“Policy development from the base up”

National Seniors Australia

Response to
Royal Commission into Aged Care Quality and Safety

Consultation Paper 2: FINANCING AGED CARE

National Seniors AUSTRALIA

Contents

Policy development from the base up

1. Funded by households or government?

Karl Marx in his *Critique of the Gotha Program* penned the slogan "From each according to his ability, to each according to his needs". [*Kritik des Gothär Programms*, written 1875, published posthumously c1890]. Without the communal overtones this slogan has acquired, it captures generally the Australian sense of a 'fair go' for older people. Those responsible for both government and household funds should do their utmost to meet the needs of older Australians with the best quality services available. For this to be achieved much better policies and systems than those operating now are needed.

Australians 50+ have strong expectation to be rewarded in later life. 82.8 per cent agree that older people 'should be rewarded in retirement because they've spent all their lives paying taxes, raising children, and contributing to the community' [1]. These sentiments are in accord with findings from recent reports prepared for the Age Care Royal Commission that showed adults of all ages value contributions people over 70 make to society and that younger generations benefit from the work of older generations. Almost 95% agreed that society is obliged to care for older people [2].

While there is community support for this approach to need and fairness, there is a competing undercurrent of dissatisfaction among younger Australians about lack of access to housing and quality employment compared to older generations. The often-cited intergenerational divide [3] may undermine younger peoples' willingness or capacity to contribute to funding age care [4], particularly with the additional financial pressure being placed on working-age families and individuals from COVID-19 related job losses, unemployment and poverty. There is also a cohort coming through who have already drawn down on the Super Guarantee (SG) accumulated funds with negative, longer-term consequences.

National Seniors previously found that 8 out of 10 older people themselves are willing to contribute to the cost of their care in later life according to their means to pay [5] however times have changed. Older Australians retirement incomes are in free fall due to an unprecedented convergence of negative trends: savings interest rates tracking the cash rate of 0.25%; deeming rates still higher than reasonable; the stock market collapsed and remains unstable; draw down of superannuation balances along with payouts to baby boomers leaving work; negative to zero returns on Superannuation Guarantee (SG) balances; loss of bank dividends; less work opportunities and an increasing preference for younger people; decreasing home ownership, and; loss of rent on properties and business income in the crisis. All these factors have left many older Australians in a precarious financial position with far less money than they had previously to pay for aged care services.

The current financial realities for older Australians are clear in their verbatim comments during the COVID outbreak [6] expressing their feelings of being 'forgotten' in the COVID support plans:

Giving up work last year and then selling my investment property so I could afford to retire, at the age of 74, I've lost my eligibility for a part pension. With the share market crashing my situation has changed drastically but it seems impossible to regain my eligibility for any government assistance. What measures can I take to remedy this.

I have not previously qualified for a pension. I support my daughter who has many health issues and is unable to work. We live solely from Bank share dividends. How will we pay our bills and how will we buy food if Bank dividends are stopped? I am a single woman, self-funded retiree who built a granny flat in my back garden to provide retirement income. My tenant has a job but is a single parent and has flagged he won't be able to pay rent in 2 weeks' time when his holiday and sick leave runs out and he is at home with his son two working days a week. I could forego 2 weeks rent but this will go on for months. … I am 63 and not eligible for pension help. Please advocate for landlords like me who aren't wealthy, just making ends meet.

Interest rate on term deposits low- one million dollars gets you no more than $16000 per annum, less than pension! More support needed for self-funded retirees. Dropping deeming rate much lower would help.

We just miss out on an age pension which means we rely on interest on our savings - there is now NO return on our savings! This simply means that the taxpayer will be supporting us in the near future - how does this make economic sense?

A research report prepared for the Royal Commission to assess public views on age care funding reported there was overall support across all age groups for co-contribution to support quality age care according to individuals' ability to pay. The majority of taxpayers also indicated they would be willing to pay more tax to ensure all Australians have access to quality age care [7]. However, with a 2020-21 budget deficit of $184.5 billion forecast for Australia due to COVID-19, and the economic hardships being experienced across society, innovative models of age care financing are called for; models that are grounded in an age care system that maximises healthy life expectancy and prevents or minimises use of costly high need care.

