Municipal Association of Victoria

Submission to the Senate Community Affairs References Committee Inquiry into Aged Care

July 2004

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1 INTRODUCTION

The Senate Community Affairs References Committee has requested public submissions for their Inquiry into Aged Care. The Municipal Association of Victoria (MAV) is providing a submission to this inquiry to enunciate the major policy challenges which will accompany the predicted ageing of the population for local government in Victoria. The MAV would welcome the opportunity to meet with the Committee to discuss these policy challenges in detail.

The MAV is the statutory peak body in Victoria with a legislative responsibility to represent the 79 councils in Victoria. The purpose of the Association is to promote and support the interests of local government throughout Victoria as defined in the *Municipal Association of Victoria Act 1907.* All Victorian councils are financial members of the MAV.

Local government is the single largest provider of community care in Victoria, a situation unique in Australia. 'Community care' is a banner term that is applied to a number of complementary and similar policy programs provided by Commonwealth and state governments (and local government in Victoria), which provide care to recipients in their own home. Programs include:

1. HACC
2. State Linkages
3. Community Aged Care Packages (CACPs)
4. Extended Aged Care at Home (EACH)
5. Department of Veterans' Affairs (DVA) Veterans' Home Care (VHC)

Increasing demand, increasing costs and haphazard development of the community care system has caused major challenges to the provision of care by councils. For example, in 2002-03, Victorian councils contributed $48 million on top of the $117.1 million provided by the Commonwealth and Victorian governments. The financial contribution of local government to community care is increasing each year as funding from other levels of government fail to keep pace with the growing demand for this service.

This submission will address two of the terms of reference: (a) the adequacy of current proposals for overcoming aged care workforce shortages and training, and (b) the adequacy of Home and Community Care (HACC) in meeting the current and projected needs of the elderly. However, it is disappointing that the Inquiry did not address the adequacy of all community care programs (Commonwealth and State) in order to gain a holistic view of the sector.

2 FUTURE PROJECTIONS

It has been widely predicted that the population of Australia, like a majority of third world countries, will progressively age as the generation commonly know as the

'baby boomers' start to move into retirement at the end of the current decade.[1] Several analysts have attempted to gauge the implications of the predicted ageing of the population on the government policy programs, particularly on the cost of providing medical and care services.

Whilst a number of analysts provide differing predictions of future population growth and demographic change, there is a consensus that Australia's population will age, that certain localities will experience an ageing of the population more acutely, and that all three levels of government will face substantial policy challenges in the coming decades if they are to respond to their communities adequately.

Adding complexity to these projected demographic changes is the view that demand for community care is related to a number of services, such as residential care, health care (hospitalisation, GPs, etc), and provision of age appropriate housing. Examining any of these in isolation will contribute to a myopic and incomplete understanding of future care needs. If this perspective is true, any inquiry into the ageing population should consider in broad terms the likely impact on a range of government services rather.

3 COMMUNITY CARE

3.1 DRIVERS FOR THE DEMAND FOR COMMUNITY CARE

There are a number of factors, in addition to demographic characteristics, which will affect the future demand for community care.

Social factors are likely to play an important role in dictating the care needs of an ageing population. Informal carers play an integral role in providing care, and the accessibility of spouses, parents, and non-working children to offer informal care will influence the demand for formal care programs. Given the high levels of divorce, and the increased participation of women in the workforce in comparison with earlier generations, it is unlikely that the current level of informal caring will be available in the future.

Statistics from recent research conducted by the National Centre for Economics and Social Modelling for Carers Australia provides evidence to support the expected increase in demand and cost of the HACC program.[2]
This report argues that in thirty years time:

- The number of aged persons likely to require assistance because of a severe or profound disability will rise approximately 160 per cent (from 539,000 to 1,390,000);

- The number of principal carers for persons needing informal care will decrease from 57 to 35 per 100 persons (a decrease of 40 per cent); and

- There will be 573,000 frail older Australians living in the community without a primary (unpaid) family carer.

