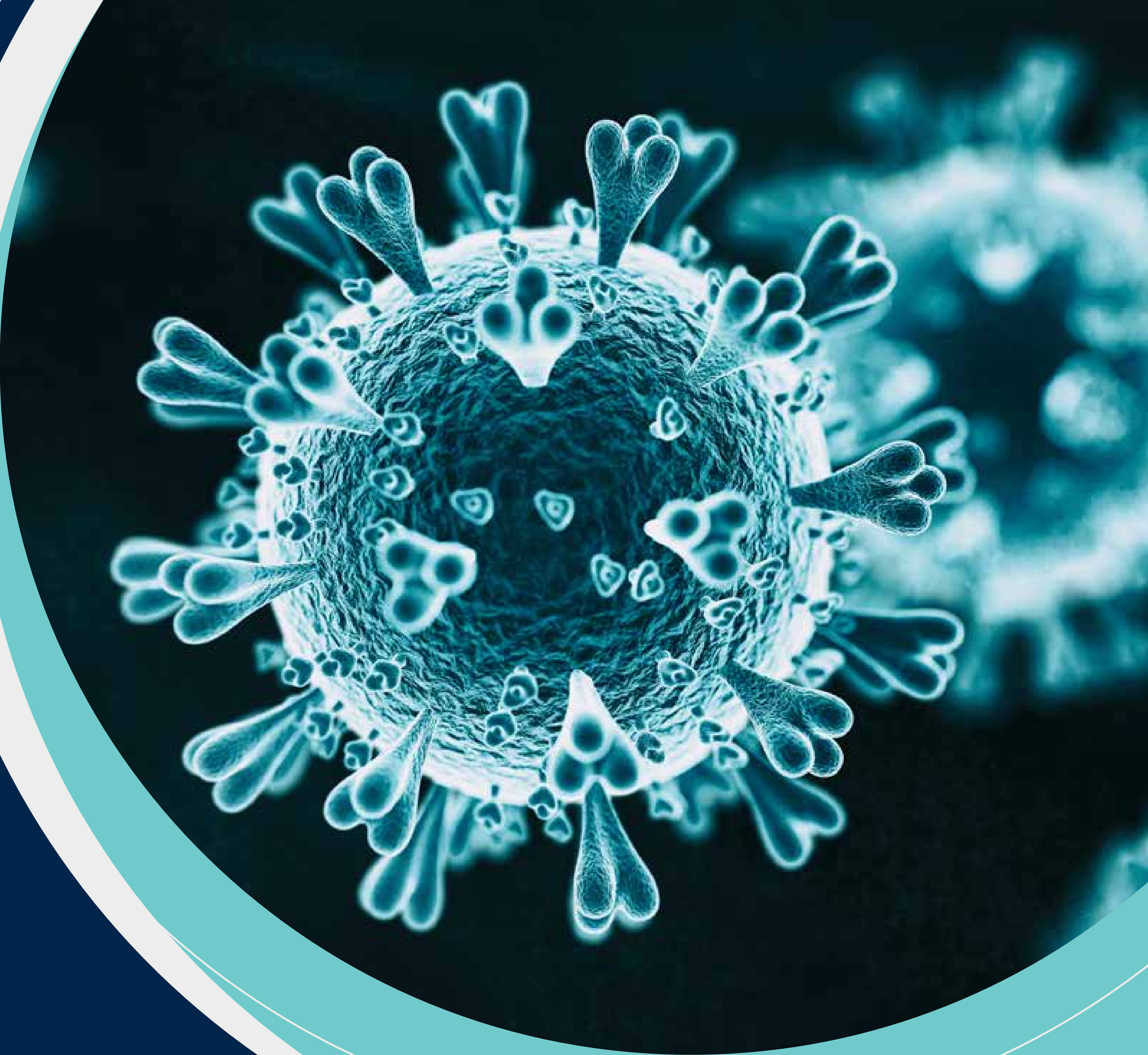

Federal Budget Submission 2020 – 2021

COVID-19 Update

National Seniors
AUSTRALIA

0720203706PAR

Recommendations

Executive Summary

The COVID-19 pandemic has radically changed the economic landscape of Australia and the world. At the end of January 2020, when the call for Budget submissions closed, the outlook was largely positive. Now this has changed, the federal government must use the October Budget to begin the road to recovery.

As the peak consumer organisation representing the interests of all older Australians, National Seniors has revisited our original 2020-21 Federal Budget Submission to refocus on the things that matter most to older Australians in these difficult and uncertain times.

Australians, and particularly older Australians, are deeply grateful for the effective and strong measures taken to protect the community from the deadly impacts of the virus. Older Australians appreciate that without your health it doesn't matter if you have maintained your wealth.

There are more than four million Australian retirees heavily invested in the economy. Half of them are either fully or partially self-funded. They have a key role to play in the recovery, particularly as the group with highest levels of wealth and disposable income. They aren't looking for a hand-out, they are looking for leadership and an opportunity to help. To do this, they need confidence in the economy.

The COVID Financial Crisis (CFC) initially wiped much of the value off the share market and damaged the housing market. This is the wealth older Australians had carefully saved to fund their retirement. Most can't go back to work to recover their losses. The hit to their incomes, will have long-term impacts on spending, affecting business sustainability and employment.

This submission outlines recommendations to improve the confidence of millions of retirees, which will encourage them to invest and spend at a time when stimulus is most needed.

It calls on government to:

- help retirees unlock their wealth and invest safely in the recovery
- create a fairer and simpler retirement income system, and
- assist pensioners most in need.

The submission also calls on government to take action to improve the ailing aged care system. This is needed to address ongoing community concerns, uncovered and raised by the Royal Commission into Aged Care Quality and Safety. These issues have been heightened further by the Covid crisis.

