# Chapter 2

# Overview of residential and community care in Australia

2.1 This chapter considers the ageing population of Australia and estimated projections in relation to demand on residential and community aged care. It also provides an overview of residential and aged care services and respective funding.

## Ageing population

2.2 An estimated nine per cent of Australia's population or approximately two million people are aged 70 years or older. Those aged 80 years and over comprise around four per cent of the population and this number is expected to increase to 10 per cent by 2051.[1] Over the next four decades, the number of people aged over 85 years will quadruple to approximately 1.6 million.[2] According to the Department of Health and Ageing (the department), the ageing of the population will lead to increasing demand for care and support services for the elderly with government expenditure on aged care potentially rising from the current three per cent of total government revenues to be nine per cent by 2050.[3] The Aged Care Association Australia highlighted the impact of increase in persons over 85 years of age:

> As the most resource intensive component of any part of the care continuum is in servicing the over 85s the four fold increase in this population group over the next forty years will place enormous pressure on service delivery capacity and the ability to finance this growth whilst sustaining a declining workforce with a reduced taxable contribution to Government revenues.[4]

2.3 Grant Thornton Australia noted that, with increased services provided in the community, residents are entering residential care with higher care needs and concluded:

> The ageing of Australia's population can be expected to greatly accelerate these trends which will require significant investment in modern high care facilities. Many existing Australian aged care facilities are not designed to support high care residents.[5]

2.4 According to the department, approximately four in every 10 older people (those 70 years and over) are accessing some aged care services. Of these, most are

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1 Australian Bureau of Statistics cited in Department of Health and Ageing, *Ageing and Aged Care in Australia*, July 2008, p. 1.

2 Australian Institute of Health and Welfare, *Australia's Welfare 2007*, p. 82.

3 Department of Health and Ageing, *Ageing and Aged Care in Australia*, July 2008, p. 2.

4 Aged Care Association Australia, *Submission 92*, p. 2.

5 Grant Thornton Australia Ltd, *Submission 29*, p. 4.

receiving care provided in their own homes.[6] Of the move from community to residential aged care, the department noted:

> At any one time, about one in 13 people over the age of 70 years have left their home to receive care in a residential care facility. However, for people who reach age 65, a third of all men and half of all women will go into permanent residential care at some time later in their lives. The average age on entry to permanent residential aged care is 82 for both men and women.[7]

2.5 According to the department, more than 300,000 people received aged care services provided under the *Aged Care Act 1997* during 2007–08.[8]

2.6 A number of witnesses highlighted the growing complexity of aged care needs of consumers. This is partly a result of increased longevity, the number of older people with chronic illness and associated co-morbidities, and growing demands and expectations in relation to residential and community aged care.[9] The Productivity Commission noted in 2008 moreover that:

> Over the next few decades, older Australians are expected to become more diverse in terms of their care needs, preferences, incomes and wealth. This will have important implications for the qualitative aspects of aged care services (such as the range of services needed and the flexibility of service delivery) and the cost of these services.[10]

2.7 It was recognised that complex and diverse care requires specialised nursing procedures and the involvement of other qualified health professionals which further impacts on expenditure and the nature of care provided.

## Residential and community aged care services

2.8 According to the department, approximately 4.2 per cent of Australia's population (or 800,000 older people in 2006–07) currently receive subsidised aged care services in Australia.[11]

2.9 There are two types of aged care services in Australia: residential and community aged care. According to the department, as of 30 June 2008, there were

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6 Department of Health and Ageing, *Ageing and Aged Care in Australia*, July 2008, p. 7.