2. Building age care finance from the base up – not top down

National Seniors has a fundamental issue with finance discussions not starting and finishing with the older person and their care preferences as the point of focus. We take the position that financing aged care is intrinsically tied to the desired age care system; in other words, we need to be clear about what we want to be financed before we determine how to finance it.

It's a near universal expectation that older Australians don't want to end their lives in residential, congregate care although clearly high-quality residential care must be readily available for those who want or need it. Determining how to maintain quality of life at home should therefore be the focus.

It is well established that residential aged care incurs more private and public costs than long term home care [8]. With increasing privatisation and costs of residential aged care, low supply and a relatively fast growing older adult population, home care is also a cheaper and more viable option for older Australians.

However, modelling the cost effectiveness of home care as compared to residential aged does not take account of the major economic contribution of unpaid care. This should be the primary and substantial base for the financing of aged care since it is already large and capable of growth with appropriate support and technological innovation. One reference in Consultation Paper 2 (p4) notes that there is 'a significant contribution by informal carers to personal care services but then adds 'mainly supported by Australian Government through Carer Allowance and the Carer Payment' which is not supported in our National Seniors survey.

A recent report from National Seniors [8] found that care is extensive and time consuming, with carers spending an average of 26 hours per week on caring and that the majority (59%) had not spoken to anyone about a care plan. Although many cared out of love, some felt they had no choice about their care role and were experiencing mental, physical and financial strain due to caring [9]. Regardless of their motivations, they were providing care which might have had to be provided at government expense. They are also less likely than younger carers to be in receipt of financial support [10, 11].

The caring is something I do because this is my partner. I really have no choice. Thinking for my partner. Encouraging so that all abilities are not lost. Not showing impatience.

I have no other option, in my generation you got married for better or worse and i will care for my wife as long as I am able. I would never want to put her in care for both social and financial reasons…

Many of our age just provide care because it's the right thing to do, but it can be very exhausting sometimes and some days it drives up my own blood pressure

That is 20 years of my life, earning power & superannuation that I have sacrificed, for a worthwhile (yet distressing & exhausting) cause…

It's emotionally and physically draining caring for an elderly parent. I can't go on a holiday for more than a night or two. I have health problems too and I live alone so I really need to look after myself as well. It's a bit of an exhausting cycle.

I do Up to 40 Hours a Week caring for a 96-year-old Lady, this Lady is my Lady friends Mother and if I didn't Care for her she would have to go into a Nursing Home. She is on a Level 4 Care Package Under the Aged Care Home Care Package! I do not get Paid for this and whilst I have been Told I am Eligible for a Dept of Human Services Carers Payment I "Refuse" to Deal with the Centrelink Office as I regard it to be totally Inept and Untrustworthy in so many ways!!!

Currently, the financial viability of the age care system depends on family carers providing support at home. To sustain this model of care, age care financial policy must acknowledge and support better the unpaid carer workforce which includes:

I. ensuring support services provided to carers through the Carer Gateway are integrated with formal age care services currently provided through My Aged Care
II. allocating financial resources to providing high quality and affordable in-home care when family carers are unable or unwilling to continue in their caring role.

Financing home care also requires additional support for family carers who experience considerable financial disadvantage. Older carers are more likely to give up employment for caring duties, often due to lack of affordable or quality care alternatives.

2.1 Care at home

Taking a 'building from the base up' perspective, we must first recognise that paid care at home is a partnership between paid care workers and families or friends. It isn't a complete package like residential care. Ideally, home care packages integrate the needs and capacities of carers and care recipients with the resources provided by home care workers to maximise the contributions of both the paid and unpaid workforce.

There is a different 'culture' required to deal effectively with unpaid care at home. National Seniors research found that home care received through Community Home Support Packages (CHSP) and Home Care Package Programs (HCPP) was well received by older Australians' [12]. The CHSP is not means tested and probably the best aligned with the culture of unpaid care.

My friend was very lonely and mostly quite despondent. However, she responded well to company and being waited on!

… The major benefit for Mum was the company of the girl who came to do the cleaning, which Mum looked forward to

The helper is always courteous, smiling and respectful.

Physical support was readily available, e.g. cleaning, showering, assistance with shopping etc…

Yes, so far, I'm getting what I need. I'm not greedy, I'm not wanting more and more. I ask for what I need and have a very good relationship with the coordinator in the office. Whether I'm going to hospital or on holidays, it's very easy to organise anything. It's well coordinated and well run.

