made to wait for required services; this can lead to deterioration in the individual's health and wellbeing necessitating a need for a higher level package.
- Aboriginal and Torres Strait Islander people want to remain with their family in their communities, which presents a challenge in remote areas with few aged care services and lack of respite.
- People from culturally and linguistically diverse (CALD) backgrounds have issues with language and cultural barriers to accessing culturally appropriate and safe services.
- Availability and standards of palliative care provided in residential aged care varies dramatically.
- Information received from My Aged Care call centres and the website is inconsistent, and depends on the staff member at the call centre.
- My Aged Care is not delivering on the Productivity Commission's vision of seamlessly allowing people to navigate the aged care system when it was introduced seven years ago.
- Trials of 'system navigators' are being conducted by the Department of Health which provide community hubs for local targeted information and navigators to help people understand letters sent by My Aged Care.
- "My Aged Care is the Government's mechanism for providing information and communicating with people, it is the only resource people have to turn to, and too often it is unresponsive, uninformed and uninterested in them as individuals."
- Lengthy waiting times for assessment and Home Care Packages, continuing to wait for support while finding an appropriate provider and service commencing.
- Growing number of people on the waiting list. From June 2017-18 more than 16,000 people died waiting for a Package.
- "Based on the evidence before the Royal Commission in the vast majority of circumstances younger people with disabilities should not be in residential aged care."

Potential Reform initiatives

The Final Report will make recommendations on whole-of-system reform and redesign. The Royal Commission is also exploring if there are societal barriers to the acceptance of reforms in aged care. Some areas that could be explored include:

- Detailed consideration of the future of My Aged Care, including appropriate local infrastructure and comprehensive and accessible information. Redesigning the consumer experience for accessing information and services, supported by digital - with more integrated easy to use information portals, greater levels of transparency to support consumer choice and raise standards, as well as effective complaints handling.
- More and quicker access to Home Care Packages.
- Support for tailored approaches and best practices sharing to meet the increasingly diverse needs of the individuals, their families and communities, e.g. Aboriginal and Torres Strait Islander people, LGBTIQ people, people from CALD backgrounds, rural and remote communities, homeless seniors, and refugees.
- Improving health literacy of older people so they are more able to identify and manage their conditions within their home environment.
- Enabling competition in aged care provision to facilitate people to more easily shift to their preferred service provider. More than 1.2 million Australians accessed programs and services from mainstream programs in 2017-18, and poor access to information makes mobility between providers challenging. Having the ability to select the provider, and change provider if a service isn't working for them encourages aged care to be more competitive and provide tailored services to individuals. Some of these changes have slowly been occurring with how Home Care Packages have been delivered, and tailored to be more centred around individual choice.
- Promote broader societal orientation towards "healthy ageing" and bringing to life the vision outlined by the National Aged Care Alliance (NACA) that "every older Australian is able to live well, with dignity and independence, as part of their community and in a place of their choosing, with a choice of appropriate and affordable support and care services when they need them."
- Acceleration of the "Younger People in Residential Aged Care Action Plan" released in March 2019 supports those living in aged care under 45 to find appropriate housing and supports by 2022 (if this is their goal), under 65 by 2025 and halving the number of people under 65 years entering aged care by 2025.

What individual players can do to address these issues

The principles underpinning access and equity to aged care services in Australia are:

- Clear, easy, accessible and relevant information for older people, including those from CALD and Aboriginal and Torres Strait Islander backgrounds, and their families and carers.
- Appropriate understanding of each individual's background, culture, beliefs and needs and how this affects the care they require.
- Access for anyone who needs care for all aspects and components of the aged care system.

This could involve

- Holistic review of how best to improve the consumer experience (including individuals, their families and the community) with a focus on holistic person-centred care, enabled by digital solutions.
- More training and education of the workforce, including through incorporating cultural awareness into aged care training, and partnering with consumers in designing care which best meets all of their needs, providers may better enable equal access to services and greater meaning in the lives of those they provide for.
- Shifting from the rigid model of care centred around clinical needs to patient centred care, allowing for residents and their families and carers to have a clear voice throughout the process.
- Developing tailored approaches to meet the increasingly diverse needs of the individuals, their families and communities, e.g. Aboriginal and Torres Strait Islander people, people from CALD backgrounds - taking a "co-design" approach giving a voice to the individuals being cared for.
- Investment in digital platforms and portals to support better information and transparency - as well as social networking in communities of senior Australians.
- Ensuring a regular "voice of the consumer" e.g. meaningful ways to incorporate the lived experience of consumers and their families and carers in planning and service delivery.



