

Priority 5: Funding aged care

The Royal Commission into Aged Care Quality and Safety handed down a blueprint for reform, which requires significant funding.

The time has come for all sides of politics to fix this problem.

All sides of politics must come together to ensure the fairest and most efficient funding option is chosen.

Older people should also be able to fund *additional* care (over and above what government provides) to help them remain safely at home.

Allowing older people to safely and cheaply unlock home equity to “top up” their care should be made available.

This will give older people a better life and reduce the risk of premature entry into residential care. Saving the individual and government in the long run.

Key Recommendations

9. All parties should commit to finding the fairest and most efficient way of funding aged care reforms and develop a transparent process to gain public support for any reforms.
10. Create a dedicated Home Care Loans Scheme to fund additional care and support.



RECOMMENDATION 9

All parties should commit to finding the fairest and most efficient way of funding aged care reforms and develop a transparent process to gain public support for any reforms.

Overview

- Independent analysis of aged care funding options should be undertaken during the current term of parliament.
 - This analysis could be performed by the Productivity Commission and put before an expert review panel and a multi-party parliamentary committee.
 - Independent analysis should establish the most fair and efficient way to raise the additional funds required to fund aged care reforms.
 - It may involve a single funding mechanism, such as a levy, an increase to GST or changes to superannuation tax concessions. It may also include changes to the rules governing consumer contributions, such as annual or lifetime caps or the valuation of assets. This may involve a combination of these based on their capacity to deliver fairness and efficiency.
 - Consumer research and public consultation should be undertaken to assess public support for different policy options to ensure there is broad public acceptance before making any changes.

Benefits

- Establishing a thorough process for assessing the costs and benefits of funding options and ensuring public testing of funding options will ensure funding reform is not derailed by politics.

Why the policy is needed

- Reforming aged care requires significant new investment – Additional funding of between \$7bn and \$15bn per year will be required.^{xvi}
- The Federal Government will have to either raise new revenue or redirect funds from other spending areas – This will require difficult and unpopular decisions.

Budget implications

- The costs of analysing the most fairest and most efficient funding option would be similar to previous Productivity Commission investigations.
- Funding for consumer research and to run public consultation processes will be required.
- A community education campaign would be required to explain the changes.

RECOMMENDATION 10

Create a dedicated Home Care Loans Scheme to fund additional care and support.

Overview

- Develop a dedicated Home Care Loans Scheme (based on the existing Home Equity Access Scheme) with a reduced (cost recovery) rate of interest.
 - The scheme would allow older people to pay for additional support and care at home or to pay for home modifications
 - Eligibility for the scheme will be limited to those approved for a higher-level Home Care Package.

Benefits

- Increases the funds available to home care recipients to live a better and safer life in their own home.
- Reduces the risk hospitalisation and premature entry into residential care.
- Decreases reliance on more expensive residential care – both the government and borrower would be better off financially.
- Creates economic stimulus from the release of equity – boosting employment and spending on care, services and ageing related products.
- A targeted scheme would reduce financial risks to participants and government.

Why the policy is needed

- Older Australians have a strong preference to stay in their own home as they get older and a strong aversion to residential aged care.
- Thousands of older people are forced into residential care annually because of a lack of home care packages or income to pay for care and support – In 2019, 19,000 went into residential care unnecessarily and an estimated 20% of residents don't need to be in residential care.^{xvii}
- Older people can lower their risk of entry into care where care is provided – A recent study showed every hour of service received per week was associated with a 6% lower risk of entry into residential care^{xviii}
- Take up of equity release is more likely in times of crisis or need – A recent National Seniors poll showed 35% would consider a government equity scheme to provide a higher income in retirement, but a separate poll showed 59% would consider a dedicated home care scheme (with a reduced interest rate).^{xix}

Budget implications

- Setting a cost-recovery interest rate will mean the scheme is budget neutral.
- By targeting the scheme at those approved for higher level home care packages, participants will hold shorter term and smaller loans.
- Reducing the reliance on residential care will have positive budget implications (residential care is far more costly than home care).