7 Department of Health and Ageing, *Ageing and Aged Care in Australia*, July 2008, p. 7.

8 Department of Health and Ageing, *Report on the Operation of the Aged Care Act 1997*, 2008 p. iii.

9 See for example, Aged and Community Services Association of NSW & ACT, *Submission 61*, p. 2.

10 Productivity Commission, *Trends in Aged Care Services: Some Implications*, Research Paper, September 2008, p. xvii.

11 Department of Health and Ageing, *Submission 114*, p. 6.

223,107 operational aged care places across the country. Of these, 174,669 were residential places, 46,475 community care places and 1,963 transitional care places:

> The resulting national aged care provision ratio as 30 June 2008 was 111.5 operational places per 1,000 people aged 70 years or older.[12]

2.10 The types and levels of care are detailed by the department:

**Table 2.1: Types and levels of care**

| | Residential aged care home: frail older people receive care from full time care staff in purpose-built aged care homes owned by the care provider. These are quire separate from hospitals. | Community care services: older people receiving care in their homes from visiting care providers |
|---|---|---|
| High | 24 hour nursing<br><br>Accommodation | Extended Aged Care at Home (EACH)<br><br>Extended Aged Care at Home – Dementia (EACH–D) package |
| Low | Accommodation<br><br>Personal care<br><br>Support and allied health services | Community Aged Care Package (CACP)<br><br>Home and Community Care (HACC) (with States and Territories)<br><br>Assistance with bathing, shopping, cooking, cleaning, etc. |

*Source:* Department of Health and Ageing, *Ageing and Aged Care in Australia*, July 2008, p. 7.

### *Residential care*

2.11 Residential care facilities comprise purpose-built aged care homes owned by a care provider which provide both high (24 hour nursing) and low (personal care, support and allied health services) levels of care.[13]

2.12 Low level care includes the provision of suitable accommodation and related services (including laundry, meals and cleaning) and personal care services (such as assistance with the activities of daily living). High level care includes accommodation and related services, personal care services and nursing care and equipment.[14]

2.13 Under the *Aged Care Act 1997*, the Commonwealth Government subsidises aged care homes to provide residential aged care to the elderly whose care needs are such that they are unable to remain in their own homes. At June 2008, there were

12 Department of Health and Ageing, *Submission 114*, p. 31.

13 Department of Health and Ageing, *Ageing and Aged Care in Australia*, July 2008, p. 7.

14 Department of Health and Ageing, *Report on the Operation of the Aged Care Act 1997*, 2008, p. 16.

2,830 aged care homes in Australia delivering residential care under these arrangements with an occupancy rate of 93.86 per cent over 2007–08. This compares to an occupancy rate of 94.5 per cent over 2006–07 and 95.2 per cent in 2005–06.[15]

2.14 Residential aged care is meeting the care needs of an increasingly dependent group of people. The majority of residents at 30 June 2007 were assessed as high care (70 per cent) compared to 58 per cent of residents in 1998. In addition, 62 per cent of permanent residents who were admitted during 2006–07 were high care. High and low care resident planning and occupancy ratios are discussed in Chapter 8.

2.15 At the same time, the age profile of the resident population continues to increase. Over half (54 per cent) of the 156,549 residents at 30 June 2007 were aged 85 years or older, and over one-quarter (27 per cent) were aged 90 years and over. Overall, only four per cent of residents were less than 65 years of age.[16]

### *Community care*

2.16 Community care is generally delivered in the recipient's own home. Community care assistance is available through the Home and Community Care (HACC) program, Community Aged Care Packages (CACPs), Extended Aged Care at Home (EACH) and Extended Aged Care at Home Dementia (EACH-D).

2.17 The majority of recipients of aged care services in Australia, over 831,500 people in 2007–08, receive low intensity support in the community through the HACC program.[17] The number of HACC clients has increased by 17.6 per cent over the past 5 years from 707,207 to 831,472 in 2007–08.[18]

2.18 CACPs packages of personal care services and assistance are individually-tailored packages of low level care for frail older persons with complex care needs in their own homes. They suit those older persons who would otherwise be assessed as eligible to receive at least a low level of residential care but who prefer to remain living at home with support. CACPs provide frail older people with support to remain at home. In 2007–08, 61,740 people received packages of subsidised community care through the Commonwealth's Community Aged Care Package (CACP) program.

2.19 The CACPs provided under the Aged Care Act's community care arrangements are complemented by EACH and EACH-D packages.[19] EACH

15 Department of Health and Ageing, *Report on the Operation of the Aged Care Act 1997*, 2008, p. 16.

16 Australian Institute of Health and Welfare, *Residential aged care in Australia 2006–07: a statistical overview*, Aged care statistics series 26, p. 1.

