



Presbyterian Aged Care

Who Pays for What in Aged Care

Paul Sadler, CEO
Presbyterian Aged Care NSW & ACT

AAG Economics of Ageing Seminar, Sydney,
September 2014

Sources

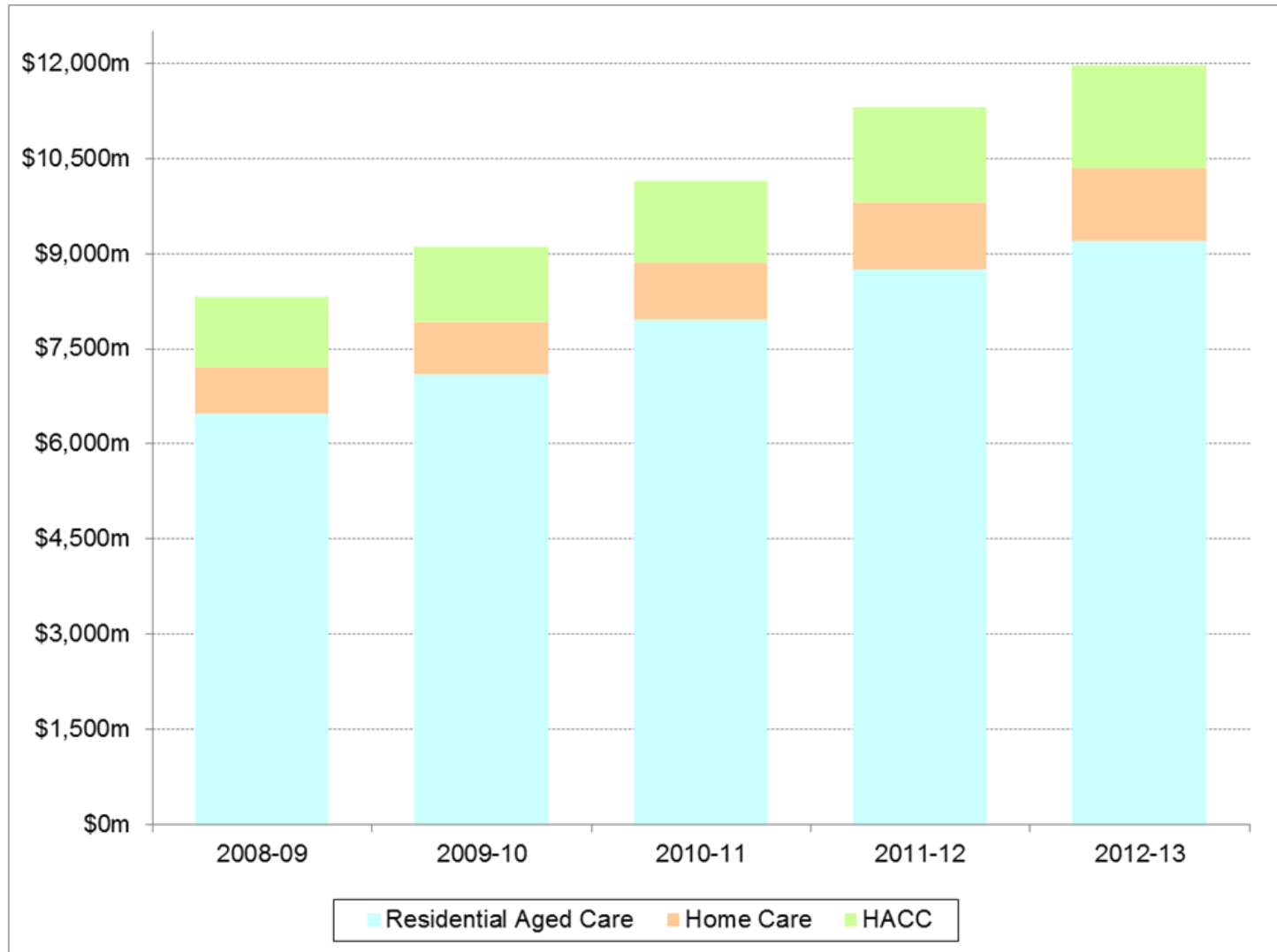
- Aged Care Financing Authority
 - *2014 Report on Funding and Financing of the Aged Care Industry*
 - <http://www.dss.gov.au/our-responsibilities/ageing-and-aged-care/aged-care-reform/reforms-by-topic/aged-care-financing-authority>
- Department of Social Services
 - Aged Care Reform presentations
 - <http://www.dss.gov.au/our-responsibilities/ageing-and-aged-care/aged-care-reform/further-information-on-1-july-2014-changes>
- My Aged Care website
 - <http://www.myagedcare.gov.au>