[1] See, for example, Visco (2001) *Ageing Populations: Economic issues and policy challenges*, paper presented at Economic Policy for Ageing Societies Kiel Week Conference
[2] The National Centre for Economics and Social Modelling *(2004) Who's Going to Care? Informal care and an ageing population,* Australian National University, Canberra.

As people aged 70 and over are the highest users of HACC, the cost to provide services to this population is also projected to more than double in the lead up to 2021.

Furthermore, the wealth of the aged population is likely to impact on the type of care programs offered. Several analysts have suggested that high expectations of care standards by the 'baby boomer' generation will dictate changes to policy programs. If this is the case, community care services may become more oriented towards user choice in the future.

A recent report into the implications of the ageing population by the Australia Institute[3] argued that the baby boomer generation, compared to previous generations, volunteer frequently. It contends that the economic contribution of older people is therefore likely to be greater than has been hitherto predicted, calling into question the rhetoric that retirees are a 'burden'. Therefore, if the baby boomer generation volunteers as consistently as the Australia Institute predicts, there will actually be economic benefits from the ageing population which could offset the increased cost of providing care in the form of 'social capital' and other productive outputs.

It is the view of the MAV that non-care related government policy impacts on the demand for care programs. Broad fiscal policies such as superannuation and pensions are likely to affect who will be working and to whom the government is likely to contribute individual care.[4] The policy response of the OECD to the ageing of the population has focused on encouraging workforce participation through reforming pensioner and superannuation policies, allowing a reduction in total revenue paid through welfare transfers and producing revenue able to finance increased health and aged care. The merits of this policy response is beyond the scope of this paper, however, it is important to specify the current macro-level policy climate likely to influence governments across the Western world.

Analysts have noted that the current care programs target sickness, disability, and technical care needs, rather than overall health and quality of life.[5] Whether programs change priorities to reflect these values is likely to alter the scope of care provision.

3.2 ADEQUACY OF HACC

Local government in Victoria strongly supports community care and believes that it is able to respond to the needs of a vulnerable section of our community by providing care in the recipients home. The flexibility of community care means that well funded program can deliver a service that is tailored to individual needs and provides continuity of care as recipients' needs change.

It was disappointing that the Terms of Reference does not consider non-HACC community care programs.

[3] Judith Healy (2004) '*The benefits of an ageing population',* the Australia Institute, Discussion Paper Number 63, March.
[4] See, for example, Visco (2001) op cit. The OECD response to the ageing of the population is to target broad fiscal policies such as superannuation and incentives to increase the retirement age in an attempt to reduce the financial burden on governments.
[5] The Allen Consulting Group (2002) op cit

Overall, community care provision through various programs (predominantly HACC) has not grown in proportion with need. This is reflected in figures produced by the Community Care Coalition, which shows that in 2002-03, community care services in Victoria delivered:

- an average of 36 minutes of domestic assistance per week per recipient;
- an average of 58 minutes of personal care per week per recipient; and
- an average 52 minutes care per day for clients accessing Community Aged Care Packages.

It is the contention of the MAV that community care services, and predominantly HACC are under-funded, resulting in a number of aged and people with disabilities to miss out, and a number of care recipients to receive insufficient care to meet their daily needs.

In Victoria, local government has responded by funding a portion of HACC in order to increase the total number of HACC units supplied. However, due to their limited revenue bases, councils are unable to continue to subsidise this service and many are now reporting waiting lists.

For every 1000 people over the age of 70, the Commonwealth will provide 108 residential care places by 2006.[6] These population based service benchmarks require the provision of aged care to be maintained, and introduces clear accountability for governments to supply specified care levels. Adopting a similar model for community care would mean that the provision of services would be more closely tied to the actual demand for service. Whist this model accepts that the number of aged people is the best determinant of aged care places (despite the many influences identified above), it is the view of the MAV that this is a better policy response than the current ad hoc method of determining the number of community care units.

