Anglicare Australia
in every Community

Submission to the Aged Care Taskforce

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About Anglicare Australia

Anglicare Australia is a network of independent local, state, national and international organisations that are linked to the Anglican Church and are joined by values of service, innovation, leadership and the Christian faith that every individual has intrinsic value. Our services are delivered in partnership with people, the communities in which they live, and other like-minded organisations in those areas. With a combined income of $2.28 billion, a workforce of over 21,000 staff and 7,000 volunteers, the Network delivers across more than 50 service areas in the Australian community. Our services are delivered to over 503,000 people and reach close to a million Australians in total. In all, Anglicare services reach over 1 in every 26 Australians.

As part of its mission the Anglicare Australia Network partners with people, families and communities to provide services and advocacy and build resilience, inclusion and justice. Our first strategic goal charges us with reaching this by influencing social and economic policy across Australia with a strong prophetic voice; informed by research and the practical experience of the Network.

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Introduction

Anglicare Australia welcomes the opportunity to provide input to the Aged Care Taskforce's deliberations on the future sustainability of Australia's aged care system.

The Anglicare Australia Network consists of social and health service organisations that are linked to the Anglican Church in Australia, that share a belief in the value and the potential of every person, and the principles of justice, hope and compassion. Collectively our services provide community-based and residential aged care services to more than 68,000 elderly Australians and employ more than 9,700 staff. Our providers vary significantly in size, from the very large to the very small. Several Anglicare Australia Network members are specialist residential aged care providers for people who were homeless or at risk of homelessness before they entered care.

Everyone deserves quality care as they get older. Aged care is about supporting older Australians, and enabling them to live a full, safe and healthy life, regardless of their geographic location, financial situation or care needs. But older people are paying the price of an unsustainable system. They are missing out on the quality and level of care they deserve, languishing on waiting lists or being moved from providers forced to close their books or their doors.

For aged care providers, financial security allows them to care for people regardless of their background or circumstances. It enables them to absorb unexpected shocks and expenses without compromising the quality of care. Right now, aged care providers have little idea how much money they will have to deliver care in the future and are losing some of their best staff to more secure jobs in other industries. Funding levels have failed to keep pace with the real cost of care. Crises like the pandemic have forced services to reach deep into their reserves to cover the extra costs of staff, cleaning, and PPE. These reserves are not bottomless. Most services are running at a loss, and some are on the verge of closing.

In this submission we recommend the Taskforce consider building a sustainable and fair funding base for aged care, including by changes to the overly generous tax treatment of superannuation, and to how housing wealth is assessed in means testing of aged care services. The funding system should be simpler and easier to understand, for older Australians and the community in general, and it should operate in a way that enables and encourages providers to invest in high quality and innovative models of service delivery.

Feedback on the principles

In general, Anglicare Australia supports the broad direction of the draft principles. We make two broad comments about the principles for the Taskforce's consideration. First, the principles of equity (between older people of different backgrounds, wealth and socio-economic status, and geographic location as between generations) is inadequately represented throughout the principles. We will make more specific recommendations below. Second, the concepts of wellbeing and reablement are missing from the principles. Aged care is about more than just providing high quality care; it's about supporting older people's wellbeing and their ability to make their own choices and live fulfilling lives as they age.

We would suggest amendments to principle one to recognise that remaining in their home is not the only wish that older people might have as they age. Nor is it an option available to everyone, as shown by the growing number of older people in insecure housing or at risk of homelessness. Instead, the principle should focus on an aged care system that centres wellbeing and reablement, enabling and encouraging older people to age as they wish and receive the kind of care they choose, whether that be in a home they own or in another environment.

Principle three talks about a safety net, but we are concerned this language implies a two-tier system where those with the least ability to pay get a "basic package" provided by a safety net. Instead, the focus of principles three and four should be equity, stating that aged care funding should guarantee every Australian has access to high quality care regardless of their location, income or socioeconomic status. But where people have the means to contribute to their aged care expenses, they should do so.

Principle four should refer to providing *high quality* care. That care needs to be understood as more than clinical care, but care that enables an older person to live as fully as possible, including through adequate funding of allied health, lifestyle and pastoral care to support the emotional, spiritual and wellbeing needs of older people.