17 Department of Health and Ageing, *Submission 114*, p. 7.

18 Department of Health and Ageing, *Submission 114*, p. 19.

19 Department of Health and Ageing, *Report on the Operation of the Aged Care Act 1997*, 2008, p. 18.

packages provide tailored care at home as an alternative to high residential care. EACH-D assist frail older people with high level care needs and dementia or behaviours of concern to remain at home.

2.20 In addition to services funded through the department, the Department of Veterans' Affairs funds the Veterans' Home Care program for eligible veterans and war widows or widowers who have low level care needs. The program provides a wide range of home care services designed to improve their health and well-being and assist people to remain in their homes longer, and to assist their carers.

**Funding residential and community aged care**

2.21 The Commonwealth Government has primary responsibility for funding and regulating the residential aged care sector and much of the community aged care sector in Australia. The framework under which the sector operates is provided by the *Aged Care Act 1997* and the associated *Aged Care Principles 1997*. The Commonwealth provides approximately three-quarters of the total funds available to residential aged care primarily through residential care subsidies and capital grants to providers.[20] The majority of the funding is provided via the department but specific residential aged care funding is also provided through the Department of Veterans' Affairs for aged veterans. The remaining funding comes from permanent residents in aged care facilities paying accommodation and daily living charges.

2.22 Commonwealth funding for residential and community aged care has risen steadily in response to the growth in the aged population. According to the latest department Report on the Operation of the *Aged Care Act 1997* covering the financial year 2007–08:

> During 2007-08 Australian Government total expenditure for ageing and aged care increased to $8.3 billion, including $6.0 billion for residential aged care subsidies and supplements, $448 million for the community care CACPs and $188 million for the flexible care EACH and EACH-D packages. Australian Government expenditure outside the Act included an increase to $1.006 billion for the joint Australian, state and territory government HACC program.[21]

2.23 Commonwealth expenditure for aged care in 2008–09 will amount to $9.3 billion in total. This compares to earlier years: in 2004–05, $6.7 billion was spent on residential and community aged care whilst approximately $3 billion was spent in 1995–96.[22]

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20 Greg McIntosh and Thomas John, *Aged Care Amendment (Residential Care) Bill 2006 – Bills Digest*, Bills Digest No. 129, 2006–07, p. 4.

21 Department of Health and Ageing, *Report on the Operation of the Aged Care Act 1997*, 2008, p. iv.

22 Greg McIntosh and Thomas John, *Aged Care Amendment (Residential Care) Bill 2006 – Bills Digest*, Bills Digest No. 129, 2006–07, p. 4.

2.24 Funding for 2008–09 will be distributed as follows:

- $6.7 billion for residential aged care subsidies (for permanent and respite care);
- $479 million for Community Aged Care Packages;
- $429 million for flexible care programs including Extended Aged Care at Home (EACH), Extended Aged Care at Home – Dementia (EACH-D), Multipurpose services and Transition Care;
- $1.1 billion for the Home and Community Care (HACC) program with the remaining 40 per cent of HACC funding provided by the states and territories;
- $80.3 million on aged care assessment;
- $55.8 million on the aged care workforce;
- $36.1 million for ageing information and support including the Community Visitors Scheme;
- $29.3 million on culturally appropriate aged care;
- $31.6 million on dementia programs outside of community care;
- $128.2 million on capital assistance; and
- $21.7 million to the Aged Care Accreditation Agency.[23]

2.25 Funding for community care services totalled $2.2 billion in 2008–09, an increase of $260 million over the 2007–08 financial year.[24]

2.26 Residential and community care are funded through subsidy arrangements paid directly to the aged care providers on behalf of the aged care recipients. To receive the subsidy, the care recipient must meet four conditions:

- they must be an approved care recipient determined by the Aged Care Assessment Teams;
- their care must be provided by an approved provider;
- care must be provided in an allocated place; and
- care must be of a specified quality and accredited as such.[25]

### *Residential aged care*

2.27 Subsidised permanent residential aged care was provided to 208,079 aged persons in 2007–08 with an average of 160,000 people receiving care each night.[26]

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23 Department of Health and Ageing, *Submission 114*, pp 11–12.

