



Proposed Aged Care Reform - What could it mean for me?

Background

Australia's current aged care system provides support and care at home for older people as well as providing residential care services.

The Federal Government makes funding available for these services that can be provided by state and local government bodies, non-government and private commercial organisations.

The Federal Government considers that the current system is facing many problems as it was designed for a different era. As a result, it is thought that many older people receive less support than they need, or miss out altogether.

Aged care services are frequently difficult to access and their flexibility, quality and affordability vary a lot.

These problems have been recognised in a recently released report "*Caring for Older Australians*" prepared by the independent Productivity Commission. This report recommends widespread reform.

The Federal Government is presently considering the report and deciding what it should do to reform aged care. The Minister for Mental Health and Ageing, the Hon Mark Butler, is holding a series of 'Conversations on Ageing' to hear from the community about what matters as you get older and the sort of support and services that will help most.

To assist this conversation the Council on the Ageing (COTA) produced a summary of key elements of the "*Caring for Older Australians*" report. The MD Foundation has adapted the information provided by COTA and provided a summary as a service to our clients. (See next page)

For further information about the upcoming consultation process, please call the Aged Care Consultation Information Line on 1800 057 616.

Please note that this publication is a summary of proposed reform of the aged care system by Government and in no way represents the views of the Macular Degeneration Foundation.

The Macular Degeneration Foundation thanks and acknowledges the information provided for this publication by COTA Australia, 16 Hutt Street, Adelaide SA.

CHOICE

The *Caring for Older Australians* Report aims to put older people, and their carers, at the centre of the system, giving more choice and control over the services people want to use.

Australian Seniors Gateway Agency (Gateway)

The report recommends the establishment of an *Australian Seniors Gateway Agency (Gateway)* in every region of Australia. At the *Gateway* it is proposed that you will receive relevant information as well as being assessed for services to support you if you need them.

Once assessed as needing services, you will be given an entitlement, which outlines what you need and the level of funding available to support you. You use the entitlement to get the services you need. The *Gateway* will also give assistance and advice to choose:

- a. whether to have support and services at home or to move into a residential aged care facility;
- b. which service provider/s you want to use.

Other recommended reforms mean that aged care services should be easier to access. Government controls on how many services can be provided in any one area will be removed over time, so that organisations can respond to consumer demand.

ACCESS

Paying for Aged Care Services

The Productivity Commission report *Caring for Older Australians* recommends that Government continue to pay the majority of the costs of aged care for a person who needs it.

The report also recommends that people who can afford to contribute to the cost of their accommodation and care do so. A means test will be used to work out what a person can afford to pay.

WHAT HAPPENS NOW WHEN PAYING FOR AGED CARE SERVICES?

Community Aged Care in the Home

Under the present system, there may be a fee charged for services provided to you in your own home, but sometimes there is no fee at all. Whether or not you are charged a fee depends on a range of factors, including where you live, who provides your service and whether you can afford to contribute to the cost of the service.

If you get a package of care (called a Community Aged Care Package or an Extended Aged Care at Home Package) you are charged a standard amount around Australia based on an assessment of what you can afford to pay.

Residential Aged Care

To go into residential aged care many older people pay an accommodation bond, which is a one off lump sum payment (like a loan). Currently, this bond is paid by people going into 'low' or 'hostel' level care. People going into 'high' or 'nursing home' level care pay an 'accommodation charge'.

The amount paid as an accommodation bond is based on what you can afford to pay rather than what the accommodation costs. The amount charged is decided by the service provider and the average paid is approximately \$230,000. More than 63,000 aged care residents have paid around \$11 billion in bonds to providers. A bond, minus \$318 per month for up to 5 years, which the provider is allowed to keep and is paid back to you or your estate when you leave aged care. Because of this, it is often the preferred way of paying. Only 5% of residents now choose to make a periodic payment, which is like paying rent.

WHAT ARE THE PROPOSED REFORMS TO PAYING FOR AGED CARE?

The report proposes that the Federal Government will continue to be the main funder of aged care services and that people who can afford to contribute to the cost of services do so. The report says people with the same means, getting the same services, should pay the same wherever they live, which is not the case now.

Key points to know about the payment system proposed by the Productivity Commission are:

1. Government pays for the services you need if you are assessed as eligible and unable to afford them;
2. Centrelink undertakes an assessment of your financial capacity, which includes your assets (including the value of your house) and income, and determines what you can afford to pay;
3. Depending on what you can afford to pay you will be asked to contribute towards the cost of any support and care provided to you either at home or in a residential care home (the report suggests between 0% and 25%). The prices for the care you receive will be recommended by an independent Aged Care Commission;
4. You won't pay more than a maximum amount for support and care over your lifetime (the report suggests a maximum of \$60,000). Once that limit is reached the Government will pay all your costs;

5. If you enter residential care and can afford to pay you will also be asked to pay your accommodation and living expenses. You can pay with periodic payments (like rent) or you can choose to pay a one off lump sum (called a bond). 100% of that bond is refunded to your estate at the end of your time in care;
6. Accommodation prices have to be made available publicly and linked to the cost of providing the accommodation. You can choose how to meet these costs (both accommodation and support and care) and you don't have to sell your home.

WHAT FINANCIAL PRODUCTS ARE PROPOSED?

To assist you to meet your costs there are two new financial products proposed:

1. **The Australian Aged Care Home Credit Scheme**

This is a Government-backed line of credit secured against your house, or your share of it. A minimum level of equity in the house will be set and you can draw progressively down to that minimum to fund your aged care costs. The outstanding balance would become repayable upon your death except where there is a protected person (e.g. partner, dependent child or a carer) living in the house.

2. **The Australian Age Pensioners Savings Account**

If you are a pensioner and wish to sell your home to move to other accommodation you can establish an account with the Government with some or all of the proceeds of the sale and use this to pay for your aged care services. The account would be exempt from the age pension income and assets test.

You may choose to do as you have throughout your life and sell one house to move into another. You may choose to use your superannuation or investments to pay. You may prefer to pay rent or charge the cost against the value you have built up in your house. It will be your choice, there is more than one way to pay and you won't be asked to pay more than you can afford.

CONSUMER PROTECTION

The Australian Aged Care Commission

The report also recommends the establishment of **the Australian Aged Care Commission**. The Commission would be an independent body charged with ensuring the quality and pricing of services, which would include accrediting residential care providers, undertake quality monitoring of community care services and manage the Aged Care Complaints Scheme.