Building sustainability into the system

Current funding levels are not sustainable. It is clear the costs of aged care are only going to grow. The recent Intergenerational Report shows the number of people aged 65 and over will more than double and the number aged 85 and over will more than triple, calling it an "an ongoing economic and fiscal challenge."

A report from the Grattan Institute suggests that if the Royal Commission's recommendation for a rights-based aged care system is implemented, as it should be, aged care spending will need to grow from 1.2 percent of GDP in 2021 to more than 2.5 percent of GDP by 2061.[i]

It is clear additional sources of revenue will be necessary to fund aged care into the future.

Aged care services are struggling to stay afloat now under current policy settings. The most recent financial report on the aged care sector showed only 31 per cent of residential aged care providers made a profit in 2021-22, down 15 percent on the year before.[ii] Our own members report enormous difficulties in finding staff, several million-dollar losses on regional facilities and boards considering whether it is viable to continue providing aged care in the future. Uncertainty around the future model of home care, as well as funding gaps in covering the wage increases of Community Home Support Program workers are also contributing to the current crisis.

Providing fairness in aged care funding

As discussed above, equity should be an underlying principle of the aged care system. Every older Australian, regardless of financial situation should be able to access quality aged care services, whether at home or in residential care, without financial burden.

Anglicare Australia supports progressive models of taxation that do not disproportionately place the burden on those least able to pay. For example, a flat levy to fund aged care, applied to all taxpayers will inevitably fall heaviest on those with lower incomes. It also contributes to intergenerational inequity, where the cost burden is shifted from older people, who are increasingly asset rich, to younger people who are most likely to be in the workforce earning an income but hold lower percentage of Australia's wealth.

The tax treatment of superannuation after retirement is extraordinarily generous, especially for people with substantial wealth. Our recent report *A Costly Choice* found that the Australian Government forgoes $44 billion in revenue because of tax concessions on superannuation earnings and contributions, with 58 percent of the financial benefit going to the top 20 percent of income earners.[iii]

The purpose of the superannuation system is to provide income necessary for a dignified retirement. But the generous taxation concessions incentivise using superannuation as a means of wealth generation or accumulation of a nest egg, rather than to provide an income in retirement. Right now, many people try to preserve their superannuation, so they don't run out of funds. Most people die with up to 90 percent of their super remaining, to be passed on as intergenerational wealth.

We would welcome further changes to the taxation system, that would not only provide a source of revenue for aged care, but also reduce inequity between and within generations and address the growing divide between the most and least wealthy in Australia. We support ACOSS' proposal for a 15 percent levy on superannuation fund earning after retirement to fund an aged care service guarantee.[iv]

We also strongly encourage the Taskforce to explore policy options for taxing income inherited from deceased estates.

Making consumer contributions fair and targeted

Care costs, including nursing, allied health, medical care and personal care should be covered by Government and no one should miss out on high quality care as a result of financial situation.

But in general Anglicare Australia supports the proposition that where they can afford to do so, older people should contribute to their lifestyle and accommodation costs, as they would in the community. This would include things like food, accommodation costs, participation in recreational activities, cleaning or gardening care. We note that in residential care, people already contribute to these costs through the basic daily fee. This system could be improved by making clearer it is for lifestyle and accommodation costs, rather than clinical and personal care.

We also recommend the means test for determining whether a person can afford to make these contributions be modified to ensure housing wealth be given appropriate weighting. Currently when an older person is means tested for care services, the government considers their housing wealth only up to the value of $186,000. In the current housing market, few properties are valued at less than this amount, and most are worth many times more. This means people with multimillion-dollar properties are assessed as being able to contribute little more than someone with no assets and who has rented throughout their life. This accords with the 2017 Tune Review recommendation to include the full value of a person's former home in the asset test, provided a family member is not still living in it.[v]

We recognise that the distinction between living costs and personal care in the context of home care is more difficult, as is the discussion around consumer contributions more generally. The Tune Review said there should be mandatory consumer contributions for home support, aligned to a consumer's income, instead of the current voluntary arrangements.[vi] We note the need for further and more detailed consultation about which components of the home care system should be covered by consumer contributions.

There is a risk that if consumer contributions are not carefully designed, they will create a two-tiered system of care where those who can afford to pay more receive higher quality and better access to care. There is also a risk that unscrupulous providers will cherry pick clients who are able to make financial contributions. This could leave for-purpose organisations like our members, who provide care to many low-income and disadvantaged people, at a disadvantage. Providers should not be disadvantaged or experience disincentives for supporting those with more complex needs or who are unable to contribute financially.