Quality and Restrictive Practices

Summary of report

The report found that the quality of care is not consistently of an acceptable standard, including the way in which the sector supports people with dementia, the high prevalence of the use of physical and chemical restraints and the number of young people with disability living in aged care homes:

- System-wide failings in the stewardship of aged care, and inconsistencies in the way that aged care, disability and health systems interact with each other.
- Lack of appropriate clinical care standards; needs to have a continuous improvement approach driven by the Aged Care Quality and Safety Commission, a model of care, with a clinical governance framework, and the reduction and elimination of restrictive practices.
- Restraints are used in many instances as a first-line response to behaviour management and this is contrary to best practice guidance and evidence.
- Many recommendations for reform have been made for restrictive practices in aged care, but have not been fully implemented.
- The disability sector has adopted a framework and strict procedures to regulate restrictive practices.

- Prevalence of physical restraint in residential aged care is poorly documented and there is a lack of data available.
- In 2019, the Aged Care Clinical Advisory Panel estimated that only about 10 per cent of antipsychotic medications and benzodiazepines used in residential aged care were clearly justified in the treatment of mental illness and dementia.
- Care model that focuses on managing symptoms, rather than addressing underlying needs and concerns of residents.
- No current mechanism under the PBS to stop a prescription from being written or dispensed for long durations inconsistent with guidelines and the Scheme's requirements.

Potential Reform initiatives

The quality and safety of aged care across Australia needs to improve along with trust and confidence in the sector. Recent work completed by the Australian Aged Care Quality Agency described four key themes to achieve this:

- **Rethink the quality of care and move mindsets** to approach ageing positively, working with people and carers, and supporting holistic models of care, preserving dignity and choice.
- **Create a quality culture that encourages excellence.** Creating a culture of high performance invests in staff, governance, building trust and confidence.
- **Coordinate efforts and the experience of care for people and carers.** This includes integrating and simplifying the touchpoints of care that people and carers interact with.
- **Innovate to drive quality improvements.** Being open to innovation to enable better ways of working can help to move beyond compliance and regulation driven approaches quality.



In addition to these four, we believe that the use of quality indicators (to measure and assess health care processes and outcomes) will be required for active management of events and driving improved quality standards throughout the system. This will lead to increased transparency and patient centred care. QIs provide a common language for residential aged care services and residents to compare quality and performance against which can be used to inform and enable choice. The National Aged Care Mandatory Quality Indicators Program, while only having been made mandatory from 1 July 2019, is a key mechanism to improve the identification, recording and reporting of key outcome indicators to drive quality improvement across the sector. PwC has been commissioned by the Commonwealth Government to review the current quality indicators and develop new indicators in the areas of medication management (including chemical restraint) and falls and fractures.

The starting point is implementing the new aged care standards which commenced on 1 July 2019 and provide a single set of aged care standards applying to residential, home care and flexible care approved providers of aged care services. Commonwealth Home Support Programme (CHSP) and National Aboriginal and Torres Strait Islander Flexible Care Program Providers are also required to transition and comply with the new single aged care standards. These standards are upheld through the Aged Care Quality and Safety Commission's regulatory functions including:

- Accreditation of residential care services (including short-term restorative services in a residential setting)
- Quality review of home care services, short-term restorative services provided in a home setting, Commonwealth Home Support Programme and National Aboriginal and Torres Strait Islander Flexible Aged Care Program services
- Monitoring of residential care services, home care services, short-term restorative services in a home or residential setting, Commonwealth Home Support Programme and National Aboriginal and Torres Strait Islander Flexible Aged Care Program services. 70 The Quality & Safety Commission Rules set out processes for accreditation, quality review and monitoring.