There is much to be done. Older Australians stand ready.

Help them to help the recovery.

Ian Henschke
Chief Advocate

PRIORITY AREA 1: SENIORS AND THE RECOVERY

Retired Australians make up almost one-sixth of the population. There are 3.8 million Australians over the pension eligibility age (66+)[1] and more than four million who have retired[2]. The 'silver economy' built around this large and growing cohort is now a critical part of the economy.

For example, there are entire industries set up to service 'grey nomads' and other older travellers. This supports manufacturing and service sectors in cities but also in regional, rural and remote areas. These businesses are already experiencing significant downturns due to the Covid Financial Crisis (CFC) and could well experience more if retirees' spending contracts further.

This means that retirees will play a crucial part in the economic recovery. However, most have had their savings and incomes heavily impacted by the CFC.

As the Governor of the Reserve Bank, Philip Lowe recently recognised, spending is going to play a crucial role in the recovery in the months and years ahead.

There are two key issues here.

First, despite having significant wealth tied up in the family home, retirees often cannot use this wealth to provide income without significant penalty.

Second, retirees are increasingly concerned about finding safe returns on their investments. Without safe returns, they may be unwilling to spend.

These two factors will have a knock-on effect on the economy because they undermine capacity to spend. We must find ways to help the millions of retiree investors maintain, even expand their spending patterns if we are to avoid a deep and long-lasting recession.

There are two ways government can help retirees spend and invest:

1. Lower the Pension Loans Scheme interest rate
2. Provide investment opportunities for older Australians

1. Lower the Pension Loans Scheme interest rate

Of the four million retired Australians, more than three million own their own home. The average retiree's super balance will last only 10-15 years, leaving many with inadequate income or reliant on the pension. Most have increasing health and aged care costs as they get older.

The change to eligibility for the Pension Loans Scheme (PLS), from 1 July 2019, means all eligible Australians of pension age who own property can now use their equity to generate additional income. The PLS provides access to up to 150% of the maximum Age Pension entitlement, paid fortnightly, with the loan repayable at any time, or on settlement of an estate.

The PLS provides a perfect pathway for retirees to voluntarily gain access to the equity in their home. Being backed and administered by the Commonwealth makes it a simple and trusted way to maintain and increase spending.

National Seniors believes there would be even stronger interest in this scheme if the current interest rate was lowered and widely promoted. A poll conducted by National Seniors in the end of July 2020, revealed more than one-quarter of seniors would consider using the scheme to increase their income. This suggests older Australians might use the scheme to unlock the equity in their home, providing massive stimulus to the economy. As it is a loan, this comes at no cost to government.

Given the PLS allows borrowings of up to $55,000 per couple per year, it could provide billions of dollars in stimulus. Older Australians would have increased capacity to purchase needed goods and services. This would offset any temporary declines in income, which according to many economists could last for many years, helping retirees to preserve capital, reducing reliance on the Age Pension.

It could be used to:

- top up existing income from the pension, investments and employment to provide a more comfortable lifestyle in retirement
- meet income shortfalls during extraordinary events, such as the present financial crisis
- fund health care services including dental costs and home care services, or
- assist family members in financial hardship, such as helping with mortgages or school fees.

By drawing on home equity, older Australians particularly those already with a home care package, could pay for extra hours of care, helping them stay in their own homes and out of residential care. This would take pressure off family members and reduce government spending on residential care.

The PLS interest rate was dropped from 5.25% to 4.5% in January 2020, but it is still too high.

It is a voluntary well-regulated scheme, so retirees would only access it if they needed to do so and had the financial capacity. It should be noted, the loan is flexible and can be increased, decreased and repaid at any time.

Pension Loans Scheme

Example 1: Pensioners - Bob and Alison

Bob and Alison Mayer* are 87 and 84 respectively. They are on a full Age Pension. They own their home outright. It's an older home on a large block and has been recently valued at $780,000. Their combined Age Pension is currently $1,423.60 per fortnight ($37,014 per year).

Alison has dementia and receives a Level 4 package with a dementia supplement. Bob provides Alison's care needs with the support of 11 hours per week from a provider.

Her needs have increased significantly, and Bob is exhausted. His children suggest it is time to look at residential care, but Bob wants to remain at home for as long as possible.

Bob decides to draw down $16,000 per annum ($615.38 per fortnight) to cover the additional costs of private care by topping up their government funded care package. The arrangement provides more personal care hours than in an aged care home (4 hours per day compared to an average of 3 hours in a residential care home).

Over 5 years, Bob and Alison would build up a loan of $94,765 (including compound interest of $10,664).

Example 2: Self-funded retirees - John and Vera

John and Vera Hunt* are 75 and 69 respectively. They are self-funded retirees who own their own home outright. The home has been recently valued at $900,000. Their regular income from their investments is $2,820 per fortnight ($73,320 per year), however the recent hit to the share market means their income is greatly diminished, at least in the short term.

On top of this they both have long-term health conditions and private health insurance which add to their living costs. They also have a daughter who has recently lost her job and is struggling with mortgage repayments. John and Vera want to meet their health care costs, help their daughter and still have a quality retirement.

They decide to draw down $500 per fortnight ($13,000 per annum) to cover some of their private health costs and give their daughter help with her mortgage.

If they did this for 5 years, John and Vera would build up a loan of approximately $77,000 (including compound interest of $8,800). [If their home grew in value at 3 per cent p.a. after 5 years, they'd have net equity in their home of approximately $966,000].

If their investment income went up, they might want to reduce their PLS payment. They could also choose to stop the payment altogether if their situation changes. Conversely, if they needed more income, they could increase their payment up to the maximum amount of 150 per cent of the pension.