1. Description of Aged Care Sector

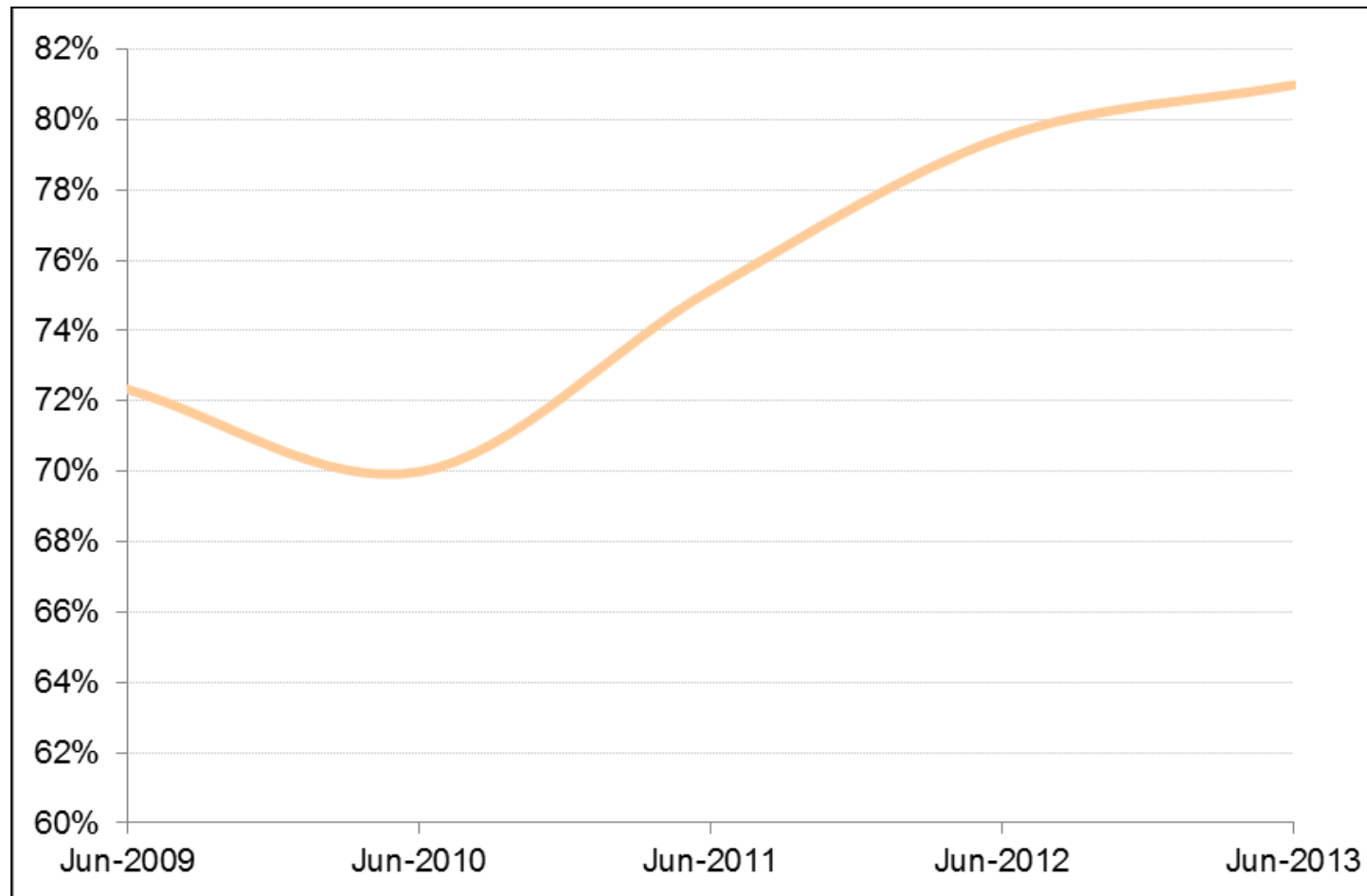
Consumers in Aged Care

	Residential Care	Home Care	HACC	Total