In particular, the services and flexibility in home care which CHSP provides is highly valued by consumers and providers [13]. This flexibility enables more equitable outcomes for the changing needs of older adults and diverse and disadvantaged groups, thereby increasing the efficacy of home care. However, delays in application processing, complex systems navigation and informational inaccessibility, and high costs appear to limit access and utility home care services [13, 14].

Despite the efforts, sacrifices and unconditional support provided by unpaid carers [9] and the availability of private or government formal home care services, 34.1% of older adults requiring

assistance continue to have unmet needs [15]. While assistance with reading and writing, meals and communication appear to be adequately fulfilled, assistance with property maintenance and cognitive or emotional tasks are lacking [15].

An ongoing issue with the CHSP and HCP programs is that they do not work well together, with other sectors or with families in the community. Consumers can have a confusing and fragmented service experiences and differences in consumer contributions can create perverse incentives. CHSP is inconsistent across States and service types with variability in prices and client contributions. A high proportion of providers are reported as spending grant funds while not meeting output targets. The more recent HCP program has long wait times, excessive administration costs, high unspent funds retained by providers and some questionable purchases in packages.

National Seniors supports fundamentally re-designing the in-home aged care system within a sustainable model of funding which we address later in this submission. Doing so addresses the multidimensional needs and desires of ageing carers and care recipients and maximises the contributions of the unpaid workforce. We believe this is where Royal Commission direction is most needed.

2.2 Supporting ageing in place

The top Australian priority for financing is the home care system integrated with unpaid care. This is critical to sustaining 'ageing in place' but won't happen without supportive public policy and community support. It has been a global health priority and recognised, *inter alia*, as being linked with better psychosocial and health outcomes for older adults [16]. Efficacious and accessible home care has the potential to increase healthy life expectancy thereby minimizing costly residential care consumption, as well as to prolong older adults' abilities to remain active in unpaid care and as contributors to society.

Importantly, only 25% of Australians 85 and older [17], and 7% of those over 65 live in residential care [18], yet residential care accounts for nearly 66% of aged care expenditure [19]. An effective and well-funded home care system represents the strong preferences of the people who use the aged care system. This may increase willingness to engage with care in a timely manner and build public confidence in the system overall.

Focusing on remodelling home care options to provide appropriate care and support earlier in the care trajectory allows more people to benefit from the age care funding contributions they make through taxes or potentially other levies. In comparison, residential care accounts for the highest portion of aged care spending, is used by small proportions of older people later in life and is usually not accessed by choice.

In the longer term, by contributing to increase in healthy life years, the home care system acts to prevent or delay entry to residential care. Analysis of national data showed that each additional hour of home care services received per week reduced the risk of entry into residential aged care by 6% and receipt of at least 3.5 hours of home care services per week was found to delay admission into residential aged care. Other factors significantly associated with delayed residential care admission included social support services and having a carer [20].

There is also a growing body of evidence to support the cost savings and benefits associated with restorative care, as compared to traditional home care which centres around maintenance and

support [21]. Restorative home care capitalises on education, assistive technologies and early intervention to slow physical and cognitive degeneration and frailty [21].

Restorative or reablement programs are effective in reducing need and reliance on home care services in the long term [22]. An Australian data linkage study projected that receipt of a reablement service would result in a $12,500 median cost savings over 5 years, in addition to improving quality of life and independence for longer [22].

In summary, Home Care has been an under-powered, under-resourced and underperforming policy area of aged care**.** High quality and affordable practical home care services has the potential to increase paid service usage, reduce carer burden, and enable carers to divert their attention social and emotional support. To strengthen the quality and use of currently available care services, allocated funding to social and respite care and standards and quality control specific to home care services may be advantageous. Providing financial incentives for community led respite initiatives may result in increased provision of suitable services in this domain.