This would ultimately affect the final amount they would owe in the future. They would need to think about this carefully and factor in the additional interest charged over the life of the loan until the estate was settled.

**Not their real names.*

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2. Provide safer investment opportunities for older Australians

The collapse of markets during the latest economic crisis (the second in 12 years), highlights the need for safe investment options for retirees.

The low interest rate environment leading up to the latest crisis has forced many retirees to seek out riskier investment options. The reduction in returns from traditionally safe investments, such as bonds and term deposits, combined with inflated deeming rates and the attractiveness of shares with franking credit refunds, has likely necessitated or encouraged riskier investments.

Retirees with portfolios biased toward volatile investments, such as shares, are now, more than ever, wanting safer investments.

At the same time, there is a need for government to ramp up spending on infrastructure projects to provide a stimulus to the economy. Most economists believe investing in infrastructure is the right thing to do. Not least because the cost of raising debt is historically low, but also because failing to do so could be disastrous.

Former Liberal leader, John Hewson, suggests the time is right for government to provide a long-term bond mechanism to allow institutional investors to contribute to infrastructure investment. Others have highlighted the need to allow individual investors access to such investments.

> Established infrastructure is long-lived with regular revenue streams and thus potentially suited for financing by issue of long-term bonds suitable for long term investment portfolios of retail investors (such as self-managed superannuation funds)[3]

However, individual investors are not currently able to invest in infrastructure, despite the attractiveness of these investments. Not only is there a high dollar threshold for investing in infrastructure, these investments are illiquid. Government should consider ways to allow retail investors to aggregate capital, such as being achieved through the affordable housing bond aggregator or the Pooled Superannuation Trust (PST) structure. Secondary markets in these products would assist to manage liquidity risks and enable individual investors to help fuel the recovery[4].

Snowy Hydro 2.0 Green Bonds

Another way government can help older Australians is to offer them a simple way to invest in positive infrastructure projects that provide intergenerational, social and environmental benefits.

One such project is Snowy Hydro 2.0. This project would be attractive to many retirees because they want to invest in projects that improve the lives of future generations. It is also appealing because it will reduce energy costs and boost productivity.

Government could allow older Australians to invest up to a set amount in Snowy Hydro and provide a return slightly above regular bond rates in recognition that older Australians need a diverse portfolio that helps manage liquidity and longevity risks.

As opposed to regular bonds which require financial advisors or brokers to purchase through the ASX, investing in Snowy Hydro 2.0 should be as simple as depositing money into a bank or building society.

PRIORITY AREA 2: FAIRER RETIREMENT SYSTEM

Older Australians want a system that is fair and simple.

According to Dr David Knox from Mercer *"What we actually want people to do is to save, and when they save, they get the benefits of that saving."*[5]

As former Treasurer, Peter Costello, said recently 'most people want to do better than the pension *'but 'Even if you lose your superannuation, or your retirement income, you always have the option of going on the pension'.*[6]

But, it's not quite that simple.

The pension system is 'complex', 'full of inefficiencies' and drives 'perverse' outcomes[7]. It penalises those who save more for retirement and includes perverse incentives to invest in non-productive assets, such as housing to ensure or maintain eligibility for the pension.

For the estimated 900,000 part-pensioners and 380,000 low-income self-funded retirees (holding a Commonwealth Seniors Health Card)[8] the pension means test complicates retirement and retirement planning.

For these people, it matters deeply how the government operates means testing, because it reduces and removes their pension entitlement. Taper rates, deeming rates and asset revaluation processes are not arbitrary, they materially impact on day-to-day income and more importantly, signal to retirees whether the system is fair.

The Covid crisis has focused attention on the faults at the heart of our retirement income system. These anomalies undermine confidence. That lack of confidence reduces spending at a time when we can least afford that to happen. The crisis presents government with an opportunity to undertake reform. Reform that will make the system fairer and simpler. It is therefore essential that the findings of the Retirement Income Review are not wasted or ignored.

There are three ways government can make the retirement system fairer in the short term:

3. Lower the Assets Test Taper Rate
4. Lower deeming rates
5. Provide automatic revaluation of investments by Centrelink

And another way to make the system fairer and simpler in the long term:

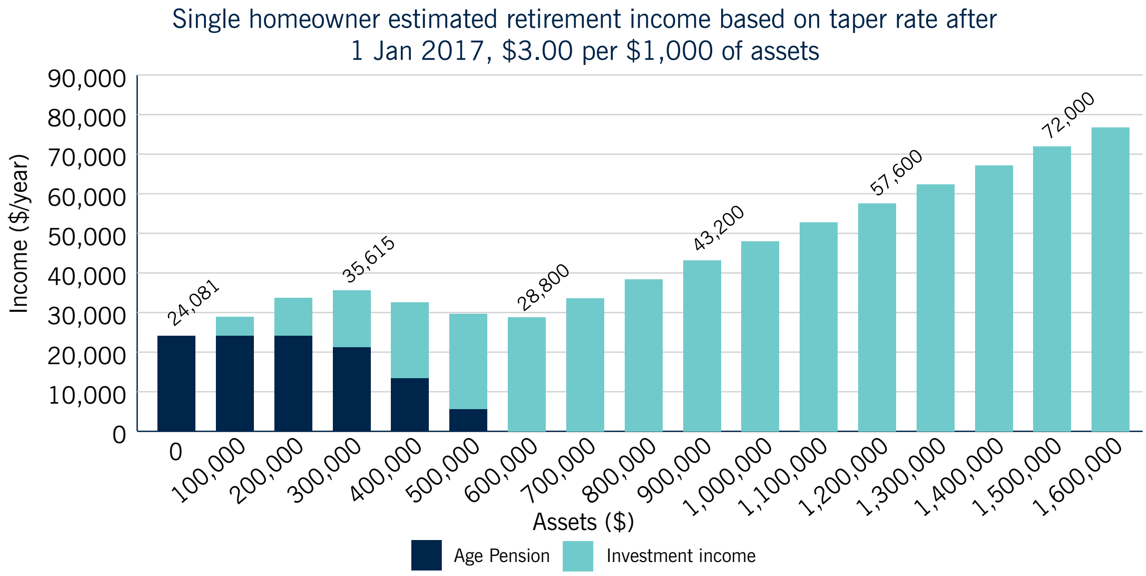
6. Remove means testing and reform the tax system