Consumers	186,278	60,308	756,148	1,002,734

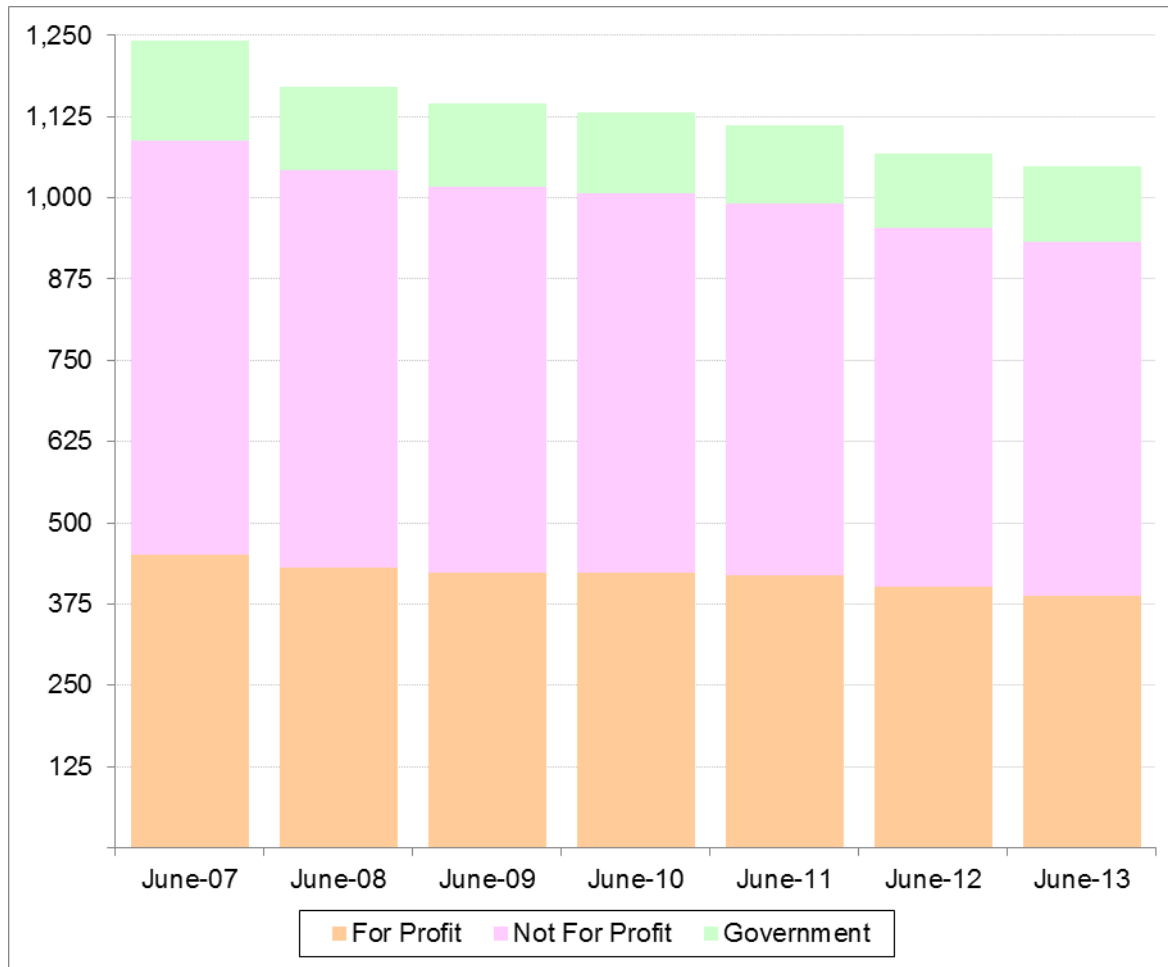
Commonwealth Aged Care Funding 2008-9 to 2012-13