24 Department of Health and Ageing, *Report on the Operation of the Aged Care Act 1997*, 2008, p. iv.

25 Department of Health and Ageing, *Submission 114*, pp 9–10.

26 Department of Health and Ageing, *Submission 114*, p. 9.

The estimated average annual costs (public and private) for high and low level residential care per recipient were $63,300 and $39,550 respectively (in 2007–08 prices). The department noted:

> On average, care recipient fees account for about 26 per cent of the costs of high-level residential care and about 53 per cent of the cost of low level residential care.[27]

2.28 The Commonwealth provides a care subsidy the level of which is dependent on the resident's care needs according to the Aged Care Funding Instrument (ACFI). The level of care subsidy payable is also subject to an income (but not assets) test.[28] Providers may also receive the Conditional Adjustment Payment (CAP) as a percentage of the ACFI subsidy. CAP was introduced in 2004–05 and is discussed further in chapter 5.

2.29 Accommodation supplements are also paid in respect of some care recipients in residential care to subsidise there accommodation costs. The level of accommodation supplement payable is subject to an assets test.

2.30 The Commonwealth also provides capital grants for providers in rural and remote areas who target special needs groups. Viability supplements are paid to providers of residential (and community care) in some rural and remote areas in recognition of the higher costs of providing care in those regions. The 2008–09 Budget included a measure to make available zero interest loans to assist in expanding the availability of residential aged care beds.

2.31 Users of residential aged care services also contribute to the costs of their care through the fees they pay. In addition to fees, people entering permanent residential aged care may contract, on entry, to make accommodation payments to contribute to the cost of their accommodation. These payments are assets tested, that is only those residents whose assets exceed a prescribed minimum level are required to make the payment. Payments may be in the form of either an accommodation bond or an accommodation charge. An accommodation bond is payable by those who enter residential care at low level care and by those who receive care on an extra service basis. The accommodation bond for low-care residents comprises retention of $9.60 per resident per day (for up to five years) and an interest income on the accommodation bond.[29] An accommodation charge is an additional daily amount which is payable by people who enter permanent residential care at a high level of care; it is payable for up to five years.[30]

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27 Department of Health and Ageing, *Submission 114*, p. 9.

28 Department of Health and Ageing, *Submission 114*, p. 10.

29 UnitingCare Australia, *Submission 76*, p. 20. UnitingCare provided an example where the rate would be $50 per resident per day for a bond of $250,000.

30 Australian Institute of Health and Welfare, *Australia's Welfare 2007*, p. 143.

### *Home and Community Care program*

2.32 Total government expenditure on the Home and Community Care (HACC) program in 2007–08 was $1.652 billion of which $1.007 billion was provided by the Commonwealth. According to the department, total funding for HACC increased from 2006–07 to 2007–08 by $127.9 million.[31]

2.33 HACC clients can be asked to pay fees to contribute towards the costs of services which, according to the department, amount on average to approximately five per cent of the cost of delivering the HACC services.[32]

2.34 The department noted that 97 per cent of HACC clients receive, on average, services worth about $1,200 a year (in 2007–08 prices). Three per cent of HACC clients receive services of more than $16,000 per year and expenditure on them accounts for 30 per cent of all HACC expenditure.[33]

### *Community Aged Care Package program and Extended Aged Care at Home programs*

2.35 According to the department, Commonwealth funding for CACPs and EACH packages is projected to total $729 million in 2008–09.[34] Of the respective packages, the department noted:

> CACPs deliver low-level care at an estimated average annual (total public and private) cost of $15,100 (in 2007–08 prices). EACH and EACH-D packages deliver high-level care at an estimated average annual cost of $43,630 and $49,150 respectively (in 2007–08 prices). On average, care recipient fees account for about 16 per cent of the costs of CACPs and about 5 per cent of the cost of EACH packages.[35]

2.36 Users of CACP and EACH may be required to make a co-payment for certain services. Providers are usually required to reduce or waiver fees in cases of financial hardship.

