Senate Committee Presentation

Devonport
4 October 2024

Overview of me

- Considerable experience in assessing policy proposals during my public service employment
- Considerable experience at assessing and modelling funding proposals for government programs
- COTA Tasmania volunteer. All work undertaken in relation to the Bill has been undertaken in this capacity
- Retired, and I suppose I could be called a self funded retiree
- I perhaps fit the profile of those who have been identified as making a higher contribution to my aged care
- My comments and views reflect my understanding of the Royal Commission recommendations, the Age Care Taskforce report, my own research of the Bill and accompanying material, and my own experience with the aged care system through my immediate family and relatives.

The Bill seeks to address both the findings of the Royal Commission and the Aged Care Taskforce

- Aged care is a product most of us buy once. Therefore it must be easy to understand and involve strong consumer protections.
- And hopefully make the system easier to navigate and fairer for those requiring support as they age

Person centred Rights Based with a statement of rights

- Independence, autonomy, empowerment and freedom of choice
- Equitable access
- Visitation rights
- Respect for privacy and information
- Person-centred communication and ability to raise issues without consequences

For older people this means

- Clarity for older people on what their rights are and how they can be upheld.
- Clearer expectations from aged care workers and providers, thanks to streamlined obligations, the Statement of Rights and strengthened Aged Care Quality Standards.
- a stronger focus on supported decision making
    - Avoiding outcomes such as reported in The Mercury on 3 October relating to unnecessary guardianship applications
- a right to visitation

For those working in aged care it means

- Expanded whistleblower protections that give aged care workers more protections.
- Worker screening arrangements will be revised, and workers must fulfil and comply with them.
- The Statement of Principles will encourage support workers to:
    - Be empowered to continuously learn, improve and deliver top-quality care.
    - Be involved in governance and accountability processes.

I note the removal of criminal penalties. This is happening at a time when here in Tasmania we have criminal penalties in our workplace health and safety legislation and have just introduced industrial manslaughter laws.

And for providers it means
- A revised version of the Aged Care Quality and Safety Standards, which apply to aged care providers according to their registration category.
- More obligations when it comes to providing care and support for older people.
- Registration with the Aged Care Quality and Safety Commission (ACQSC).
- For the first time ever, aged care digital platforms (such as Mable) are included in the Act and new obligations will apply to them.

There is almost universal acceptance of this change to a rights based approached to the support provided older Australians

Government has provided $5.6 billion to support the reforms and expects to receive savings of $12.6 over the next decade
- Presumably more people will be supported to remain in their home
- There will be a lesser demand for residential aged care
- And contributions from those receiving care and support will increase, reducing government expenditure
- The mantra has been those who can afford to contribute more to their aged care and support should do so

A critical question is, and always was, defining those who fit this criteria and ensuring that those in the middle are not the ones being squeezed by the new funding arrangements

The funding package outlined in, and related to the Bill, provides a stronger focus on home care
- supported by a $4.3 billion package for the new 'at home support' program
- Maximum support increases from $61,000 to $78,000 and includes up to $15,000 in home modifications

A new funding model is being proposed in the Bill
- Treatment of the family home unchanged @ $206,039
- No worse off provisions for those currently with a home care package and in residential aged care

Home Care

- **The example of Anne's lawn mower man**

- Three categories of means tested support
    - Clinical care - fully funded
    - Independence
    - Everyday living
- The restorative care pathway and end-of-life care packages are welcome additions to the HCP system
- Lifetime cap of $130,000 for all who have support, regardless of their income or asset levels
- Self funded retirees - required to contribute 80% of everyday living costs and 50% of independence costs

- Part pensioners & CSHC - required to contribute between 17.5% and 80% of everyday living costs and 5% and 50% of independence costs
- Full pensioners - required to contribute 17.5% of everyday living costs and 5% of independence costs
- I am unable to assess the Home Care arrangements at this time as the necessary information does not appear to have yet been put into the public arena including
    - The rules around how the individual contribution rate will be calculated including sset and income triggers and taper rates
    - The efficient price or cost of various support services which may be made available
    - The likely amount of money that a typical older Australian may spend within each of the three support categories