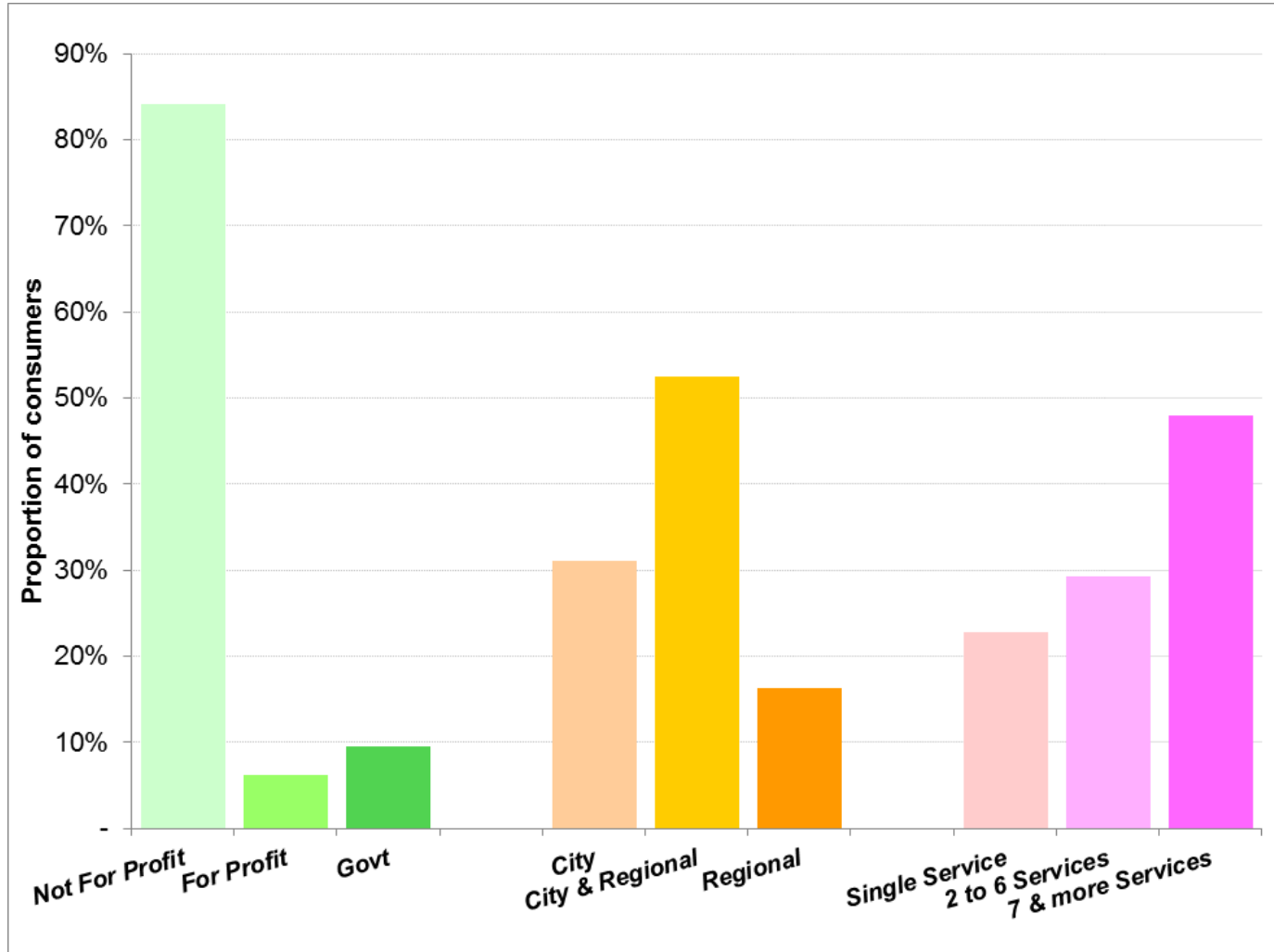
Trend in High Care Permanent Residents, 2008-09 to 2012-13