Given all this, we expect a significant focus in the final recommendations of the Royal Commission on opportunities to improve quality and safety in the sector. Examples could include:

- Review National Aged Care Mandatory Quality Indicators, monitoring and opportunities to improve outcomes.
- Collect and publish data on the use of physical restraint and psychotropic medication rates in residential aged care facilities and has the potential to reduce use through greater transparency and accountability.
- Use current negotiations on the seventh Community Pharmacy Agreement to address opportunities provided by Residential Medication Management Reviews.
- Systematically tackle elder abuse, including underlying drivers such as “age-ism” stigma (possibly through building on the family violence reform directions led by the Victorian Government).
- Review the Approved Provider Suitability and Assessment processes to include a Home Care Provider pre-assessment process which is conducted prior to a home care service commencing services as an approved provider.
- Create one source of truth for all performance related information about an Approved Provider that is easily accessible, written in plain english and provides a holistic view of the service - this would go a long way to enabling consumer choice and decision making.
- Mandating that all Approved Provider performance information, whether a residential, home care or flexible care, CHSP provider, is made available publically will improve transparency and availability of information to consumers and their families to assist in decision making.
- Review opportunities to incorporate the principles and guidelines outlined in the NDIS (Restrictive Practices and Behaviour Support) Rules 2018, which set out specific rules for the use of certain restrictive practices by particular providers, including requirements to engage a behaviour support practitioner approved by the NDIS Quality and Safeguard Commissioner, development and lodgment of a behaviour support plan, and monthly reporting and oversight by a Senior Practitioner in the Quality and Safeguard Commission. (NDIS Quality and Safeguards Commission)

What individual stakeholders can do to address these issues

Delivering consistent high levels of quality care is fundamental to the aged care sector and will become even more important in the future. We have already seen stakeholders act and see this as a priority for all.

An immediate priority is to address any past and current issues of sub-standard care or incorrect financial charges, including remediation and changes to the operating model (including policy, processes, people and/or technology) to avoid similar issues in the future. It will also be important to ensure there is robust risk assurance is in place to ensure consistent delivery against and compliance to agreed quality indicators and other standards.

More broadly, the starting point for delivering quality that “delights” is understanding what is important to people and using this to design safe and effective aged care services that meet the needs and expectations of the community. Involving residents, their carers and their families as active participants in their journey of care can be transformative – enabling people to have choice and to define what quality means to them. From there, stakeholders can ensure they have a disciplined process to assess needs and on entry and develop a care plan to deliver to core needs and what quality means. This plan needs to be regularly updated and monitored to ensure it is being followed - with insights into specific care aspects that would make a big difference. Underpinning this is investment in digital platforms to support monitoring of quality and performance against accreditation requirements, providing insights to drive improvements in outcomes.



Workforce

Summary of report

The Royal Commission highlighted various issues related to workforce including having the right number of carers, skills, diversity, recognition and culture to meet the growing demands and complexity of aged care:

- Proper training, appropriate pay and opportunity for professional development will not only assist in providing good care but make it easier for employers to attract and retain staff.
- The sector needs to promote itself as an employer of choice to meet future workforce demand projections and compete with other human service industries for quality staff.
- Cultural and geographical barriers to providing a quality workforce, including limited access to training providers, limited career progression opportunities, restrictions on flexible staffing and negative perceptions of the aged care sector
- Difficulties in recruitment, training and retaining staff.
- Poor workplace design and working conditions which limit the time available for provision of care.

- Skill shortages due to lack of suitable applicants and slow recruitment processes. Particular difficulty attracting registered nurses in some geographies.
- Often limited training and insufficient knowledge particularly in complex conditions such as dementia and palliative care.
- The justification of a 'lack of time' to do anything other than to restrain older people who have behaviours of concern. They may not be supported to deliver alternatives and restraint may be used as a way of managing workload.

