CPSA COMBINED PENSIONERS & SUPERANNUANTS ASSOCIATION

Submission to the Aged Care Taskforce's consultation

Aged care funding

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Combined Pensioners & Superannuants Association of NSW Inc (CPSA)

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CPSA receives funding support from the New South Wales and Australian Governments

CPSA is a non-profit, non-party-political membership association founded in 1931 which serves pensioners of all ages, superannuants and low-income retirees. CPSA's aim is to improve the standard of living and well-being of its members and constituents. CPSA receives funding support from the NSW Government Departments of Communities & Justice and Health and the Australian Government Department of Health.

CPSA appreciates the opportunity to make a submission to the Taskforce's consultation concerning aged care funding. CPSA is responding to three of the consultation questions.

'What does "fairness" in aged care funding and care services look like?'

A fair aged care system would give a right to and provide the same quality of care to all regardless of personal contributions paid to the cost of (1) care (including primary, allied and oral health care), (2) everyday-living requirements, and (3) accommodation.

Is funding for Australia's aged care system sustainable? If not, what is needed to make it sustainable?

Everyone is at risk of illness and disability and may require care services during their life. The smartest way of funding these care services sustainably is through insurance, as is common practice in many developed countries.

The final report of the Aged Care Royal Commission noted that starting up a social insurance scheme for aged care at a time when, as a result of baby boomers reaching the age at which they need aged care, demand will surge would be pointless.

However, the Commissioners could not agree on what course of action the Australian Government should take to address aged care funding. This was disappointing, because in the final analysis the resolution of any crisis such as the aged care supply and quality crisis comes down to adequate funding.

The success of any insurance scheme is complicated by the need to honour and fund claims right from the start. No insurance scheme can start up without a funding reserve to honour claims from clients at a point when the total of overall client contributions is below the level required to fund initial claims.

In that way, a social insurance scheme for aged care is no different from any other insurance scheme.

Where a social insurance scheme for aged care is different is that the number of clients is high right from the start. Because of this, starting capital will need to be substantial, and even then, it is impossible for the scheme to become financially viable (that is, reach a point where client contributions cover the funding of claims) at least until baby boomer demand for aged care has ceased through natural attrition.

For a (mandatory and hypothecated) social insurance approach to aged care funding to succeed, the Australian Government needs to provide the necessary start-up capital in order for aged care claims to be honoured right from the start.

The start-up capital referred to above would not be a one-off government contribution at the commencement of the scheme but would necessarily be a series of contributions until the scheme is mature, which would take in the order of forty to fifty years

Revenue from premiums would be hypothecated to fund aged care.

Government funding of aged care social insurance would be substantial for a very long time. However, government funding of aged care is going to be substantial no matter what arrangement is decided upon. At least, a social insurance scheme has the advantage that it is enduring and, albeit over many years, will become financially self-sufficient or close to it.

Personal contributions to aged care from care recipients will be able to be increased with the merging of the Home Care Packages Program (HCPP) and the Commonwealth Home Support Program (CHSP) by requiring contribution levels currently only imposed on HCPP recipients to also be imposed on CHSP recipients. However, the scope for further increasing personal contributions in aged care does not appear to exist.

What costs do you think consumers in aged care should contribute to and to what extent? How is this different for care, compared with everyday living expenses or accommodation?

The current division of expenses into accommodation, living and care expenses is adequate, with the exception of the Basic Daily Care fee in home care, which does not relate to living expenses incurred by a provider on behalf of a care recipient as it does in residential aged care.

What is the role of Government versus private investment in funding upgrades and constructing new facilities? Is the role different in rural and remote locations?

CPSA's policy position on the operation of residential aged care is that the building management function should be separated from the care function. This position is motivated by the possibility of care quality non-compliance by a residential aged care provider. Historically and currently, the regulator's ability to carry out the ultimate compliance action of revoking a residential aged care service's licence to operate can be compromised by the two functions being vested in one entity. Cancelling a residential aged care service's licence means that residents will need to find elsewhere to go into residential aged care. Separation of the two functions would allow the building manager to continue to operate the residential aged care premises while the non-compliant residential aged care provider is replaced with a provider who is compliant. The result is that residents are not displaced and can continue to receive care in their existing accommodation.

This approach to managing residential aged care can also be beneficial in managing upgrades and new construction of residential aged care facilities. In rural and remote settings, government can decide to build residential aged care facilities and recruit a building manager to manage the facility and, if necessary, subsidise the operational costs. It can recruit a care manager to provide the care and, if necessary, subsidise the cost of care. This allows government to put in services which are not commercially viable by removing financial risk for the building manager and the care manager.