Consolidation of Residential Care Provider Numbers



Provision of CACP Services to Home Care Consumers



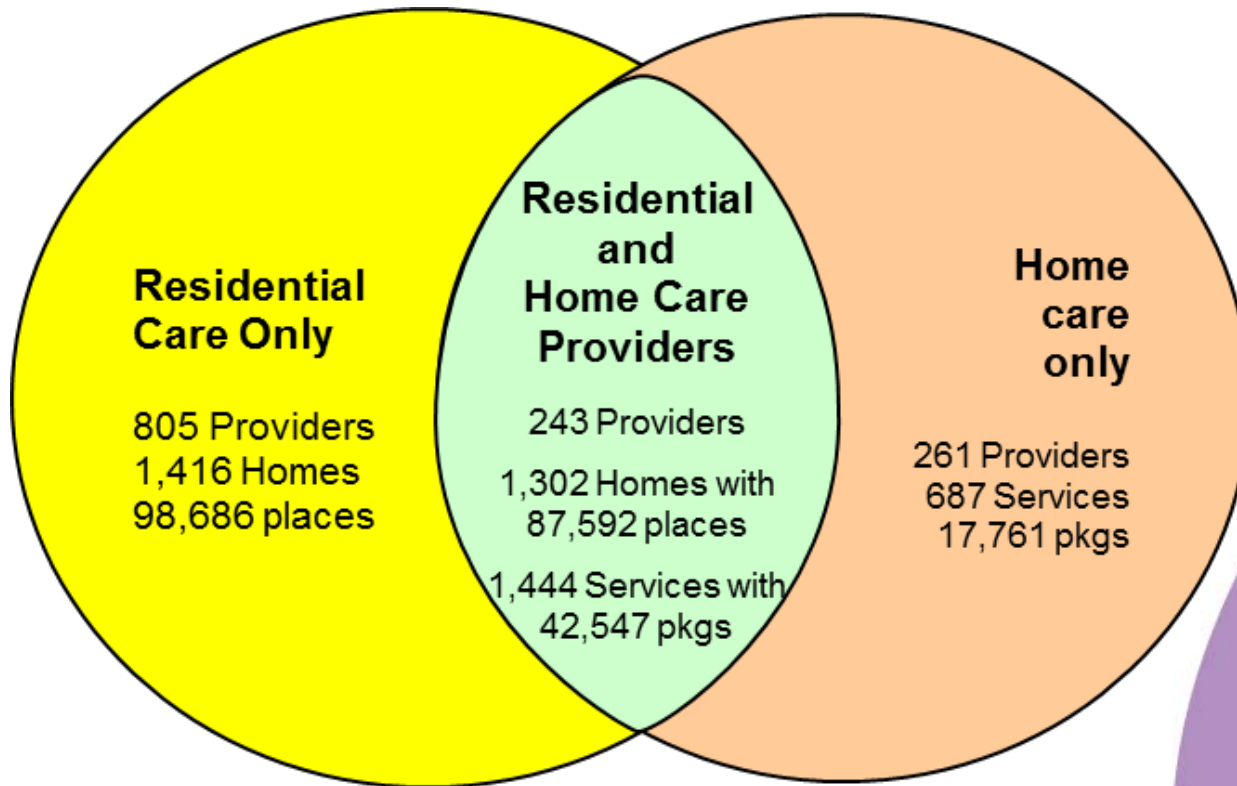
Commonwealth HACCC Providers

30 June 2013

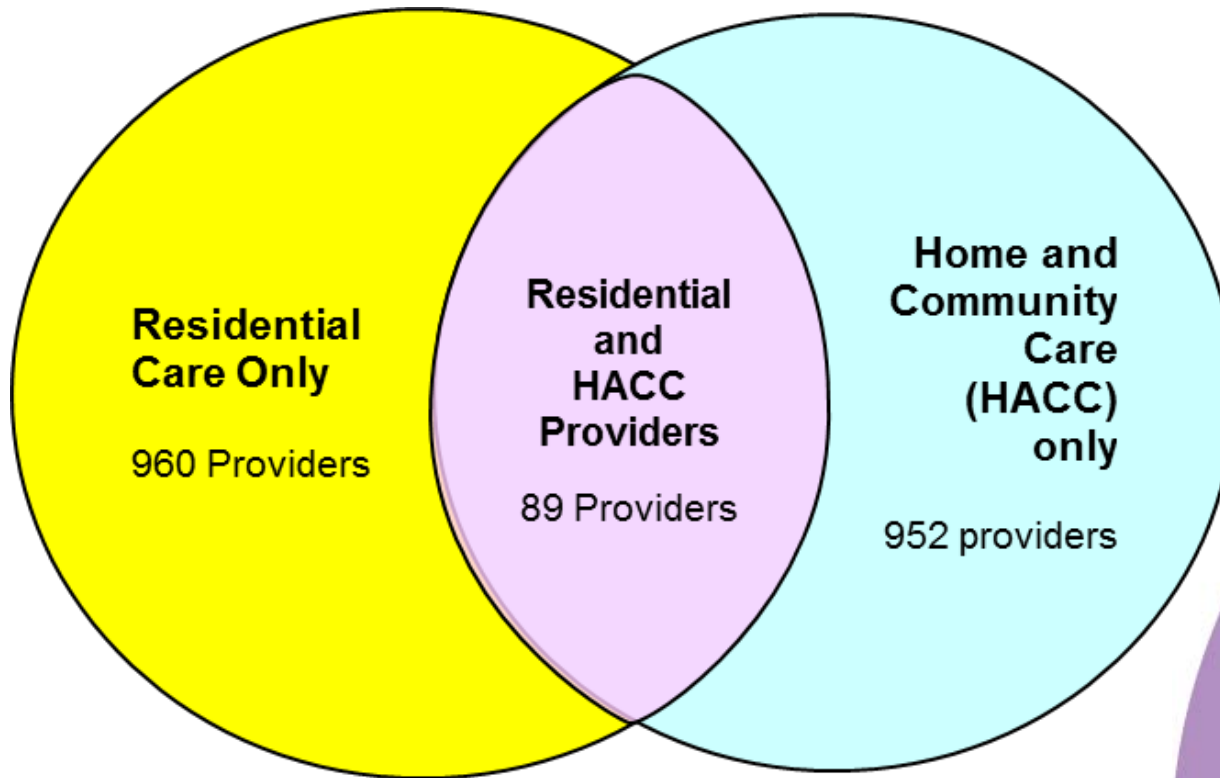
Not-for-profit	For-profit	Government	Total
780	77	184	1,041