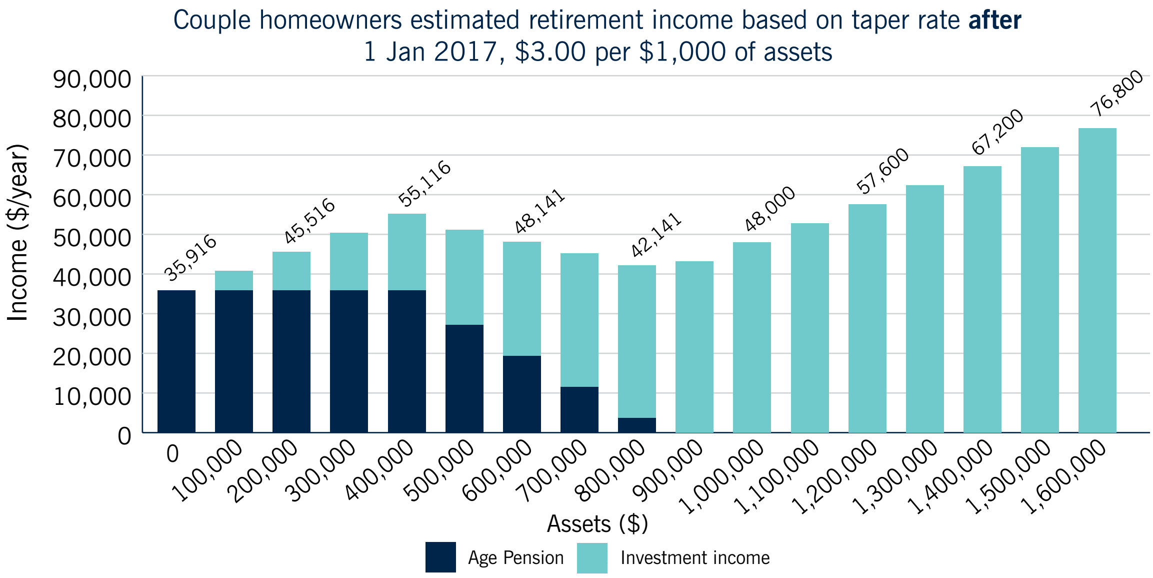
3. Lower the Assets Test Taper Rate

The changes to the assets test taper rate in 2017 were manifestly unfair. The changed taper rate of $3.00 per $1,000 of assets means retirees who have done the right thing and saved more for their retirement, have incomes less than those who have saved less.

In the example below (Figure x), based on a return from investments of 5.5%, a home owning couple with $800,000 in assessable assets will have an income which is $1,000 per month less than a couple with assets of $400,000. The more you have saved the less pension you get and vice versa.

Figure 1 & 2: Impact of current assets test taper rate on income of single and couple homeowners





This distortion creates perverse incentives which encourage retirees to draw down on their savings to gain eligibility for the pension and more pension income. This undermining of savings increases the cost of the pension. This sentiment has been shared with us by many retirees.

> "In 2017, my husband and I lost our part pension completely for nine months due to changes to the asset[s] test. This resulted in a one-third reduction in our income and we had to spend much more of our savings to live. We then re-applied and received a very small amount, representing the lowest level of the pension supplement. Our part pension has gradually increased as our assets have diminished, but with our assets 18% less than before the change we are now only receiving the same amount of part pension that we were receiving prior to 2017. We are now spending our assets more rapidly and, with unprecedented low interest rates on our savings and terms deposits, our income has diminished considerably. We are in the situation of having to spend more of our assets to ensure a higher income from the pension, but this money is then gone forever. We had saved and planned our finances so that we would not be left in the situation of having to live solely and frugally on the full pension. But we now fear that we will soon be completely reliant on the full age pension and no longer able to afford private health insurance or dental care. This will cost the Government more in the long term."[9]

National Seniors recommends reducing the taper rate from $3.00 to $2.00. This would immediately make the system fairer and encourage people to save more for their retirement. This would indeed be "a fair go for those who have had a go". This will be increasingly important as the superannuation system matures, and the wealth of retirees grows.



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4. Lower deeming rates

National Seniors has been advocating to government for reductions in the deeming rates used to estimate income from financial assets.

The fall in the RBA cash rate and subsequent reductions in returns from term deposits, bonds and other investments now requires another change in deeming rates to reflect the realities of the market.