There are several other core principles which must underlie consumer contributions to aged care:

- **Older people must not pay more for aged care services than other Australians would for similar services.** For example, health services like general practice or pathology tests, should not cost most through the aged care system. If cleaning or living related expenses are paid for by consumer contributions to the aged care system, it should be comparable cost to those purchased privately by other people. Accommodation should not be more than rent or the cost of purchasing a similar property in the same area.

- **Consumer contributions should not act as a disincentive to receiving care.** There is a risk that if consumer contributions are perceived as too expensive, people may delay receiving care at home until their situation deteriorates, ultimately resulting in poorer health and wellbeing and the need for higher care and earlier entry into residential care.

The responsibility for collecting and pursuing unpaid client contributions in home care should also be on government. When the Income Tested Fee was introduced, some providers found themselves having to pursue clients for unpaid fees and make choices about withdrawing vital supports due to unpaid bills. This places an unreasonable burden on for-purpose non-profit services and can also damage the relationship between older people and their care givers. Providers also bore the risk of writing off debts, impacting their financial sustainability. Government has additional levers to address unpaid funds, including through the taxation and pension systems.

Making aged care funding easy to understand

Consultation question one asks, "is Australia's aged care system and how you pay for aged care easy to understand?" The answer is clearly no. Most older people and their families do not understand the different types of payments for aged care (including the basic daily fee, means tested care fee and the refundable accommodation fee or RAD), and who is required to make them. Factors like the rapidly changing interest rate on RADs and the lifetime cap on the care fee make things even more complex.

People's understanding and real-life experience of paying for aged care often differs from the on-paper system. While only a relatively small proportion of the value of the average family home is used to calculate a person's assets and determine their means tested fees, and RADs are refundable after the older person dies or leaves care, the reality for many is that selling the family home is the only way to fund the RAD needed to enter aged care. So, while technically the family home is mainly excluded from funding aged care, many people's experiences do not reflect this.

Regardless of which funding approach is taken, we need a much simpler system of funding aged care that is clear what is being funded and by whom.

Supporting innovation and capital investment

There are many ways innovative practice could improve the quality, efficiency or coordination of aged care. For example, technologies can help older people remain more independent or connected to community, and free up workers to invest more time in relational care. Electronic records and medication management can improve information sharing, reduce the likelihood of errors and better coordinate care across multidisciplinary teams. Infrastructure and building design can promote wellbeing and social connection.

But innovation requires investment. Not only in trialling new ideas and creating an evidence base, but also in keeping up to date with evidence and innovation that can be rolled out in our own services.

Providers need a modest surplus to enable them to invest in innovation and capital growth. At the moment margins are so small, and restrictions on use of funding so tight that such investment is virtually impossible. Funding based around proscribed activities (instead of people's outcomes) do not promote a culture of or enable innovation.

Government can also encourage innovation and capital investment by making it easier for providers. They can make land available to and provide concessions or streamlined approval processes. They can provide certainty in funding, indexation and regulatory environment, to give boards the confidence to take on risk in pursuance of their objectives. At the same time, there will need to be work with states and territories to lessen the red tape that can make innovation and investment impossible. For example, state planning laws can be a barrier to new models of retirement living and cohousing.

Our members noted the Government make need to play a more direct role in infrastructure investment in regional and remote areas where it was noted "the business case never stacks up."

Conclusion

The Taskforce has an incredibly important job; recommending to government an aged care funding system that is equitable for every Australian, supports innovation, provides for the true and actual costs of high-quality care and is simple enough that the community can understand it. We welcome this opportunity to contribute our insights and priorities and thank the Taskforce for engaging with the community within the short timelines available.

Anglicare Australia and its members looks forward to the opportunity to continue working with the Taskforce and the Government to make sure we have an aged care system that is ready to meet the needs of older Australians today and into the future.

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[i] Grattan Institute (2020) Reforming aged care: a practical plan for a rights-based system

[ii] Australian Government (2023) Financial Report on the Australian Aged Care Sector 2021–22

[iii] Anglicare Australia (2023) A Costly Choice

[iv] ACOSS (2022) Budget Priorities Statement

[v] Commonwealth Department of Health (2017) Legislated Review of Aged Care (Tune Review)

[vi] Ibid