Does not include Victorian or WA HACCC providers

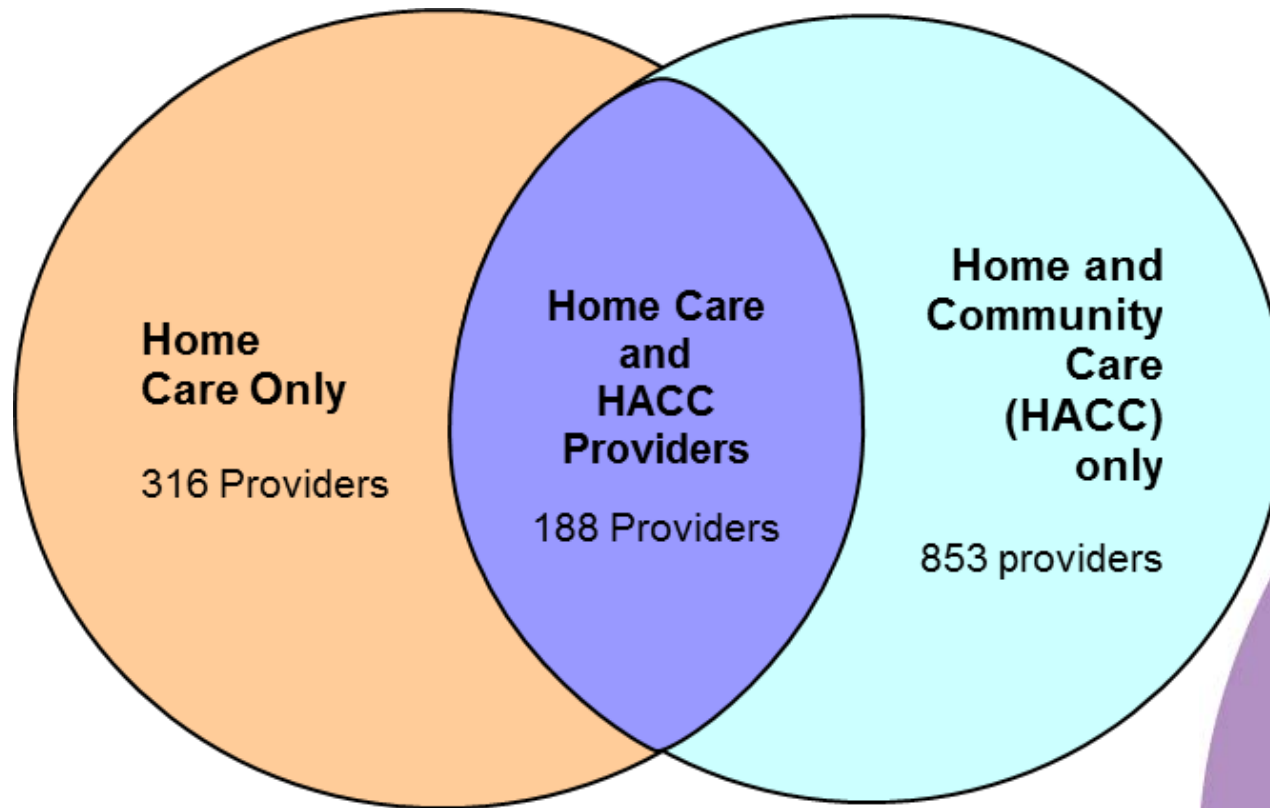
Overlap of Provision of Residential Aged Care and Home Care