Potential Reform initiatives

The scale of demand for aged care services in Australia should not be underestimated. According to the Productivity Commission, by 2050, over 3.5 million Australians are expected to use aged care services each year. The aged care workforce will need to have grown to 980,000 in the same period, representing an almost three-fold increase of the current workforce. Much of this will come over the next five years, where demand for the Aged and Disability Carer role will grow by 39.3 per cent, representing the highest growth rate of all occupations in Australia. PwC's report "Practical Innovation: closing the social infrastructure gap in health and ageing" highlighted that we will need an additional 130,000 nurses by 2030 and 400,000 more aged care workers by 2040. Meanwhile, it is estimated that half of the existing workforce will reach retirement age in the next 15 years making the gap to fill larger. These workforce demands are mirrored for the disability sector with the implementation of the NDIS and the two sectors will need to compete to attract their workforces from a similar pool of candidates (e.g. personal carers).



If the aged care sector is going to meet projected future demands, it must find new ways to attract, train, reward and retain a high-performing workforce. In addition, there were concerns regarding aged care staff safety that were raised throughout the various hearings, so as well quality and safety for residents, we must also ensure we have a safe environment for aged care staff. We see a range of opportunities for change that could be considered in the Final Report:

- Staffing levels, staff mix and staff selection
- Attraction and retention, including alternative recruiting paths
- Education and training
- Diversity and inclusion, reflective of the changing demographics of individuals being cared for
- Remuneration, sustainable jobs and career paths
- Culture, including having the right quality/risk culture
- Multi-disciplinary teams, including carers, nurses, GPs, allied health, specialists, pharmacists, community health and social services
- Continuity of care, including teaming and hand-offs between carers
- How best to recognise and draw on the broader unpaid carer population
- Leverage of workforce across aged care and the NDIS, recognising commonality in the pool from which both sectors will draw - this has the potential to exacerbate the existing gap

What individual stakeholders can do to address these issues

- Strategic workforce readiness;
- Perceptions of working in aged care;
- Skills and ways of working; and
- Carer culture and safety.

Strategic workforce readiness

Demand in the aged care workforce is outstripping supply, and the gap is becoming wider. These shortages are expected to occur mostly in rural and remote areas, exacerbated by ongoing workforce recruitment and retention challenges. This is worsened by issues of an over-casualised workforce that is limiting continuity of care, deterring individuals seeking more stable forms of employment, and driving underemployment. The Royal Commission also highlighted the significant shortfall in funding that is exacerbating workforce shortages. Similarly, organisations should still look to leverage, but not heavily rely on, the migrant workforce; a short term measure that needs to be supplemented with systemic, longer term initiatives.

Organisations must be creative and strategic if they are to attract, develop and retain the skills, capabilities and talent needed to deliver services. This includes looking beyond traditional sourcing models such as universities to partner with other organisations able to provide workforce skill development and long-term training. Partnerships should also extend to optimising employment models and promoting greater cross-sector and cross-government collaboration to attract and retain critical skills, particularly with the adjacent health and disability sectors. A number of market ‘disruptors’ have already established themselves providing a workforce of attendant carers in some parts of Australia - allowing individual staff to work across health, disability or aged care in conditions that most meet their needs.

Attracting talent into aged care

A key barrier to attracting and retaining key workforce talent is the perception of working in aged care. There were numerous accounts of burdensome workloads in the context of a workforce that is undervalued and underpaid. As an industry, the challenge is to ensure it is one that people want to be pursued by providing fulfilling, purpose driven and appropriately remunerated career paths. Stakeholders could partner with government and education providers to articulate a compelling service model, including co-designing what these career paths may look like to provide greater opportunity for advancement. It will be important to ensure the right levels of remuneration commensurate with what is challenging and highly-valued work (with a business model that sustains this and is financially viable for providers) and to ensure that people are “paid right” consistent with their employment arrangements.

Skills and ways of working

Current models of care tend to be very task-based, with staff providing care within a specific – and often specialised – skill-set. The Royal Commission has instead suggested an approach that represents a move from a transactional model to one of continuity of care. This requires a different approach to workforce skills development to enable carers to work with clients more broadly across the continuum of care, and to be able to manage handovers at different points of care effectively. It also requires a workforce suitably skilled to operate in an environment that makes extensive use of technology to monitor and respond to individual consumer needs (e.g. medications, current infections, food allergies or preferences) supported by robust standards of clinical governance. These might be commonplace in an acute care setting with a metropolitan hospital, but less so in the aged care setting. That, of course, is changing, and the new standards require providers to have established clinical governance systems and sector will need to adapt accordingly.