2.3 Residential Aged care funding reform

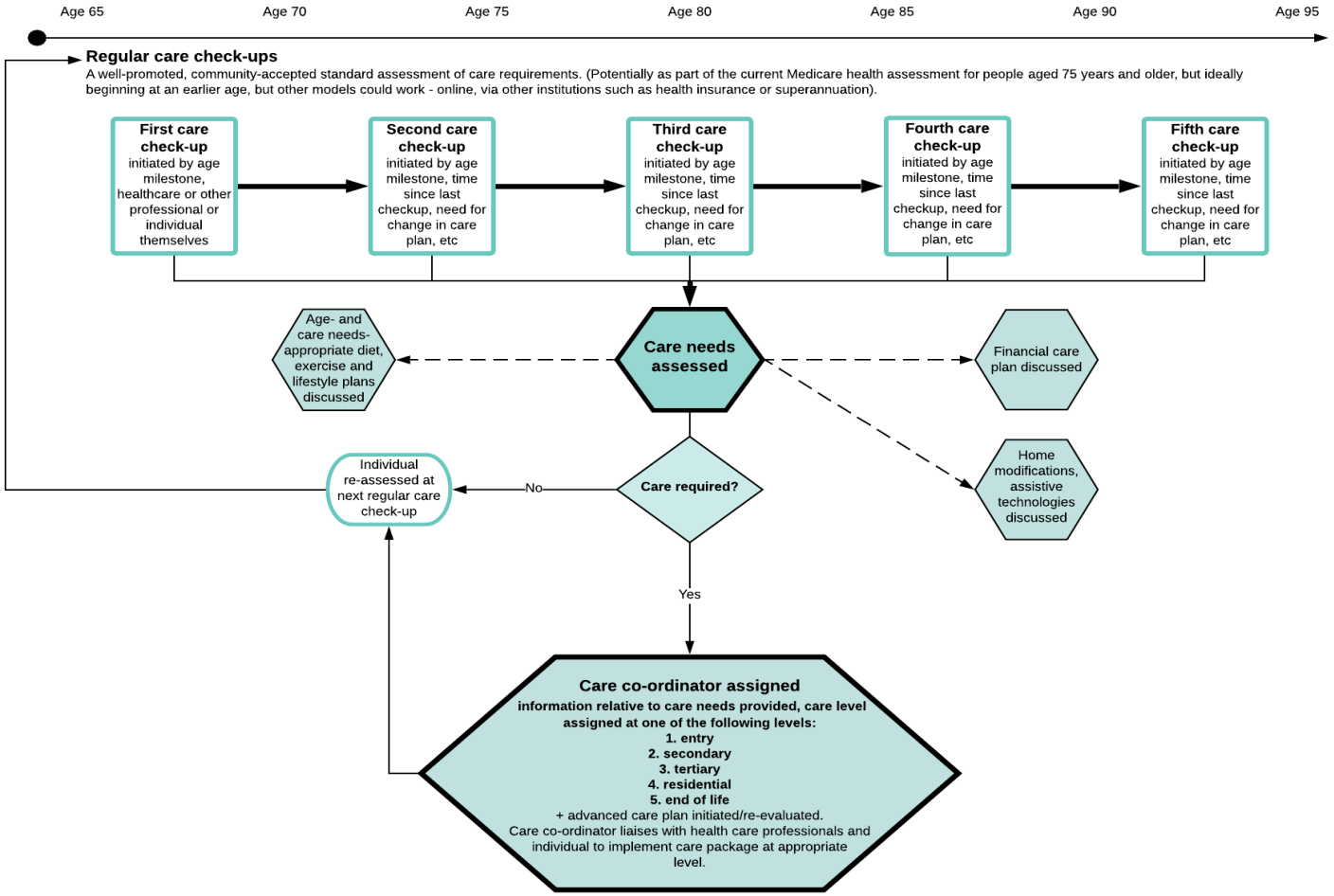
Over recent years National Seniors has concentrated its research and advocacy around home care and unpaid care at home and directions for their reform. We argue to form policy 'from this base up'. During that time Professor Kathy Eagar from Australian Health Services Research Institute (AHSRI) has led extensive consultations developing a new funding model, the Australian National Aged Care Classification (AN-ACC). National Seniors has participated actively in these and generally supports the model, particularly such features as independent assessors separated from providers and incentives for reablement. Consequently, we don't discuss a specific funding mechanism for residential care but consider it as part of the mix of aged care that funding options to be discussed.