3.3 SERVICE FRAGMENTATION

In total, there are 42 different community care programs in Victoria, including 17 Commonwealth, 22 State funded programs and three shared programs. The brokerage services that characterise these programs impose additional administrative overheads. Improved program planning and cooperation is needed to ensure maximum efficiency with community care services.

Although the Terms of Reference specifically requested submissions addressing the adequacy of HACC, exclusively considering this program unnecessarily confines the study to only a portion of community care.

While the Commonwealth's Department of Health and Ageing working paper, 'A New Strategy for Community Care', has recognised the importance of consolidating existing community care programs into a three-tiered system based on needs, Victorian local government is awaiting a commitment from the Commonwealth to this important issue. The current proposal to consolidate community care is limited to programs under the Minster for Ageing's jurisdiction, which restricts the capacity to

[6] Community Aged Care Packages, which are an intensive form of community care are provided by the Commonwealth under this service benchmark.

rationalise all complementary programs. For example, the VHC operates in parallel administration to the HACC program yet operates under the DVA.

As outlined above, a number of policy areas are interrelated, including: community care, hospital care, medical care and residential care. Additionally, community care programs are funded through different streams, are administered separately, and in some cases duplicate care types. There are also identified gaps in the current range of services – lack of rehabilitative care, hospital assessment services and high-level residential care. Ensuring that these systems are rationalised to encourage administrative efficiency within the whole care system and ease of transition through complementary services are integral reforms.

3.4 RESIDENTIAL AND COMMUNITY CARE

Aged care is typically provided through residential or community care. The Commonwealth Government has committed substantial funding to residential care in the 2004-05 Budget. There has been a growing awareness that demand for residential care is inversely proportional to the provision of community care. This means that a failure to fund an adequate level of community care will place additional demands on residential care. In order to comment on this occurrence, this section will examine the relative merits of each class of care.

The Productivity Commission has found that community care has "*generally lower costs and smaller claim on government revenue, compared to residential care*." This finding supports the widely held view that community care is an efficient model of care.

The supply of community care is more elastic than residential care. Because residential care requires the building of physical infrastructure, a rapid increase in demand for care would be both expensive and logistically difficult. Community care, conversely, is able to respond to rapid changes in demand because the service is predominantly based on human resources. This suggests that it would be more efficient to use community care services when there is atypical or unique demand.

Community care is also a highly adaptable option; as recipients have access to home care, delivered meals, respite care, intensive personal care and home maintenance/repairs. Packages can be tailored to suit the individual and changing care needs of recipients. Additionally, carers have an important role in reducing social isolation and monitoring recipient's health status. Community care services can also provide a valuable point of contact for the care recipient and report on the physical condition of the care recipient to an assessment or health care provider.

Most people who require care only need it intermittently and occasionally – given these conditions, care is best provided in the home rather than through full time residential care.

Various consumer surveys have indicated that the preference of older people is to age in their home.[7] By increasing the level of community care, the Commonwealth Government is able to produce policy outcomes that suit both the client and the government's budgetary constraints. This means that a well funded community care sector is both economically efficient and socially effective.

[7] Moschis, Bellinger and Curasi (2003) *'Housing preferences for older consumers',* January; Quin (2003) *'Viable business models of care: the Myer Inquiry recommendations in practice',* Prepared for ACSA national conference.

4 WORKFORCE SHORTAGES

The Terms of Reference requested the Committee address the issue of the adequacy of current proposals in overcoming aged care workforce strategies and training. The issue of workforce shortages, which could be more precisely described as attracting, developing and retaining an adequate workforce, is not isolated to community care. Many of the policy findings of the substantial body of literature researching the phenomenon of workforce shortages in education and health have some applicability to community care workers.