Carer culture and safety

While carer culture and safety was not flagged as a core workforce issue in the Interim Report, we expect that this will be a feature as the Final Report is released.

Operators of aged care facilities play a major role in establishing the workforce culture. However, the Commission heard too many instances of where providers were not meeting these obligations. As well as ensuring the right culture to promote better consumer experience and quality, a significant and worrying challenge is that of aged care worker safety - with it being acknowledged that employees work in an environment where they should be prepared for physical and sexual assault. This risk will only increase as we see a continued shift outside of residential facilities, such as an individual receiving care at home, where the risks can be less controllable. More must be done to ensure governance and operational processes protect workers and support early identification of potential incidents with a focus on preventative measures.

All these changes on workforce should be done with the full consideration of impending technological disruption; technology will not replace the importance of people, but can provide valuable support to allow people to focus on human connection and care delivery. Also, while not a key focus in the Royal Commission, the identified challenges should not be addressed in isolation of broader industry and labour market disruption. That is, if significant time and money are spent purely with the intent of addressing the key issues of today, without an eye on tomorrow, the sector will only exacerbate these challenges and fall further behind demand and community expectations.

The sector must transform at a dual pace: fix the foundations while preparing for the workforce of the future. With regard to the latter, aged care providers will also need to be clear about the resources, capabilities and mindsets they will need to continue to deliver services in the future. They will need to identify and articulate those services that are to be scaled up or down, automated, augmented or ceased completely and those to be retained and developed across the sector. Employers will need to be much clearer about their reskilling strategy and what that really means for their workforce. All this will also require strong leadership skills in organisations to deliver the changes needed to consumer experience, quality and workforce.



New models of care enabled by technology and innovation

Summary of report

The report identified various issues with technology. More fundamentally, there are opportunities for technology and innovation to play a key part in enabling new models of care (including a shift to care in the home) and shaping the future of how aged care will be delivered in Australia:

- The My Aged Care website does not provide a positive experience. It leaves older people who may have limited digital literacy to navigate a confronting system, riddled with jargon and acronyms, confusing processes and paperwork. This is even harder for people with low literacy, those suffering with dementia or other cognitive impairment, communication or sensory disability and those who have English as a second language.
- There is a lack of transparency and information sharing within the Aged Care system and with recipients of services.
- A lack of connectivity exists between residential care homes and the community; and a lack of connectedness for navigating the aged care system to connect to services.
- Opportunities for new models of care.

Potential Reform initiatives

There will be opportunities for technology and innovation to enable broader recommendations in the Final Report. This could include:

- Enhancements to My Aged Care website, providing greater levels of consumer transparency and easy to understand content tailored to different audiences.
- Funding for medical research into new models of care for an ageing population and accelerating translation into better outcomes - from improving wellness/prevention, through care in the home/residential/aged care, to treatment and palliative care.
- A focus on outcomes based on prevention and early intervention - a recognition of outcomes of reablement or restorative outcomes for people.
- Funding for an Innovation Accelerator to test new models of integrated person-centred care tailored at a local level with innovative partnerships and collaborations, with scaling of best practices nationally. Innovation hubs would provide an opportunity to fundamentally change the direction of how ageing is approached as a society and while not necessarily presenting a gold standard, would be a start for innovation and leadership.
- Pilots and scaling of new models of care, including care in the home with more Home Care Packages and seamless transitions/funding across the health/aged care sector. Ensure care is holistic, including basic care and support, physical health, mental health (including trauma) and tailored to the needs of individuals and specific communities (e.g. indigenous Australians, rural and remote).

- Support development and dissemination of tailored models for dementia - including research and care, early intervention/treatment and reducing stigma.
- Strong focus on palliative care in the home and residential services, with clear quality standards.
- Greater use of assistive technology to reinforce a health ageing concept e.g. wearable tech, sensors (e.g. falls, smart fridges), telemedicine, social connectivity to allow people to remain in their homes for as long as they wish to
- Facilitate data access, quality, transparency and linkage, leveraging My Health Record - building foundation for greater use of Analytics and AI (e.g. targeted interventions, detecting abnormal patterns of behaviour, supporting people on care in the home).
- Specifically address the needs of young people with disabilities in aged care.