2.4 Financing aged care linked to health and wellbeing

In our submission to the Royal Commission "*Aged Care Program Redesign: Services for the Future"* (24/01/2020) National Seniors sketched a model of age care that was grounded in a life course approach to both ageing and to care provision. The model (Figure 1) argues for a conceptual and universal shift in how care is perceived and provided. In this model, care is normalised and integrated with health and reablement. We propose a taking a more integrative perspective when thinking about age care funding; a perspective that incorporates care into the context of individuals' changing health, wealth and wellbeing across the whole of later life. This approach suggests age care financing options need to be considered in a broader context than previously and not confined to traditional models of provider-based support. It involves the alignment of multiple services, with consistent information and service responses.

At an early stage as early as practical before retirement, there needs to be a focus on savings for later life in which superannuation funds and financial advisors need to play a central role. As early as practical there needs to be an informed conversation about self and family care needs and risks in later life. Unless this is talked about it will be neglected and avoided as a probable risk. Later in life, particularly when there are early signs of risk, planning needs to begin to avoid a crisis for which nothing is prepared and all options have to be discovered anew. The issues of ageing need to be illuminated and dealt with realistically. Serious cultural change can only come with realism and thoughtful discussions stimulated by timely information and accurate advice.

Figure 1: Proposed model for discussion to re-imagine ageing in Australia



3. Options for Financing Aged Care

There are a number of options for paying for aged care for which costs will increase with higher demand, improved quality and safety including through recommendations of the Royal Commission. The National Seniors response to *Consultation Paper 2* assesses three likely options, namely:

1. social insurance,
2. deferred annuities and
3. pension loans scheme.

3.1 Social insurance for aged care needs

Australians have a long history of political resistance to increases in user contributions for funding long-term age care in Australia, and especially measures that draw on housing assets. Retirement incomes and health care are funded through pillars of general revenue, private insurance, social insurance by way of compulsory levies, and direct user contributions. By contrast long-term care is financed by a large pillar of general revenue, user Refundable Accommodation Deposits (RADs) and a smaller pillar of user contributions which are themselves drawn largely from transfer payments such as age pensions. Home care is substantially funded from general revenue with direct consumer contributions. There is a very limited take-up of private insurance options and, overall, limited user contributions in long-term care. Apart from the dominant role of general revenue funding, this is already a complex mix of funding sources and rules which will not sustain the baby boomers care needs.

Table 1. A Sketch of the Current Age Care Funding Sources

	Residential Care	Home Care	Unpaid Home Care
General revenue	large	large	-
Private insurance	-	-	-
Social insurance	-	-	-
User Contributions:	RADs	minor	total

There are several good social policy grounds for incorporating a social insurance pillar into this mix including to stabilise funding, reduce late life anxiety and reduce the constant political and financial pressures on government revenue with population ageing. The current financial situation is, however, a difficult time to introduce any a scheme even given it would relieve consumer worry and pressures on general revenue [23].

In 1998, twenty two years ago, McCallum and colleagues published a report *Ensuring Quality of Later Life* which proposed a social insurance model (EQOLL) for aged care in Australia [23]. It was based, in general, on elements of the Japanese long-term care insurance which an Australian team had been working with Japanese officials and academics on. It proposed that: “Without a clear strategy insuring independence and participation, the aged care system defaults to a costly exercise in a “passive containment” type of care for older Australians” (p34). The levy was designed then, not simply as a funding mechanism for services but to ‘ensure quality of later life’. It was a program “which would create a better quality of life and more human and natural and less medicated end of life” (p34).

EQOLL proposed to start with 10 years of a contribution 2000-2011 of 1.1% of taxable income from every Australian aged over 25 and earning more than $15,000 in four possible options:

1. paying the EQOLL levy in similar fashion to the Medicare Levy;
2. buying it through an approved life insurance fund offered through and Australian Superannuation Fund;
3. similarly, through a Private Health Insurer, and;
4. an investment in a continuing care retirement community with approved care package.

The contribution rates and options were to be reviewed at the end of the 10 years.

To give credence to the broader purpose of ensuring quality in later life, EQOLL proposed a series of initiatives "to foster the contribution that older Australians make to our culture, economy and society" (p viii) including:

- 0.3% of funding ($10M in 2000) to celebrate and promote the strengths and productivity gained from senior citizens;
- 0.3% of funding ($10M in 2000) to support the independence and cultural, social and economic participation through a series of phased events related to the experience and the likely preferences of different generations reaching age 55; and
- 0.1% ($3.3M in 2000) to create community awareness of the roles played by older people in voluntary activity and expanding the range of activities.