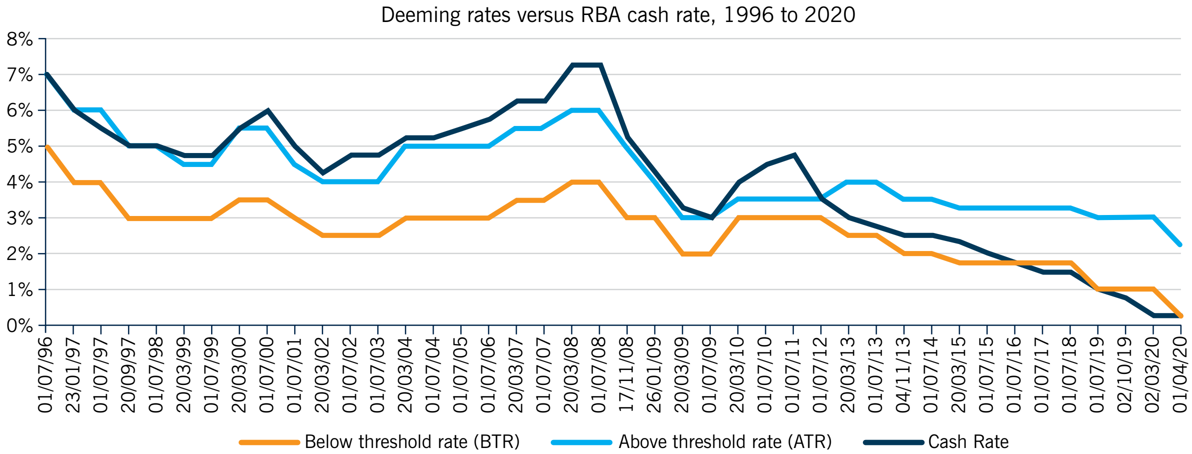
Where once the upper deeming rate tracked in sync with changes to the RBA cash rate, it now does not. It is unclear what formula is used to calculate deeming rates. It appears rates are set at the discretion of government.

But government has been slow to act to reduce the deeming rates in line with changes in the cash rate, to the detriment of retirees.

Not only does reducing deeming rates impact on pension entitlements it also impacts on eligibility for the Commonwealth Seniors Health Card and aged care entitlements.

There is a need to review the process by which deeming rates are changed and ensure this is transparent and in line with community expectations. Ideally this could be achieved through an Independent Pension Tribunal. This would also take the politics out of the process.

Figure 3: *Deeming rates versus RBA cash rate, 1996 to 2020*



5. Automatic revaluation of investments by Centrelink

Centrelink automatically re-values market-linked managed investments, shares and securities twice a year to account for any changes in assets and income. This happens on 20 March and 20 September.

When Centrelink conducts a review, it bases its revaluation on information it receives at different times of the month, depending on the investment. Market-linked managed investment unit prices are collected at the end of month. Listed shares are collected fortnightly.

The automatic review that took place on the 20 March 2020 would have used market linked managed investment unit prices at the end of February. This was at the peak of the stock boom. It means the calculation of a retiree's pension would not reflect the present market reality. As for listed shares, if Centrelink receives these figures fortnightly the difference is likely to be less significant, although still not accurate given the large falls in the market during March.

> This year they have revalued them [investments] in February, the share market has dropped approximately a further 30% up to 20 March thus robbing pensioners of their correct payment.
>
> *National Seniors Member*

While pension recipients have the right to request a manual revaluation of their investments it is not practical for all pensioners to do this when markets fall dramatically. Not only does this create an undue burden on individuals and Centrelink, there is also the risk many do not know or are given misleading information from Centrelink about their right to have their assets revalued manually.

> I am very upset at Centrelink for deeming our Commonwealth Bank Shares at $81.78 each from 20th March 2020. With the market crash due to Coronavirus they have been hovering between $58 and $61 each making a difference of around $100.00 per fortnight to my pension. I have contacted Centrelink requesting a revaluation but was told this will not be done until 20th September 2020[10]. We age pensioners are suffering enough being in isolation without having any additional worries like this.
>
> *National Seniors Member*

While National Seniors welcomed the federal government's revaluation of assets in June 2020, this is not a permanent fix to an ongoing problem. The simplest solution is that government should automatically revalue on a more regular basis, such as quarterly or even monthly.

Revaluing investments more often would:

- provide an immediate boost in income to retirees whose asset values have fallen
- reduce pension overpayments when markets rise, and
- reduce the administrative burden on Centrelink.

6. Remove means testing and reform the tax system

National Seniors would welcome moves to adjust the assets test taper rate, deeming rates and to have more regular revaluation of investments as a way of making means testing fairer. However, there is a much bolder, simpler option, which would remedy the complexity of the current system.

We proposed in our submission to the Retirement Income Review that government should look at other countries for ideas on how to improve the retirement income system[11]. We have argued government should consider more significant changes to the system.

For example, it could remove means testing by introducing a universal pension. Many of the countries with highly regarded pension systems have a universal pension (see Table 1). This would simplify the system.

Under a universal pension, retirees would:

- **be** rewarded for saving more
- **have no** incentive to spend money or overinvest in housing simply to gain the pension
- **not be** penalised for working in retirement,
- **not have** to constantly deal with Centrelink or be concerned about reporting the value of their investments and income to meet means testing rules.

They would also have greater certainty.

Speaking about the benefits of a universal pension, Dr David Knox from respected firm Mercer has said,

> "If we gave them [retirees] more certainty and said here's an income, it's going to be payable for as long as you live … then in fact retirees have got less risk, and they'd probably go and spend a bit more. And that of course would be good for the economy"[12]

A universal pension would require government to enact tax reform to pay for the cost of providing a pension to all. This would ensure everyone received the benefit of a year-to-year safety net to meet income shortfalls in times of crisis and in later life when capital and income was reduced without creating a burden on the budget. Tax reform would allow government to recoup the cost of a universal pension from retirees with adequate income without negatively impacting low and middle-income households.

This is how it is done in other countries.

In Canada, for example, the *Old Age Security pension recovery tax*[13], progressively recoups the cost of providing a basic pension to those on higher incomes. In New Zealand, all retirees pay tax on their pension and their private income, which enables the government to recoup much of the costs of providing a pension to all.

While there may be some resistance to changing the way income and superannuation is taxed in retirement, we believe most older Australians would see the overwhelming benefits of a universal pension.