Professions, such as teaching, have some continuity with community care workers for a number of reasons: (a) traditionally, the workforce has been predominantly female; (b) the occupation is less seen as a vocation; (c) the rewards are typically heavily skewed towards intrinsic rather than extrinsic; and (d) there is little or no nexus between performance and rewards. Important points of departure, however, remain in the predominantly casual and part-time characteristics of community care workers and the relatively high levels of travel required as part of their normal role.

The most simplistic policy response to general workforce shortages has traditionally been to increase workers' pay. This response will have some merit where a workforce does not have a capacity to earn a 'living wage', but assuming it is a panacea to workforce shortages would belie the complexity of employee attraction and retention. More innovative policy responses, which are able to place employment attraction, retention and development into a broad context, will have a better chance of success.

The Victorian Association of Health and Extended Care (VAHEC) have completed research into the how care workers perceive their employment. The research concluded that:

> *carers reported that pay increases for experience, regularity of work, and an increased base rate of pay were the most important improvements that could be made to encourage them to continue working in the industry.*[8]

Whilst these findings could be perceived as important for the *retention* of care workers, they provide only limited evidence to guide an appropriate response to attracting carers. Moreover, determining the appropriate levels of pay to leverage the retention of workers remains unclear.

This area requires a substantial additional research to determine the most appropriate policy response to the various challenges posed by workforce shortages. The MAV believes that key areas needing to be addressed include attracting new workers from non-traditional demographics (male and younger workers), disseminating the professionalism of caring, and providing opportunities for carers to earn a living wage.

Minor reforms to employment characteristics, while welcomed, do not address the broader concerns of local government in Victoria improving carer attraction. Within

[8] Angley and Newman (2002) 'Who will care? The recruitment and retention of community care (aged and disability) workers), Brotherhood of St Laurence, Fitzroy.

this context, it is imperative that dialogue begins between important stakeholders in reviewing and responding to, issues of worker attraction and retention.

5 RECOMMENDATIONS

Based on the information presented in this submission, the MAV recommends that the Commonwealth:

1. Immediately increase the quantum of the HACC component of financial assistance grants to local government in Victoria.

2. Immediately index funding for community care programs to annual labour costs and grow the pool of funds in line with annual population growth in:

    - the 70 plus age bracket, and

    - the proportion of people with functional disabilities.

3. Immediately discontinue productivity increases demanded on community care programs.

4. Consolidate the planning, funding, and delivery of all complementary Commonwealth and state programs into a three-tiered community care system for older people and those with disabilities.

5. Establish a high-level task force comprising representatives from Federal Government, state government, local government, major for-profit and not-for-profit community care providers and key industry bodies to:
    - Determine the best mix and appropriate roles for private and not-for-profit providers
    - Identify the extent of concentration or amalgamation needed to achieve economies of scale and efficiencies in operation, without compromising local service availability
    - Review the current capabilities and structural changes needed over the medium term to prepare a comprehensive community care plan for the next five years that meets the growing demand for this service
    - Introduce population based national benchmarks for community care services to ensure adequacy of service provision.

6. Conduct a review of the policy options available to improve the attraction, retention and development of community care workers.

6 CONCLUSION

As indicated in this paper, the predicted ageing of the population brings with it a substantial and complex policy challenge. The ageing population will most likely need an increased provision of care, but the rhetoric that sometimes surrounds this policy challenge is far from accurate – the ageing population is unlikely to be a 'burden'. The best policy response based on available data, is an improvement to the community care system so it is able to cope with fluctuations in demand over time.

This policy response would be simultaneously the best social and economic policy for the gradual ageing of the population. This does not suggest that community care is the only form of aged care provision, or that it is superior to residential care. These are two different types of care, but pressure should not be placed on the residential care sector through insufficient funding of community care.

It is the view of the MAV that the Commonwealth Government should provide leadership on the issue of aged care and to this end, should conduct a major overhaul of the community care system. Addressing the major areas of concern articulated in the recommendations would provide a substantial base to improving the aged care system in Australia.

The MAV would welcome the opportunity to discuss with the committee in detail, the major challenges facing the provision of aged care as our population ages.