Finally EQOLL was motivated by the importance of continuity in lifestyles: "Older Australians should not have to make dramatic changes in their lifestyles and residence in order to receive the highest quality aged care services" (p *x*). This was consistent with an emphasis on ageing-in-place and care at home.

While the proposal was well received and discussed widely among some policy specialists [24-36], it was not implemented. With the policy focus on the GST implementation at the time, its 'shelf life' had reached a limit. Another limitation with this delay was that, with a baby boom bulge reaching older ages, concerns about intergenerational inequity became matters of greater concern. It is noteworthy that this and related levy options have been on-the-table for 22 years without implementation for which we now experience the consequences.

A simple case to demonstrate the intergenerational issue for an EQOLL type levy:

The grandparents are aged 70 with children in their 30s and grandchildren under 10 in 2020

A 70-year old may need aged care in 10 years and, given they've paid the levy over that time, they would have paid 10 years of contributions

The children would be paying over 40-50 years for their care

The grandchildren would be paying over 60-70 years.

We also note that a 70-year old is part of the baby boom bulge in the population.

This revenue raising option then has a major intergenerational inequity issue in 2020. It can be mitigated by delaying contributions to a later age, for example 50 years or by increased contributions at later ages as done in some countries. This intergeneration inequity would be accentuated by tax-free or low tax paying seniors who pay less tax than younger people with same incomes, and seniors who get the private health rebate but may not pay the Medicare Levy if they

are not taxpayers. Other than the intergenerational issues, the critical factor for a levy option is to ensure that the decision is bold enough to generate enough revenue to have a substantial impact on the costs of care. Alternatively it could be supplemented by other sources of revenue for aged care.

This complexity of variations for social insurance that could be needed to solve these issues may shift favour to the *status quo* as an option, namely costs coming out of general revenue as required in competition with other demands. The issues for general revenue funding, however, will be accentuated by an unprecedented deficit and recommended improvements in staff training, quality and regulation. Should general revenue funding remain the *status quo* option it will need the support of other funding sources.

3.2 Deferred Annuities set in the Superannuation Guarantee

Finding ways to consume retirement savings safely and steadily over a lifetime including costs for quality aged care is a priority for most retirees. One way to do this is with a lifetime annuity, which provides regular, secure payments guaranteed for life. Defined benefit pensions are an example of this type of annuity but the vast majority of older Australians draw income from accumulated deposits and income bearing assets which don't last long enough to pay for care. For these people, an annuity could provide retirees with peace of mind in the knowledge that their essential spending needs will be covered, regardless of how other investments perform. Survey evidence [37] indicates that many people don't plan for later life; the majority who do, expect their spending to remain constant, rather than increase in their later years when their needs will be highest. Even if people choose to plan, there is limited availability and take-up of financial products that can assist individuals to efficiently manage the risk of outliving their savings.

Most Australians will spend at least 25 years in retirement and superannuation was not originally designed to last this long. New options were raised publicly in 2016 [38] about which National Seniors (2018) asked respondents two questions in line with the options: 'Should superannuation funds include an insurance option that would keep paying you an income if you lived longer than say 85?'. 56% said 'yes' and 9% were 'undecided', with about a third (35%) saying 'no'. When asked about a second option: 'Would you consider paying a portion of your savings, say 10%, on retirement, in order to receive income for life once you reached say 85?', 57% said 'yes' to their own insurance option, and 43% said 'no', including 11% who did not think that they would live that long. Again, for this question, as for the previous one, there is majority support, above 50% [37].

Around 56% of survey respondents expressed positive support for two deferred annuity-type options, superannuation insurance and compulsory saving at retirement. For the superannuation insurance model, there are a further 35% who did not say 'no' but are 'undecided'. There was an over-representation of women in these vulnerable groups who would benefit from such options. The analyses show women have both greater vulnerabilities than men and a preference of protection in the superannuation option. There is growing anecdotal evidence of increasing homelessness and disadvantage among older women relative to men. More generally, the free comments in the survey provide deep insights into the challenging situations facing many older women. The results provide insights into who would be more positive about having the longevity protection for funding care. A whole of life approach to this is desirable, with better accumulation of superannuation, particularly for women, and better financial products to allow people to self-fund long-term care and other options later in life.