Overlap of Provision of Residential Aged Care and Home and Community Care



Overlap of Provision of Home Care and Home and Community Care

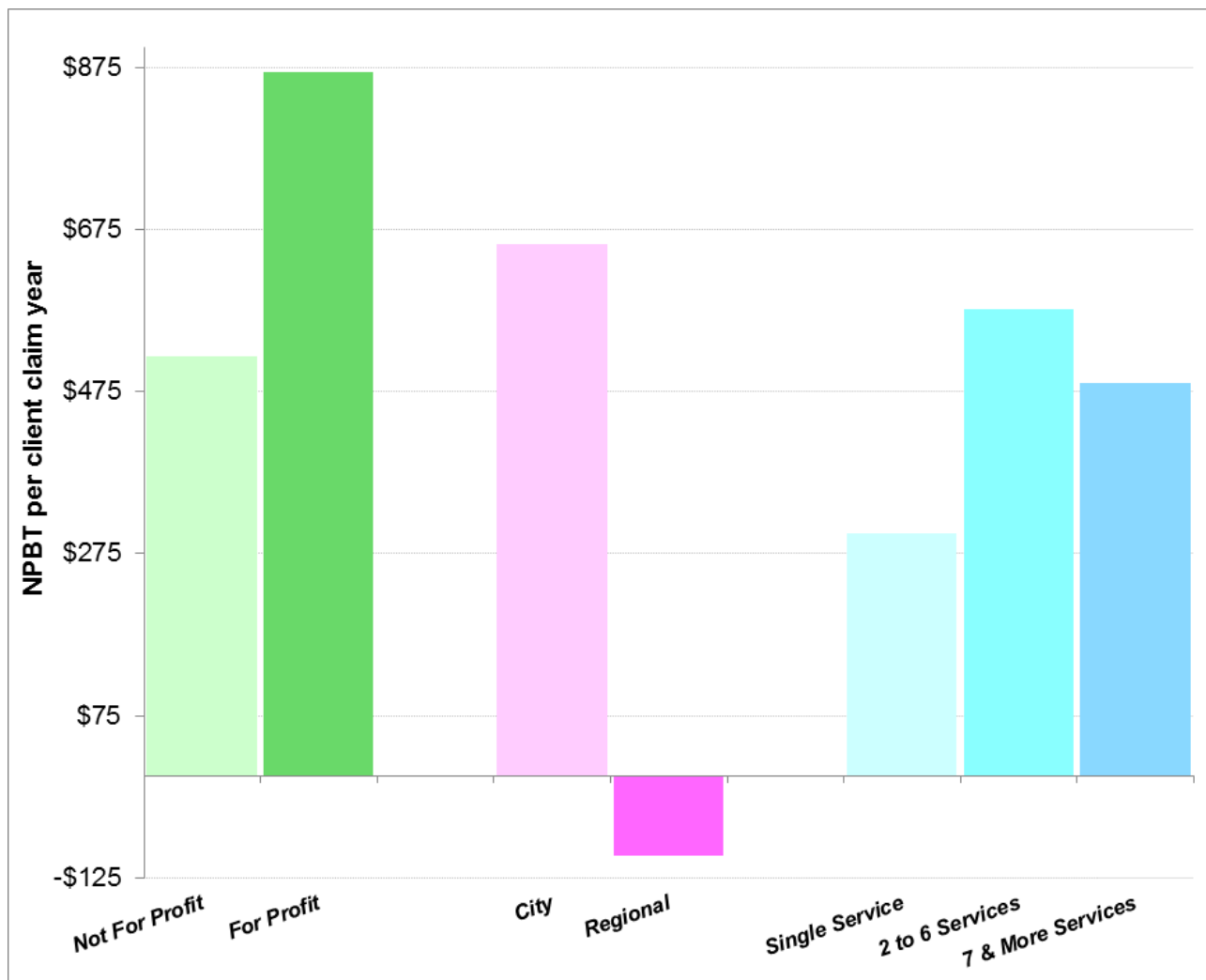


2. Financial Performance of Aged Care Providers

Key Aggregate Residential Care Sector Metrics

	2011-12	2012-13	CHANGE	
	\$M	\$M	\$M	%
REVENUE	\$13,073	\$13,961	\$888	6.8%
EXPENSES	\$12,347	\$13,367	\$1,020	8.3%
EBITDA	\$1,544	\$1,473	-\$71	-4.6%
NPBT	\$726	\$594	-\$132	-18.2%
NET WORTH/EQUITY	\$9,612	\$10,189	\$577	6.0%
BUILDING WORK COMPLETED – NEW, REBUILT & REFURBISHED	\$863	\$920	\$57	6.9%