## Expected quality service provision outcomes

2.37 Residential and community aged care is governed by the *Aged Care Act 1997* (the Act) and the User Rights Principles. The legislation is administered by the department and sets out the objectives for the aged care sector:

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31 Department of Health and Ageing, *Submission 114*, p. 17.

32 Department of Health and Ageing, *Submission 114*, p. 8.

33 Department of Health and Ageing, *Submission 114*, p. 8.

34 Department of Health and Ageing, *Submission 114*, p. 9.

35 Department of Health and Ageing, *Submission 114*, p. 9.

- to promote a high quality of care and accommodation for the recipients of aged care services that meets the needs of individuals;
- to protect the health and well-being of recipients of aged care services;
- to ensure that aged care services are targeted towards the people with the greatest needs for those services;
- to facilitate access to aged care services by those who need them, regardless of race, culture, language, gender, economic circumstance or geographic location;
- to provide respite for families, and others, who care for older people;
- to encourage services that are diverse, flexible and responsive to individual needs;
- to help those recipients to enjoy the same rights as all other people in Australia;
- to plan effectively for the delivery of aged care services; and
- to promote ageing in place through the linking of care and support services to the places where older people prefer to live.[36]

2.38 Whilst the *Aged Care Act 1997* (the Act) and its subordinate instruments including the User Rights Principles refer to the concept of 'quality of care', they do not provide a definition. Rather, approved residential and community care providers must comply with a number of standards set out in the *Quality of Care Principles 1997*. These include the Accreditation Standards; Residential Care Standards; Community Care Standards and Flexible Care Standards.

2.39 The Residential Care Standards comprise three principles:

- Residents' physical and mental health will be promoted and achieved at the optimum level in partnership between each resident (or his or her representative) and the health care team.
- Residents retain their personal, civic, legal and consumer rights, and are assisted to achieve active control of their own lives within the residential care service and in the community.
- Residents live in a safe and comfortable environment that ensures the quality of life and welfare of residents, staff and visitors.[37]

2.40 The Community Care Standards comprise seven principles as follows:

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36 Adapted from *Aged Care Act 1997*, Division 2 cited in Standing Committee on Community Affairs, *Aged Care Amendment (2008 Measures No. 2.) Bill 2008 [Provisions]*, November 2008, pp 1–2.

37 *Quality of Care Principles 1997*, Schedule 3, Parts 1–3, pp 21–23.

- Each care recipient and prospective care recipient (or his or her representative) is to have access to information to assist in making an informed choice about available community care services.
- Each care recipient is to receive quality services that meet his or her assessed needs.
- Each care recipient (or his or her representative) is enabled to take part in the development of a package of services that meets the care recipient's needs.
- Each care recipient should be enabled where possible, and encouraged, to exercise his or her preferred level of social independence.
- The dignity and privacy of each care recipient are to be respected, and each care recipient (or his or her representative) will have access to his or her personal information held by the provider.
- Each care recipient (or his or her representative) has access to fair and effective procedures for dealing with complaints and disputes.
- Each care recipient will have access to an advocate of his or her choice.[38]

2.41 The department noted that quality in health care is a multidimensional concept, encompassing a range of issues and areas including:

- access, referring to the capacity of all individuals to receive the same standard of service provision;
- appropriateness, referring to the extent to which the benefits of an intervention outweigh the risks associated with the same intervention;
- technical proficiency (as distinct from technical efficiency), referring to the clinical application of current best practice in skills and knowledge;
- continuity, referring to the extent to which a specific episode of service provision is integrated into an overall care plan;
- safety, referring to risk avoidance and harm minimisation in care delivery;
- acceptability, referring to the degree to which a given service addresses the 'expectations of informed…consumers';
- efficiency, referring to the maximisation of benefits or outputs (e.g. health) for a given level of inputs (e.g. costs); and
- effectiveness, referring to the impact of a particular intervention upon clinical outcome. Importantly, key elements of clinical outcome have been noted to range from survival to the quality of life of the survivor.[39]

38 *Quality of Care Principles 1997*, Schedule 4, Parts 1–7, pp 24–27.

39 Department of Health and Ageing, *The Regulatory Framework for Residential Aged Care in Australia*, November 2005, pp xi–xii.