Residential aged care

- As with Home Care clinical care costs are fully funded
- New cost and means testing structure for everyday living costs
    - **Basic daily fee** (85% of the single base rate age pension)
    - A **hoteling supplement** (7.8% of assessable assets over $238,000, or 50% of income over $95,400, limited to $12.55 per day, or $4580.75 per annum)
        - The relationship between the income and asset trigger must be questioned. (Asset trigger is at a level which is about 20% of the income trigger)
        - Calling this a Hoteling Supplement is quite insensitive, insulting and offensive. A read of the Royal Commission report clearly highlights that being in residential aged care is a long way divorced from being in a hotel. This nomenclature is, in my view, an example of how accepted and entrenched ageism is in our society.
        - The information contained in the fact sheet accompanying the release of the Bill is not reflective of clause 278 of the bill
        - This really does hinder assessment of the funding arrangements
    - **Non-clinical care contribution** (7.8% of assessable assets over $502,981, or 50% of income over $131,279, limited to $101.16 per day, or $36,923.40 per annum with a lifetime cap of $130,000 or 4 years, irrespective of income or asset levels)
        - The relationship between the income and asset trigger must again be questioned. (Asset trigger is at a level which is about 35% of the income trigger)
        - Again the information contained in the fact sheet does not represent what is contained in clause 279 of the Bill. Again this hinders assessing the implication of this new fee.
- The wording of the Bill relates both the hoteling and non-clinical care fees to a **daily means tested amount**
    - There is no reference to this amount in the fact sheet
    - Clause 319 outlines the calculation of the daily means tested amount
        - This clause references specific values specified in clause 319(4)
            - These specified values are to be prescribed by regulation
            - And As such they can only be **presumed** at present as the regulations to the Bill have not been tabled
    - The disconnect between the fact sheet and the Bill is of serious concern as it does not make it easy to either understand or determine the financial impact of this changed fee structure for everyday living.
- **Accommodation Charges Reform**

- Twice yearly indexation of the means tested daily fee
- Accommodation charge increased from $550,000 to $750000, noting current average accommodation charge is $470,000
- Retention of RADs at 2% per annum for the first 5 years
  - But no indication of what the retained RAD can be applied against
  - Will it just go to profits?
- The fact sheet is very sparse in relation to some key changes in how accommodation charges are to be set
  - no indication of how concessional accommodation charges will be determined.
- Similarly the Bill is overly complex and somewhat vague in relation to how the daily means tested amount relates to **concessional accommodation charges**.
  - It can only be presumed they will be applied in a manner similar to the current arrangements, but without an annual cap on the daily means tested amount, but this is not clear
- The conversion of accommodation deposits to daily accommodation charges is based on the application of the **maximum permissible interest rate** (MPIR).
  - This is currently set at 8.34%
  - This indicates a 4% premium over the Reserve Bank Cash Rate.
  - The question should be asked when establishing this rate as to whether the appropriate risk profile has been applied
  - It could be argued that the risks associated with daily accommodation charges and payments are quite low
  - Given the proposal to now index the daily accommodation charges, consideration should be given to linking the MPIR to the cash rate and lowering the premium below 4%

So have the proposed changes to the funding arrangements for Residential Aged Care met the goal of requiring those who can afford to contribute more, making an increased contribution.

Using the available information, which has been sourced with great difficulty, due to the lack of clarity around values which will eventually be specified in the Rules, I have been able to undertake a basic comparison between the current provisions and those proposed in the Bill.
- At this time the comparison is based upon a a single person, no additional income, a homeowner with a protected person living in the home
- I have assumed that
  - the person receives the maximum pension supplement and the maximum energy supplement
  - only deemed income, based on the level of assessable assets, flows into the Hoteling and Non-Clinical Care fees calculations.
- These income and asset assumptions are most likely reasonable given the age at which a person enters residential aged care. The only persons with significant levels of assessible income at that stage of life are also likely to have significantly more assets than the asset range considered in the model.

My Observations
1. an older Australian with less than $200,000 in assets is unaffected by the changes and will continue to pay the current Basic Daily Care Fee.
2. for those with between $200k and $500k in assets the extra contributions appear to be around $4500 per annum, but lower at the bottom end of that range.

