
Towards a new age in aged care

15 May 2017

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In brief

With the commencement of the *Aged Care Legislation Amendment (Increasing Consumer Choice) Act 2016* (Cth) (Act) on 27 February 2017, Australia has embarked on the first stage of the home care reforms announced in the 2015-16 Federal Budget. These reforms have been designed in the context of the Commonwealth's 'Living Longer – Better' policy and the 2011 report of the Productivity Commission (Commission) titled '[Caring for Older Australians](#)' with reform in relation to aged care generally to extend along a 7-year 'roadmap'.

The proclaimed destination of the 'roadmap' is a market based, consumer driven and sustainable aged care system with access related to the assessed need.

Towards this end, the Act provides for three key reforms to home care:

- funding of home care will relate to a care package for, and following, an individual care recipient not a 'place' with a care provider,
- one national system to prioritise access to home care, and
- significant simplification of the process for approval of care providers.

The restructure of home care will create a range of opportunities for care providers. The changes are expected to drive market efficiencies providing opportunities for new market entrants and the expansion and aggregation of current market participants. Opportunities will be accompanied by risks, not all of which may be currently apparent. The staged nature of reform itself gives rise to the potential for uncertainty and revision. Governmental needs assessment may not align neatly with enhanced consumer contribution and choice.

In detail

The aged care challenge for Australia

The number of people in Australia aged 65 and over is projected to constitute approximately 23 per cent of the population by 2055, with numbers doubling from 3.6 million in 2014-15 to 8.9 million. The highest growth rate is expected to be for people aged 85 years and over, with numbers rising from 500,000 in 2015 to 2 million by 2055. The ageing Australian population will put increasing demand pressure on the aged care sector. It is important that steps are taken to ensure the sector operates sustainably and continues to provide high-quality care to older Australians.

The 2011 report of the Commission concluded that fundamental reform of the system for aged care in Australia was required to overcome the challenges of the consequences of such future growth in the context of ‘key weaknesses’ in the system itself, including ‘delays, discontinuities, constraints and shortages’. The Commission reported that the aged care industry “is difficult to navigate. Services are limited, as is consumer choice. Quality is variable. Coverage of needs, pricing subsidies and user contributions are inconsistent or inequitable. Workforce shortages are exacerbated by low wages and some workers have insufficient skills.”

The Commission outlined what it considered should be the objectives of the Australian aged care system, in particular:

- to promote the independence and wellness of older Australians, including through control over choices in relation to their care,
- to provide person-centred services which can change as the person’s needs change,
- to improve access to services, including through knowledge of what care and support is available and a system that is easy to navigate,
- to provide care that is affordable to individuals and to society, and
- to provide incentives to ensure the efficient use of resources devoted to caring for older Australians and broadly equitable contributions between generations.

Following the Commission’s report, the Government established the Aged Care Sector Committee (Committee) as an advisory body in respect of aged care policy development.

The Australian Aged Care Roadmap

One of the key outputs of the Committee was the [2016 Aged Care Roadmap](#) (Roadmap). The Roadmap envisages a system with a number of key features:

- a market-based, consumer driven aged care and support system, with access based on the assessed need,
- one independent, free, government-operated process for assessing eligibility for aged care funding (including assessment of care requirements, needs and length of time waiting for funding),
- access to aged care and support regardless of individual circumstances,
- a single provider registration scheme which gives providers greater flexibility to provide innovative, individual-focused services,
- reduced barriers to entry for providers and thus an increased provider pool, and
- sustainable aged care sector financing arrangements with market-driven prices.

Home Care Reform outline

The Act implements Stage 1 of aged care reforms to home care with three key changes:

1. funding for a home care package will follow the consumer who may choose and change providers,
2. creation of a national system to prioritise access to home care, and
3. reduction of red tape associated with providers who become approved under the *Aged Care Act 1997*.

Funding follows the consumer

The changes

Instead of approved care providers being allocated (generally annually) a specific number of ‘places’ for which individuals in their planning region may apply, individuals assessed for care will be granted a funding package and budget around their assessed needs. Individuals with approval for care may choose

as their package provider any approved care provider who suits their needs (for example, a provider able to accommodate their cultural and linguistic requirements).

Funding will continue to be paid to the care provider but funding will follow the care recipient. If a funded care recipient changes providers, uncommitted funding in the hands of the provider follows the care recipient to a new provider or is returned to the Government/care recipient (based on their respective contribution) if the care is no longer to be provided.

The provider will be required to make certain disclosures before entering into care contracts including terms which could impact on portability of the package (e.g. notice period, minimum contract period) and all applicable care charges but terms of care contracts are not otherwise regulated.

Providers will be responsible for reconciling and transferring unspent funds where their services are no longer required with an entitlement only to a fully disclosed administration charge.

Some potential implications

Providers will no longer receive guaranteed Government funding through the award of a “place”. Instead, providers will be participants in a competitive consumer market. Government funding is to be provided for care and care commitments only so providers will need to get their pricing right.

Current providers will no longer be restricted by regional place allocations and may be incentivised to scale up their services.

Loss of business certainty may impact financial viability of some providers (particularly small, rural, remote and niche providers) and their ability to plan and manage their home care workforce.

Providers may decline a request for services, and there is a risk that “difficult” cases will fall behind or require the application of the Government safety net. Nonetheless, care providers will need to reconsider the key supply and demand factors in home care in particular consumer preferences based on market place reputation.