Australians of all ages need realism in the financing of aged care. We don't have it in the funding of Home Care with top ups as political announcements rather than realistic, adequate funding. Older

Australians particularly value highly system stability and communication that assists their planning with remaining assets.

Although superannuation funds can follow the Government's legislative timetable to develop a Comprehensive Income Product for Retirement (CIPR) by 1 July, 2022, that's not a good outcome for fund members who have retired or are making retirement plans now. It will require superannuation funds to 'get over' the powerful anchoring bias of an accumulation mindset to design good solutions for retired members and members in retirement-planning phase. The promotion of paying for quality care in later life, supported by deferred or other annuities is a major move but needs clarity from Government on its intentions.

3.3 Using the Pension Loans Scheme to fund additional Home Care

The conundrum for Government has always been how to fund better aged care and home care but keep taxes down and not touch the sacrosanct family home. Using the equity in the home may be less confrontational and allow people to stay in their homes and out of residential aged care. People don't want to live in an institution, they want to get care in their own home. They even say they want to die in their own home but only a fraction do. So how do we give people what they want?

About 80% of Australians 80+ own a home or a property but are unlikely to ever think of using the wealth locked up in it. But they need to be nudged to think of this by a low interest rate loan. The 4.5% on the Pension Loans Scheme (PLS) is way too high. Changes to eligibility for the PLS, from 1 July 2019, mean all eligible Australians of pension age who own property can now use the equity in their property to generate additional income. Notably, this scheme can be used to fund home care services, but also for other health care needs. The maximum amount available is 150 per cent of the pension per year paid fortnightly. For a couple this is currently $55,520 annually and for a single it is $36,828. Under the scheme, the government uses the equity in a person's home to pay them a fortnightly payment. Government recovers the loan and interest from their estate. Using home equity to provide greater hours of care at home could help more people to stay in their own homes and out of residential care, taking pressure off government funding for residential care.

The historic, low take up of the scheme can be attributed to the uncompetitive interest rate and the scheme being poorly promoted. Very few older people even know the scheme exists. The title is confusing since it isn't a scheme for people receiving the pension but one for all persons of pensionable age. The interest rate was as high as 5.25% before being dropped to 4.5% from January 2020, still well above commercial rates. The take up of this scheme would increase if the interest rate was lowered to better reflect current interest rates and it is more widely promoted.

A National Seniors survey found that there is a willingness to contribute to the cost of aged care if this is in line with capacity to pay and a fairer scheme would assist this. [38]. The Pension Loan Scheme is not a compulsory option but is dependent on consumer choice. It does need an attractive interest rate and realistic promotion to older Australians. National Seniors surveys also show that there is a declining interest in leaving an inheritance since support for children is focused on education and help with first home buying [39]. In this sense it is one of a number of options available to increase the revenue base for care, in particular to grow home care. If used it may erode and complicate the role of RADs in funding residential care. Other than in residential care it is one option of a suite schemes that could work together in funding home care.

A hypothetical example of how this would work:

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

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

Alison's care needs have increased significantly, and Bob is both exhausted and stressed. The children have suggested it is now time he looked at residential care for Alison. Bob is adamant he wants both of them to remain at home for as long as possible.

As a result of the changes to the PLS from 1 July 2019, Bob and Alison are now able to "drawdown" up to $18,560 per year (paid fortnightly with their pension) without impacting on their fortnightly pension payments.

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 also provides more personal care hours than in an aged care home (4 hours per day compared to an average of less than 3 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).

In summary the funding options proposed are:

Table 2. A Schema for Future Mixed Funding Options

	Residential Care	Home Care	Unpaid Home Care
General revenue	large	large	minimal
Private insurance	?	?	-
Social insurance	+	+	-
User Contributions:			
i. RADs	+	-	-
ii. Pensioner loans	?	+	+
iii. Deferred annuities	+	+	+

4. Conclusion

Financing aged care is an immediate and urgent need after years of policy neglect. It is a priority that superannuation is made to support longer lives and late life needs for care. The options for this are annuities, in particular, deferred annuities. These can be provided within SG options provided by Trustees of funds. The fixation on accumulation needs to be address by these Trustees so that the original purposes of superannuation are achieved.