3. the contribution made to residential aged care reflects that an older single Australian with more than $500,000 in assessable assets will begin to contribute considerably more than under the current system.
4. For those paying higher fees, the contribution ramps up quickly increasing by around $2,000 per annum for every additional $25,000 in assessable assets held in excess of $500,000
5. An individual with assessable assets of $1 million will be charged the maximum rate for the BDCF, the Hoteling Supplement, the Non-Clincial Care Contribution and the Daily Accommodation Payment.
6. Individuals with more than $1 million will not make any further additional contributions for their residential aged care.
7. While the funding model appears to increase the contributions of those who can perhaps afford to contribute at a higher level, I would, however, question the fairness of where the higher contribution rate kicks in.
    - is a single aged pensioner who has $500,0000 in assessible assets, and still eligible for a part aged pension, really a wealthy person who can afford to increase their contribution to their aged care?
    - The funding model indicates this is the point where **being wealthy** begins! I am sure many part age pensioners would appreciate to know they are now considered wealthy.
    - When the income and assets test for the pension are considered across the wealth range, for those receiving a part age pension there is a limited increase in their underlying retirement income
        - Gains in retirement income from their invested assets are offset by reductions in age pension eligibility, particularly the assets test which applies an effective marginal tax rate of 100% on assumed earnings of 7.8% from those assets
    - This group (in the $500,000 to $700,000 range of assessable assets) has a limited capacity to contribute more to their aged care
    - Yet this is the group where additional contributions are going to be most strongly felt
8. The increase in contributions caps out at about $1 million in assessable assets
    - Older Australians with more than $1 million in assets will contribute no more to their aged care than an individual with $1 million in assessible assets
    - This group represents around 10% of older Australians
    - This is the group of older Australians who benefit significantly under Australia's retirement income system
        - The Retirement Incomes Review, and also a number of think tanks, have demonstrated the benefits received by this group by way of income tax concessions can exceed the value of a full age pension
    - I would assert that it is this group which has the greatest ability to make greater contributions to their aged care
    - I think the funding model misses the mark somewhat in capping contributions at the $1 million asset level for a single older Australian
    - Those with $2, $3 ,$5 or even $10 million or more certainly have the capacity to contribute more than an individual with $1 million.
    - Relative to the impost imposed on part age pensioners, these older Australians, at the upper end of the wealth range, have a greater ability to contribute more than provided for in the model.

I would question that the proposed new funding arrangements have fully hit the target.

- Unfortunately those with a limited ability to contribute more, those in the middle, will be squeezed, while those at the top, while paying the most, still potentially make a lower contribution relative to their overall wealth.
- I am sure that the government have done considerable modelling of who is better off and who is worse off as a result of these changes
    - There is a need for this additional data to be made available. This would include, but not be limited to:
        - The number of people in residential aged care by income and assessable asset category
        - The number of people on HCP by income and assessable asset category
        - Detail around the parameters underlying the new funding arrangements which will only be made clear when the draft regulations are released
        - A calculator which could be used by individuals to assess their personal circumstances, even a ball park estimate would be better than what is presently provided
        - Fact sheets which more accurately reflect the Bill
        - Fact Sheets which cover ALL the terms used in the Bill in relation to the new funding model will be applied
        - A range of fully worked examples of how the funding model is expected to work so that models such as mine can be verified
            - The currently released 5 case studies provide scant information on how the results have been determined.
        - As a final point I would like to reiterate my example relates to a single aged pensioner.
            - When considering a couple I note that the basic daily fee which is set at 85% of the single pension rate would require a couple to contribute 100% of their pension plus around $202 a fortnight from other financial resources.

Sent from my iPhone

Dear Senator Rushton

Today I made reference to the Basic Daily Fee which would be paid by a couple. My statement was based upon the following information provided by the Government. As you can see, yet again the fact sheet provides a different definition to the words contained in the Bill. However, neither make it clear that a couple entering residential aged care would pay an amount different to twice the amount paid by a single person.

If I was incorrect in my assessment before the panel, then I apologise.

However, if it is the intent of the new funding mechanism to charge a BDF for a couple based upon the couple rate of age pension then the Bill must make that clear.

As I stated, and demonstrated in my submission, there are many inconsistencies between the fact sheets and the Bill. Such inconsistencies only make it extremely difficult to comment accurately on the Bill. This is particularly the case where the draft regulations have been withheld from public circulation.

That the government have circulated 5 examples as part of the package of information for the community is a clear indication that there are draft regulations available and I consider these should be released immediately so more informed comment may be provided to the committee.

However, given the information made available to date, my modelling reflects as accurately as possible the impact of the proposed new funding package.

Regards

John

The fact sheet refers to the Basic Daily Fee as follows:

The draft Bill also defines the BDF in clause 277(2). Here it states:

(2) The ***basic daily fee*** for an individual is:

(a) the amount prescribed by, or worked out in accordance with, the rules; or

(b) if no rules are in force for the purposes of paragraph (a)—the amount obtained by rounding down to the nearest cent the amount equal to 85% of the basic age pension amount (worked out on a per day basis).

Contributions for everyday living costs

All residents are currently required to pay a Basic Daily Fee (BDF) which is set by government at 85% of the single base rate of the Age Pension. This contribution partially funds services like meals, cleaning and laundry.

The BDF will not change under these reforms. Fully supported residents will continue to only pay the BDF, and partially supported residents will continue to only pay the BDF and a contribution towards their accommodation costs. Residents who have more than $238,000 in assets, more than $95,400 in income or a combination of the two, will make additional contributions towards their everyday living costs.

Sent from my iPad Mini 5