National priority access system

The changes

Complex and various assessment processes applicable to outcomes (residential as against home care) rather than individuals will give way to a single government assessment and record keeping function accessed principally through an online gateway. The gateway will consolidate the various assessment processes and use a consistent set of criteria applicable to all levels of care and support in both community and residential care settings.

The gateway will provide a single electronic record of an individual’s details including, assessment, entitlements and the like so that the individual will not need to be called upon to repeat their information to different agencies and providers.

Government Aged Care Assessment teams (ACAT) will assess priority for packages based on individual needs, circumstances and time spent waiting for care. Wait times will precede allocation of a package and wait lists for places managed by care providers will disappear.

Once a package is granted, the individual has 56 days to commence receipt of care under the package (which can be extended to 84 days upon request). A package will be withdrawn if the care recipient has a break in their care (other than leave) of more than 56 days (able to be extended to 84 days).

Some potential implications

The single gateway should be simpler, reduce wait times, reduce errors and inconsistencies and enhance co-ordination across the various elements required for an individual’s care.

One electronic means of access (My Aged Care) with no human face may not be readily understood by, or available to, many individuals needing care. While technology will provide greater efficiencies, the reforms will not achieve their objectives if the efficiencies actually achieved relate to a reduction of care because of the inaccessibility of the sole means of access.

The short timeframe for application of an awarded package gives rise to risks in respect of rushed decision-making by individuals. The new regime will not achieve its aims of consistency, equity and efficiency if individuals lacking sufficient information and/or the skills and/or the time make hasty decisions or seek assistance from informal channels with the potential to be delivered into the hands of the unscrupulous. A more active and responsive care provider market place will be important in supporting individuals through timeframes.

Reducing red tape for providers

The changes

There will essentially be one single provider approval process rather than distinctions between providers as for residential and home care.

The Department of Health will still approve care providers but the approval process will be simpler and focus on the provider's knowledge of aged care services and its record of financial management. There is a reduced emphasis on approval of its 'key personnel'.

Approved care provider status will no longer lapse after two years without an allocation of 'places'. Existing quality assurance mechanisms such as the Aged Care Complaints Scheme (Complaints Scheme) and the Australian Aged Care Quality Agency (Quality Agency) will continue. Key quality management activities will occur via the Complaints Scheme and the Quality Agency.

The Quality Agency will conduct formal quality reviews against the Home Care Common Standards on not less than 28 days' notice. The Quality Agency will be allowed to require on going self-assessment by home care providers between formal quality reviews.

Some potential implications

The reduction of regulatory burdens should reduce costs for providers, lower barriers to market entry and encourage new entrants into the market, including more commercial providers.

A more uniform care provider sector will most likely increase the demand in the paid care workforce. Rising expectations around care quality should also reflect in expectations of the skill and professionalism of the formal care workforce. Investment in the skills of the paid workforce is likely to be required. Those who have provided informal care may be inclined to join the formal care workforce.

Checks and balances on the quality of care will more and more come from the market place.

Some concerns about choice

Issues may arise for care providers in the circumstances of the hybrid nature of a system based on government control over the assessment of the care needs of a consumer and the consumer's control over choice of care and carer.

For example, to what extent must a care provider explain rather than just disclose the choices available to a care recipient? Is a care provider required to assess whether a care recipient has the skills or support to assess and monitor individual provider offerings and exercise informed consumer choice?

What responsibility falls on a care provider where a care recipient is assessed for a particular level of service and chooses a lesser level of service? A care recipient may make choices on a variety of bases including their view about their current and future ability to contribute to the cost through their pension.

The Explanatory Memorandum accompanying the Bill for the reform legislation acknowledged that:

1. the experiences to date with the expansion of consumer directed home care has demonstrated that consumers and providers require a significant amount of support in transitioning to the new arrangements,
2. stakeholders have emphasised that Government needs to communicate directly with consumers and their representatives, not just with providers,
3. a variety of consumer and carer information will be needed,

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4. targeted and accessible information will be required for special needs groups,
 5. health professionals are key information and referral sources for prospective care recipients and their carers,
 6. My Aged Care will not be the only point of information for care recipients and their carers,
 7. consumer friendly information needs to be made widely available, and
 8. there will need to be close monitoring of the impact of the home care reforms with regular reporting to stakeholders and the public.

Next step

Stage 2 of the home care reforms, to be implemented in July 2018, will aim to further simplify the aged care industry by merging the Home Care Packages Programme and Commonwealth Home Support Program into a single home care program.

The takeaway

The aged care reforms, and the Act's implementation of Stage 1 specifically, have the potential to improve the quality and sustainability of home care in Australia into the future. There are both risks and opportunities inherent in a sector overhaul of this nature with efficient outcomes so linked to the assumed operation of market forces.

For individuals, it will provide choice and portability in the home care received which reduces switching costs and allows individuals to receive tailored, appropriate care. However, there are risks associated with entering the market as a consumer, in terms of using the My Aged Care portal and capitalising on the ability to choose an appropriate provider.

Aged care providers face a competitive market in which funding is not guaranteed. However it is also a market with reduced red tape, likely merger and acquisition opportunities and the ability to expand and to innovate.

Let's talk

For a deeper discussion of how these issues might affect your business, please contact:

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