Ultimately, government needs to have a conversation with all Australians to explain the costs and benefits of shifting to a universal pension. National Seniors would welcome being part of this discussion. We have already raised this matter with older Australians and overwhelmingly the response has been positive.

Table 1: *Age Pension and other features of selected pension system around the world*[14]

Pension System	MMGPI 2019 grade	Pillar 1		Pillar 2	Pillar 3
		Universal age pension	Income Supplement	Compulsory superannuation	Voluntary savings
The Netherlands	A	Yes	No	Earnings-related occupational pension	
Denmark	A	Yes	Means-tested pension supplementary benefit	A fully funded defined contribution scheme; Mandatory occupational schemes	
Australia	B+	Means-tested age pension (based on both assets and income)		Employer contribution	Voluntary contributions from employers, employees and self-employed
Canada	B+	Yes	Means-tested pension supplementary benefit	Earnings-related pension based on revalued lifetime earnings	Voluntary occupational schemes and individual retirement savings plans
Finland	B+	Income-tested basic national and guarantee pension		Statutory earnings-related schemes	Voluntary occupational and personal pensions
Germany	B+	Means-tested safety net		Earnings related pay-as-you-go pension	Supplementary occupational pension plans
New Zealand	B+	Yes	No		Voluntary private pensions KiwiSaver direct contribution retirement savings schemes
Italy	C	Minimum means-tested social assistance benefit		Notional defined contribution scheme	Voluntary supplementary occupational schemes (low coverage)
United Kingdom	C	Yes	Income-tested pension credit		Voluntary occupational and personal pensions
United States	C	Yes	Means-tested supplemental security income	Progressive social security benefits	Voluntary occupational and personal pensions

MMGPI = Melbourne Mercer Global Pension Index

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PRIORITY AREA 3: PENSION ADEQUACY

As a safety net, the Age Pension provides an important means to address poverty in retirement. Yet for many, it is not adequate.

1 in 4 Older Australians live in poverty[15]

While some retirees have savings, which they use to generate additional income, many don't. Compulsory superannuation only began in 1992, and its rate has taken many years to increase to its current setting of 9.5%. For those in low-paid jobs, with broken career histories or in jobs where compulsory super has not applied this situation will be worse.

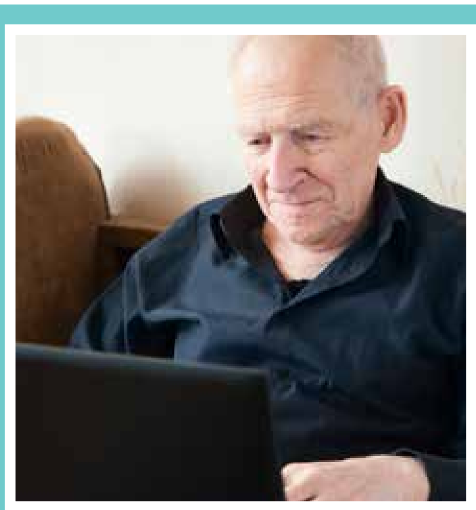
Some retirees also do not own their own home. While many retirees have benefitted from rising property prices, for others this has undermined their ability to secure home ownership. This means more and more retirees will have to meet the ongoing cost of renting in the future to provide themselves with a home.

Others are struggling with the basic costs of technologies required to perform day-to-day tasks and enable social inclusion. These technologies are vital to obtain information; access private and public goods and services; and keep in contact with friends and loved ones.

Part of the problem is that key pension supplements are not enough to meet the specific needs of those in poverty. While pension supplements exist to assist those who are less fortunate, they are not adequate. This has negative impacts on the capacity of older Australians to spend and stimulate the economy.

There are two ways for government to assist low-income and low-wealth pensioners:

7. Increase Commonwealth Rent Assistance
8. Provide an internet supplement or discount



7. Increase Commonwealth Rent Assistance

Many older Australians own their own home, however 25% do not[16].

Those who rent must forego a large portion of their pension just to put a roof over their head. They also face the burden of rising housing costs.

While the Commonwealth Government provides renters access to Commonwealth Rent Assistance payments, this is falling behind the rising cost of housing. Over the past 10 years average rent costs increased by 29%[17]. In comparison, the maximum rate of the Commonwealth Rent Assistance increased by only 23%[18].

This has exposed renters to higher costs, lower living standards and increased the risk of homelessness.

> Older women—those aged 55 and over— was the fastest growing cohort of homeless Australians between 2011 and 2016, increasing by 31%.[19]

Increasing the maximum rate of the CRA is a simple, effective way to address this problem. It will also help older people maintain their housing, ensuring stability in the rental market.

The maximum rate of the CRA could be lifted to a proportion of average housing costs in a specific region. Clear evidence shows housing costs in highly urbanised areas are much higher. For example, the average cost of renting in Sydney in the week ending 20 July 2020 was $637.10 per week compared to only $411.70 per week in Adelaide[20].

This is important because older people should not be forced from their local communities where they have long-standing connections to services and community. Forcing older people to relocate to cheaper housing in unfamiliar areas with limited or expensive transportation options will further undermine quality of life in older age. It also leads to concentrations of poverty in outer suburban and regional areas where housing costs are cheaper.

Ultimately, the maximum rate of CRA should be set by an Independent Pension Tribunal so pensioners who rent, receive enough income to meet reasonable living costs, no matter where they live.

An increase in the maximum rate of CRA of an average of $10 per week to all pensioners currently receiving CRA would cost around $150m per year[21].

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8. Provide an internet supplement or discount

The COVID-19 crisis has highlighted the importance of getting older Australians online.

During Covid restrictions, Australians have been using online services to protect themselves from infection and connect with the outside world. The capacity for older Australians to use digital technology to access goods and services; and communicate with friends and loved ones is critical.