What individual stakeholders can do to address these issues

The aged care sector in Australia is lagging when it comes to technology adoption and innovation. The Royal Commission confirms this sentiment and indirectly indicates that technology is underutilised across the sector. The answer is not “technology looking for a solution”, but rather how we support better consumer experience, quality and the workforce delivering the “right care in the right place at the right time” - all enabled by technology and analytics.

The key example of this identified by the Royal Commission is the My Aged Care website owned and operated by the Australian Government. The report articulates that the service is not adequately supporting the community in the way it was intended. More broadly than My Aged Care, which is a symptom of providing solutions in aged care that are not sufficiently viewed through the eyes of the recipient, PwC sees three key themes for stakeholders to address:

Transparency - providers can look to address the multiple calls for transparency within the report in two ways:

1. Digital publication of compliance to standards, complaints, quality of care, and other measures of performance, quality and safety. Information of these types is already held and managed by providers, and a commitment to publish is a low cost, simple and effective means of raising transparency and confidence in the aged care system.

2. Open lines of communication between providers, residents, and families / carers across digital and non-digital channels. Community expectation is that providers are open for feedback and enquiries, and that they are responsive to the needs of stakeholders. consumer engagement platforms, as a class of digital solution, delivering the ability to manage interactions across multiple channels (web, chat, SMS, email, phone, letter, in person) so that providers can be responsive, consistent and transparent.

Access to services - aged care presents as a complex system that is hard to navigate, and for which service funding (eg through Home Care Packages) is time consuming to access. Providers who are able to put themselves in the shoes of their potential (and current) residents will be best placed to improve access to services. This means involving residents, older people and those choosing residential aged care in the design process. Co-designing the way that older people access services leads to more tailored and personalised solutions. More than a methodology, switching to an approach and mindset that values perspectives from older people directly will enable providers to improve accessibility and deliver a better consumer experience.

Connectedness - “ease [...] transitions”, “build good relationships”, “bring[ing] the outside world into residential care homes, or taking those in care out.”, “fear loss of autonomy, of individuality, of control over their own lives”. These speak to the level of connectedness between residents, their families or carers at home, and the community. Digital solutions are being used to create networks between groups willing to exchange goods and services. PwC believes there is an opportunity for providers to adopt the same thinking and be the brokers for creating connections. This could be by creating a “Seniors Network” for friends and family in the resident’s circle of care to remain in contact; community groups to bring services and events into home; or for allied health providers to partner with residential aged care providers. By creating the platform to enable these interactions to take place, providers can reduce isolation and improve the quality of life of residents.

Overall, stakeholders should look to embrace technology to deliver new models of care, enabled by innovation, digital solutions and analytics. Technology no longer operates in isolation from our lives and businesses, and should be considered as a tool to help resolve some of the more intractable problems presented by the interim report. Technology can remove barriers to accessibility, transparency and connectedness by harnessing new models of care, be that care in the home, prevention/wellness, an ability to adopt and report on standards, or being responsive to changes in funding. Providers will need to be seen to be responsive to these changes, and digital solutions can help them adapt and scale fast.



Business model

Summary of report

The issues raised by the Royal Commission and focus areas for solutions mean that business models need to evolve to ensure stakeholders are financially viable and can deliver high quality consumer experience and quality of care, enabled by people and technology. A key challenge on ensuring viable business models is summed up by the Royal Commission:

“[A major] issue is that one of the things missing in this sector is a policy on the relationship between cost and price.” (Aged Care Royal Commission Hearings)

Options on the business model will likely be more fully explored by the Royal Commission in their Final Report, but we do expect that there will be a higher cost of compliance to new regulatory standards, for example quality and accreditation. In a sector where half the stakeholders face financial difficulty already, without additional funding, this will force stakeholders to review their strategy, M&A stance and business model design.