Social insurance for aged care is also well understood through the Medicare model but one with intergenerational baggage that would need to be lightened. Given this, it would necessarily be non-hypothecated since it wouldn't fund the full costs of care that's needed. It could be added to the Medicare Levy given appropriate design and promotion.

It is also critical that the value of housing is not locked up and creating future social inequity. It is an option to stimulate the economy coming out of COVID-19 and the existing Pension Loans Scheme is purpose built for this. It is a voluntary option but needs considerable work on interest rates and promotion to bring it into the public attention.

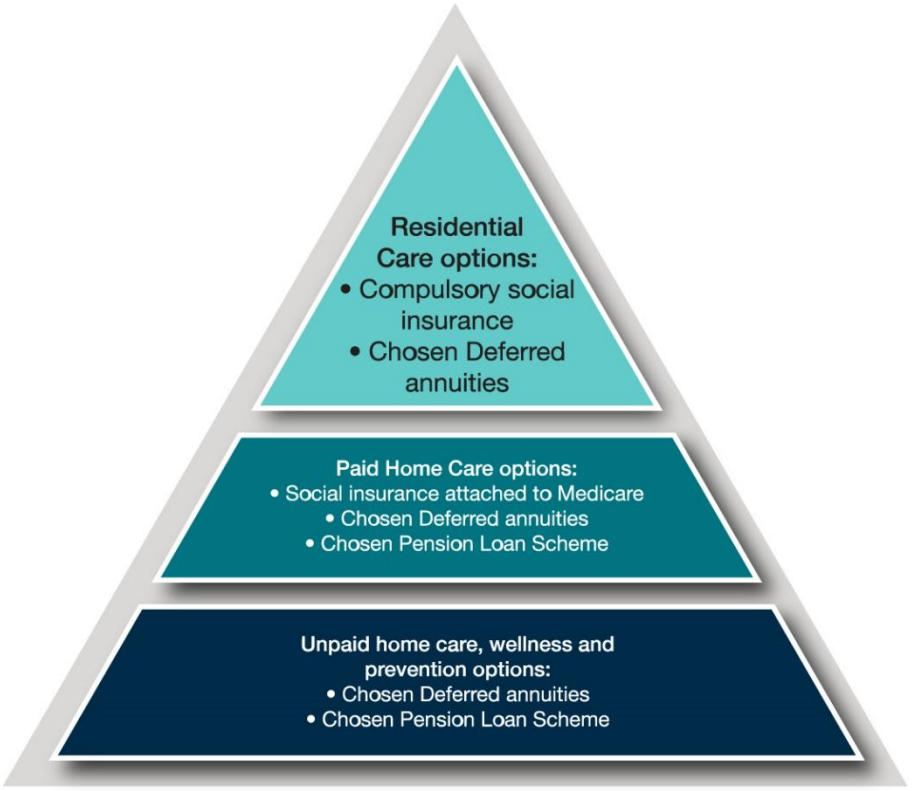
What is forgotten in most discussions is the enormous value of unpaid care and its future potential to support care needs as we enter a very financially constrained era. With low cost investment it can be better supported and informed with training and introduction to innovations that assist and sustain care for one another.

National Seniors proposed that improving aged care financing starts with analysis from the broad base up, as follows.

1. secure and support in-kind care at home and facilitate innovation and improvement in that neglected and undervalued sector of care
2. a redesign of Home Care to grow relative to residential care in line with consumer needs and expectations
3. implement the new funding model, the Australian National Aged Care Classification (AN-ACC) for residential care
4. relieve pressures on general revenue by a mix of voluntary schemes such as an enhanced pension loan scheme, and a compulsory levy, for example as modelled in EQOLL, added to the Medicare Levy and
5. endorse and approve deferred annuity options and other private sector funding options.

National Seniors proposes that any new funding options should be directly linked to improved health and well-being programs and not simply money raising for *status quo* services. We also argue for a grounded, life course approach to ageing which normalises and helps people prepare for later stages of life. The options proposed here, both monetary and in-kind are summarised in Figure 2 below.

Figure 2. New aged care funding options



In conclusion, this submission started quoting Karl Marx on social equity but ends with a quote attributed to Groucho Marx: "Why should I care about future generations. What have they done for me?". This sardonic comment was meant to provoke us to think beyond narrow senses of altruism or duty and deal with the broader concerns of our children and grandchildren as well as our elders as we move forward through the challenges of COVID-19.

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