However, it is well known many older people cannot afford to connect to the internet or lack basic digital skills required to use modern internet-based technologies.

One of the key barriers facing older Australians is the cost of technology and the cost of connecting to the internet. There are clear competency and cost barriers for older Australians:

> We read enough about viruses, malware, phishing, and the like, not to mention the costs of a computer, a printer, printer ink, an internet connection, software, and so on, to make some of us think twice about embarking on the digital journey[22].

The most recent data from the ABS, showed that 2.5 million Australians are not online because of affordability issues, location or lack of digital literacy[23]. This is supported by evidence from the 2019 Digital Inclusion Report, which reported that those aged 65+ continue to be the least digitally included age group in Australia.

> Internet affordability has a particularly negative effect on the digital inclusion of Australians on lower incomes because they have less discretionary income to spend[24].

It found that between 2014 and 2019 there has been a “widening of the gap in affordability” among Australians aged 65+ (and other vulnerable groups).[25]

> Currently, just over one in five people in this age category access online health services, substantially below the national average of two in five.[26]

Improving digital inclusion for those over 65 years of age would improve access to online health services, for example.

Government should find a way to make the internet more accessible given it is an essential, sometimes life-saving service. While all pensioners, both full and part rate, receive some support for the cost of phone and internet via the existing Pension Supplement, it is not enough for those on a full pension with limited income. The Telephone Allowance component of the Pension Supplement currently provides only $30.20 per quarter for a single pensioner[27].

A targeted internet supplement could be provided to full pensioners to help them access internet services through either the nbn or via mobile technologies. A $10 per month internet supplement to 1.6 million full pensioners would cost about $192 million per year.

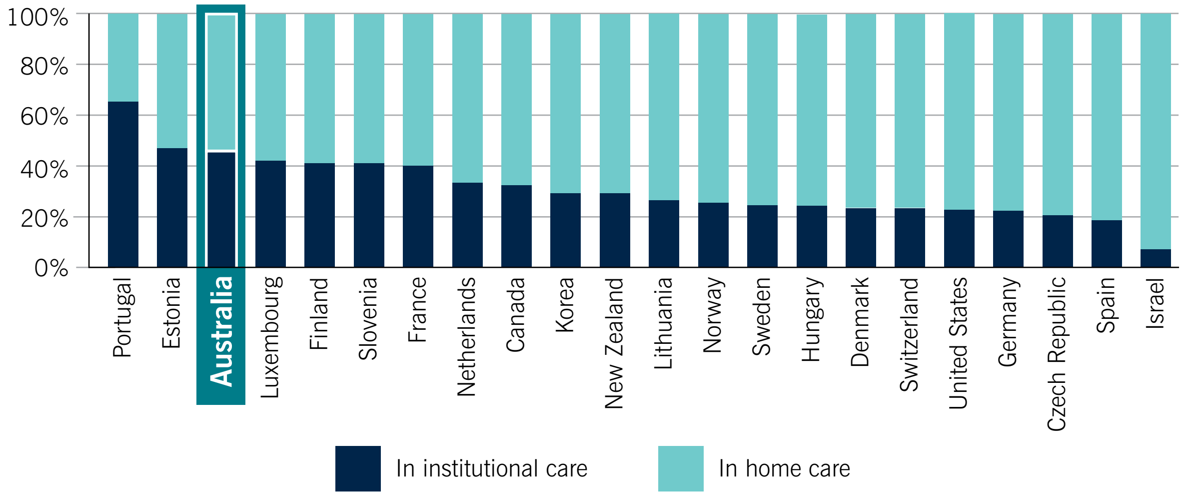
Another option is that nbn offer households receiving financial support a 50 mbps service at a wholesale price of $20. The cost of reducing the wholesale price of a 50 mbps service to $20 would need to be met by an increase to other users under the current nbn cost recovery model.

PRIORITY AREA 4: AGED CARE

The Royal Commission into Aged Care Quality and Safety has laid bare the failings of the system. All Australians are right to be concerned they will not receive adequate care when they are old. The COVID crisis has highlighted the often-fatal consequences of residential care and reaffirmed how it is safer for the elderly to stay in their own homes, where possible.

Most older people do not want to go into residential care and would prefer to stay at home, ideally with a mixture of informal (family) and formal (paid) support[28]. Unfortunately, the use of residential care in Australia is one of the highest in the OECD.

Figure 4: Proportion of people in residential care versus home care, selected OECD countries (2018 or nearest)[29]



We recognise those with extremely high needs and/or no family, need high quality residential care. Yet, as has been noted by the Royal Commission, care quality and quantity are often lacking[30]. A significant issue is the lack of transparency regarding both the way providers use funding and the level of care provided.

For those who can stay at home, it is important the system encourages and enables this. Care recipients and their carers must be adequately supported. Too many people are waiting for home care packages or living in housing ill-suited to their needs.

While the lack of home care packages is a supply side issue that can only be addressed through increased funding, more also needs to be done to ensure older people have homes suited to their needs. Removing the disincentives inherent in the current means testing arrangements, (for example see Recommendation 1, above), will help deal with the penalties discouraging older people from downsizing. There is also a need to rethink the types of housing available to increase the attractiveness of downsizing.

There are three ways to help fix the aged care system:

9. Strengthen home services care
10. Support construction of seniors' friendly housing
11. Increase funding and staffing transparency in residential care

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9. Strengthen home care services

The number of people requiring home care packages currently outstrips supply by almost 100,000. Unacceptable waiting times have been highlighted by the Royal Commission as an area needing immediate attention. It is pleasing the government has increased funding to home care services, but it is still disappointing it's not meeting demand. Older people, rightly, have heightened fear about residential care as a result of COVID-19 outbreaks.