Potential Reform initiatives

A core element of the business model today is Consumer Driven Care (CDC) which has been considered the driver for the last decade of reforms aged care. Whilst a large proportion of funding is provided by the federal government directly

to residential aged care providers, there is still a considerable funding gap that needs to be met and a disproportionate value of this care is being funded by the states. The value of residential care falls largely in the gap between state and federal governments with subacute care, community care and primary care not forming part of the current system, i.e. the disproportionate funding is evident in the sector challenges. CDC is an opportunity to build value through choice, although as we have witnessed in home care, it assumes a level of health literacy that we are yet to achieve in society:

- Advocacy for health and wellbeing outcomes over consumerism is difficult in a sector that has been driven by deregulation and a lack of formal outcome measures that can be used to drive improvement.
- It is likely the policy direction will continue to follow further regulation of the industry which will potentially include the development of further system-wide quality indicators (e.g. use of chemical restraint) and lead to benchmarking and public visibility over performance of services.

Future policy direction needs to consider how care and support is delivered across the sector providing continuity of care and support and whether there could be simpler more seamless system and funding model as individuals transition to and from their homes, primary care, residential and aged care, hospitals and palliative care. The funding directly for aged care will likely change in the medium term. The aged care funding instrument is largely considered unable to meet the funding cost of providers and it is noted that a number of large providers are supplementing this income through extra services - however, it is likely that there will be further regulation on extra services into the future given some of the ACCC recent actions. Overall this means we will continue to see a “jaws” gap between revenues and costs which needs to be addressed in the business model.



To help stakeholders mitigate this, in February 2019, the Commonwealth Government announced a \$662M aged care package to support older Australians. This included the provision of accounting and business advisory services to approved providers of residential and home care services to review and assess their organisation, provide advice, business management and financial strategies to support their operations. PwC has been commissioned by the Commonwealth Department of Health to provide these services and will work with providers that are experiencing financial stress and are concerned about their viability.³

What individual stakeholders can do to address these issues

Stakeholders can take a range of actions now:

- Review your strategy, including whether, where and how to play given your differentiated capabilities. The starting point is to consider with your strengths and understand if and how this allows your organisation to compete effectively in the future - taking a "Capabilities-driven Strategy" approach. This could include identifying no regrets bets and conducting scenario analysis on future reform and funding options to understand the implications for strategic choices and triggers for execution. A strategic review should also include assessment of where and how to play, for example extending into care in the home or building depth in aged care and/or residential care. It could also include learning from global best practices including alternative models of care e.g. for dementia.
- Be proactive in agreeing your M&A and partnerships stance and start to explore options (buy-side/sell-side), leveraging industry expertise and data/analytics insights. Be ready to take action when the timing is right, including establishing the platform for roll-up acquisitions and/or setting up a broader business for carve outs. There may be some early "no regrets bets" on starting discussions to explore the market or to seek out smaller acquisitions which bring valuable capabilities to complement the current business and create optionality.
- Align your real estate and infrastructure strategy and plan with your broader strategy and M&A stance. Seek opportunities for optimisation in your current portfolio and plan ahead for future investments or divestments with the right lead time and expertise.
- Review your business model including taking advantage of the Commonwealth DoH initiative to fund accounting and business advisory services. This includes conducting financial analysis, benchmarking your organisation against others in the industry using established industry standards, reviewing the operations, strategy and governance arrangements of your organisation, and outlining an action plan to implement opportunities identified for improvement.

³<https://www.pwc.com.au/health/aged-care-advisory.html>



Funding reform

Summary of report

The Aged Care Royal Commission has not yet interrogated issues relating to the Commonwealth funding of services. However themes arising throughout the hearings suggest that there are significant concerns about the financial viability of the sector and its ability to consistently provide safe, high quality care that meets consumers and . We expect the Final Report to highlight that the funding model needs to be reconfigured to support the broader changes required.

Potential Reform initiatives

Today, most of the funding for aged care is provided by the Federal government:

- Total spend was \$18.1 billion in 2017-18.
- The average Home Care Package cost the Australian Government \$24,892 per person in 2017-18.
- Future expenditure on Home Care Packages has been brought forward; in December 2018, \$287.3m was announced for the release of 10,000 higher level Home Care Packages, which was followed by an additional \$282.4m over five years for 10,000 more Packages in February 2019.

The Aged Care industry is a highly regulated industry.

With increasing regulatory requirements, the additional administrative burden being placed on the industry makes it increasingly difficult for providers to free up resources to focus more on care delivery

Current payment arrangements (i.e. Refundable Accommodation Deposit and Daily Accommodation Payment) comprise a distinctly different model to typical commercial arrangements or those found in other parts of the industry (for example in health care).

- Current arrangements mean the Aged Care providers have less control over their own revenue flows, increasing the complexity of business operations and an inflexibility to adjust revenue models to suit their preferred operating methods.
- Refundable Accommodation Deposits (RAD) have been an essential part of the system and a good economic mechanism to help providers fund capital development (or repay debt). RADs do though add complexity to cash flow, which (when paired with a traditional paid as incurred cost base for property/staff costs) complicates management of working capital. The accounting treatment confuses how people perceive them and distorts the industry.
- However, once RADs have been used to fund capex, providers are left with challenges paying for the operations as the reimbursement model doesn't provide sufficient financial compensation to pay for both opex and capex. Any changes to RADs/DAPs needs to be accompanied with a material increase in revenue (or changes to revenue model).

The age of a building (living facility) is a significant contributor to attracting new consumers, the efficiency of the operations and care delivery and the maintenance requirements. Providers which have older buildings and are currently operating an unsustainable business are struggling to sufficiently free up equity, or cash to sufficiently modernise their facilities. Grant funding could form part of a solution for one off capital improvements to modernise facilities and business operations.



In response to these challenges, the Department of Health is developing and rolling out new funding models for both residential and home care. For residential care, future funding will be based on an independent assessment of acuity combined with a fixed payment for shared services. Implementation is a little way off and currently being tested by Government.

Income and asset reform can enable better care. An example of this is using a reverse mortgage to fund aged care expenses. This involves releasing some of the equity in their home to fund retirement expenses. This allows consumers to have flexibility in their ability to “close the gap” if required to pay out of pocket expenses for home care or aged care services.

For home care providers, new funding arrangements (starting in June 2020) will have a significant impact on cash flow. Specifically:

- Subsidies and supplements will be paid in arrears at the full rate of subsidy based on package level and days in care, through the usual monthly claim.
- Payments will be based on actual services provided to care recipients and unspent funds will be held by the Government.
- Commencing with the March 2021 for claims lodged in April, the Department of Human Services will reduce a payment for a care recipient by a portion of the available funds held by the provider for that care recipient.

These changes will require industry to radically change current business practices.

So what is the overall aim? The Government has four objectives for changing funding arrangements for residential care:

- To make funding for residential aged care fairer and more stable.
- Improve the assessment process for funding so it is more accurate.
- Free up resources so aged care workers can spend more time delivering safe and effective care that meets residents’ needs and goals while optimising health and wellbeing.
- Boost innovation in residential aged care.

These objectives tie together new funding arrangements with increasing care quality and innovation in the residential aged care sector. The degree to which these objectives can be achieved hangs on the ability of the sector to make changes to their current business and service delivery arrangements.

This will only occur if the sector can successfully adapt current models of service delivery (workforce, business processes, technology, the built environment) to be more responsive to future funding arrangements, regulatory requirements and the rising expectations of the community.

What individual stakeholders can do to address these issues

The new Aged Care Quality Standards are closely interlinked with effective financial performance and governance and provide a comprehensive guide to what the community expects aged care should look like at an operational level.

Overall, there will need to be a significant cultural shift in the sector. Transitioning to a new way of working will take time and require a broader collaborative approach from Industry and Government. Designing and implementing new models of service delivery has been a key feature of the mainstream health system for many years. Services are more frequently designed with the consumer in mind and delivered in new more efficient ways. New ways of providing person-centred care and delivering services is the future of aged care.

A longer term conversation on evolving service delivery models and ensuring appropriate funding will also be required in response to the Final Report of the Aged Care Royal Commission. In preparation for this, stakeholders can ensure they have done all they can to implement “no regrets bets” and changes required for the future, in particular in consumer experience, quality, workforce, new models of care enabled by technology, and aligning their business model. Beyond this, they can understand different scenarios for reform and what this means for their business - so they are ready both to shape the agenda and respond to position for the future, emerge stronger and build trust.

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