95,634	Older Australians waiting for home care[31]

National Seniors continues to hear of cases where people on the home care waiting list died before they received any assistance. Others have been forced into residential care prematurely because their carers couldn't cope. In some cases, this could be a fatal move given the current situation with COVID-19. Older Australians regularly tell National Seniors of parents who are in their late 90s or are even 100+ who aren't receiving home care despite being approved for it.

Australians want to age in their own home but can't do it safely without adequate support.

A recent survey commissioned by the Royal Commission found people over 70 didn't want to burden their families and had a strong preference for paid help for dressing, eating and using the bathroom[32].

Increasing the number of Level 3 and 4 home care packages would reduce the current waiting list and improve the quality of life for people needing care. It would also stop more older people from being forced into residential care. This is important because residential care results in declining health, greater public expense and with COVID, greater risk of death. Increased spending on home care packages is an investment in budget management and reflects what people want. It is cheaper to keep people in their homes than in residential care.

Many older Australians are also willing to help fund additional care at home. They could pay for additional care at home if the Pension Loans Scheme was more attractive and better promoted (see Recommendation 1, above).

There is also a need to secure funding for other home-based home support services, such as those offered through the Commonwealth Home Support Programme (CHSP). These services often provide the first step in the care journey. They utilise a mixture of paid and volunteer staff to deliver assistance both in the home and in group settings, which are well regarded by those who rely on them and at low cost to government.

10. Support construction of seniors' friendly housing

Older Australians want to remain in their own homes, not go into a home. They want to remain independent. Many would downsize to a home that is more suitable, if one existed. However, there is a lack of suitable housing alternatives.

80.2%	Older Australians are concerned about ending up in residential care[33]

Evidence suggests older Australians are reluctant to downsize. There are a range of reasons for this. Some are deterred by the cost of downsizing with government stamp duty playing a role. National Seniors has been campaigning for seniors' stamp duty concessions at the state and territory level to address this. Others are deterred by the potential impacts on the pension. As noted earlier, current means testing arrangements create a disincentive to downsize as it may impact on pension entitlements.

However, there are also supply-side issues contributing to this problem. The market simply isn't delivering enough housing suited to older people.

1 in 3	Older Australians live in homes without suitable design features for ageing[34]

The recent tendency to construct large unit or apartment towers is not appealing to most older people. These are often built in inner-city areas, away from an older person's community. At the other end of the scale, many are wary of dedicated 'seniors' options, such as retirement villages. Older Australians need other housing options, but efforts to ensure new housing meets basic accessibility standards are failing, in part because they are voluntary[35]. The market is failing older Australians.

National Seniors has long supported the need for new and innovative downsizing options. There is a distinct need for alternatives that continue to provide financial and social independence while offering access to care and opportunities for social interaction.

National Seniors believes a better balance between independence and care can be obtained through innovative design. What is needed are small scale residential developments with accessible design features that allow older people to downsize to a more suitable home without having to be locked into a village model.

The Australian Government could facilitate this by providing innovation grants to developers, subsidies for housing incorporating accessible or universal design and by working with state and territory counterparts to ensure planning laws enable innovative housing solutions, such as those encouraged by the NSW Government's Low Rise Housing Diversity Code[36].

Encouraging downsizing will help create jobs in the building industry at a time when this is desperately needed.

11. Increase transparency of residential care providers

Staffing is consistently viewed as the reason for poor care in residential care. It's a view recently backed up by research conducted for the Royal Commission[37].

Feedback received by National Seniors supports the link between quality of care and staffing. Many of our members and supporters are concerned about the skills and qualifications of staff; the number of staff available and the number of hours that individual residents receive when living in residential care (often only a few hours a day).

1 in every 2	Aged care homes have unacceptable staffing levels[38]

The vast majority tell us they want minimum staffing ratios to protect older people in care. Why? Because they believe, from their own experience, a loved one did or did not receive adequate care because of the presence or absence of adequate and qualified staff.

In the absence of minimum ratios, residents and family should at the very least be able to know what staffing will be available to care for a loved one, *before choosing a home*. Information is an essential component of a "Consumer Directed Care" approach. Residents and family should be able to easily know how many staff will be available to meet care needs and the skill levels of available staff. The idea that people should drive around from home-to-home and use this to get a feel for them is both impractical and rarely happens. Most people choose a home when they are in crisis and do not have the luxury of shopping around.

Publishing staff-to-resident ratios will improve quality and safety for people in residential aged care.

Providers should be aware of the number of staff, and skills and qualifications, relative to the number of residents in their facility. This information should be published and regularly updated on the My Aged Care website, so consumers are better informed when choosing a home.

This level of transparency should extend to the finances of residential aged care providers. The public needs to know what level of funding is going into direct care.

In its Interim Report, the Royal Commission criticised the lack of sufficiently specific financial information published by providers, stating "there is no public information on the way providers use taxpayers' funds and individuals' contributions to deliver aged care services."[39]

Aged care is an essential health service and should be treated as such. Providers should be obligated to publish a basic level of information about the way money is spent.

Aged care providers should be required to disclose their income and spending, including what they spend on food, medication, staffing, accommodation and administration as part of their ongoing reporting obligations.

> Residents should receive an individual annual report detailing the home's expenditure on their care and other services.

The NDIS and home care are now delivered under the Consumer Directed Care (CDC) model. This provides consumers with choice, flexibility and information about how their money is spent.

This model must be applied as soon as possible in the residential care setting. Ideally this should happen at an individual level, or at the very least, at the level of the individual's home. The information should be published annually and made available for auditing and benchmarking.

This would be a great first step in restoring faith in the aged care system.

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