CACP Net Profit Before Tax by Ownership, Care Type, Location and Size in 2012-13



3. Overview of Aged Care Reforms

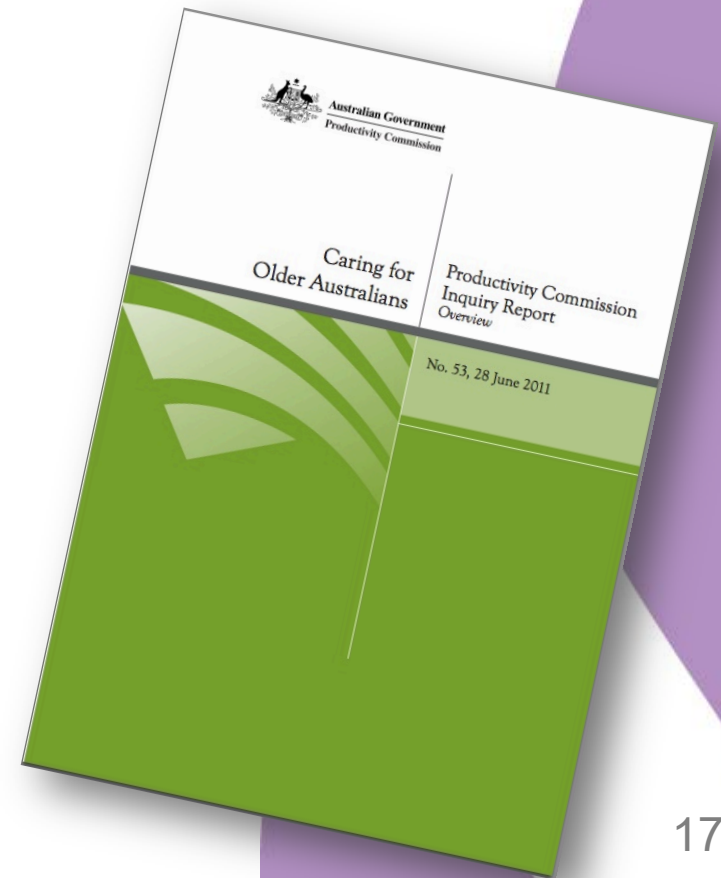
The Productivity Commission Report August 2011

Focus:

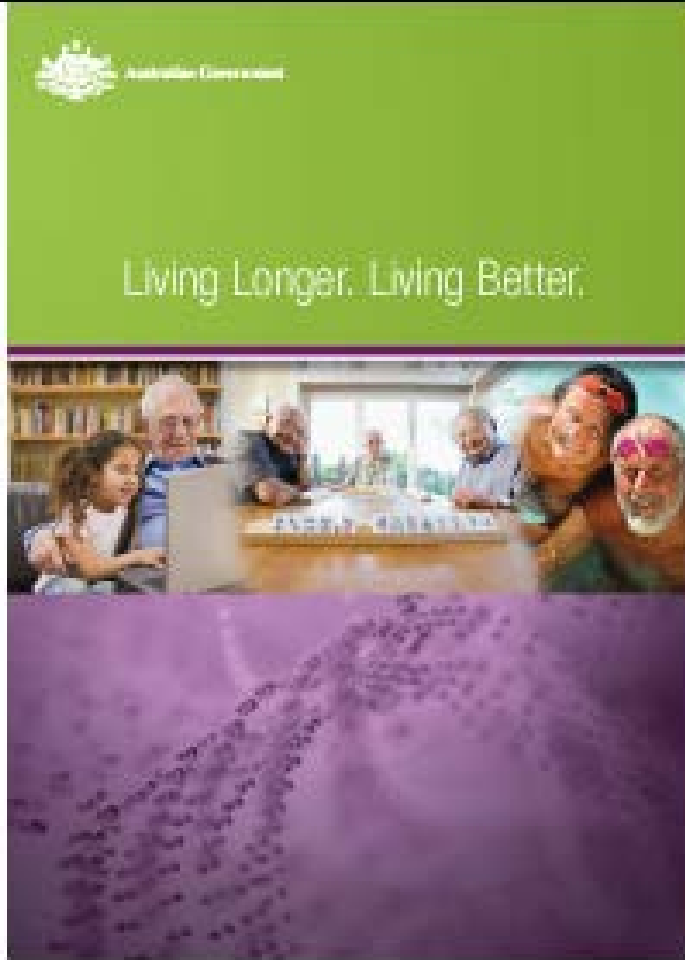
Wellbeing of older Australians – promoting their independence, giving them choice and retaining their community engagement

Balance:

- Individual responsibility
- Affordability for taxpayers
- Safety net for those that need it



Living Longer Living Better

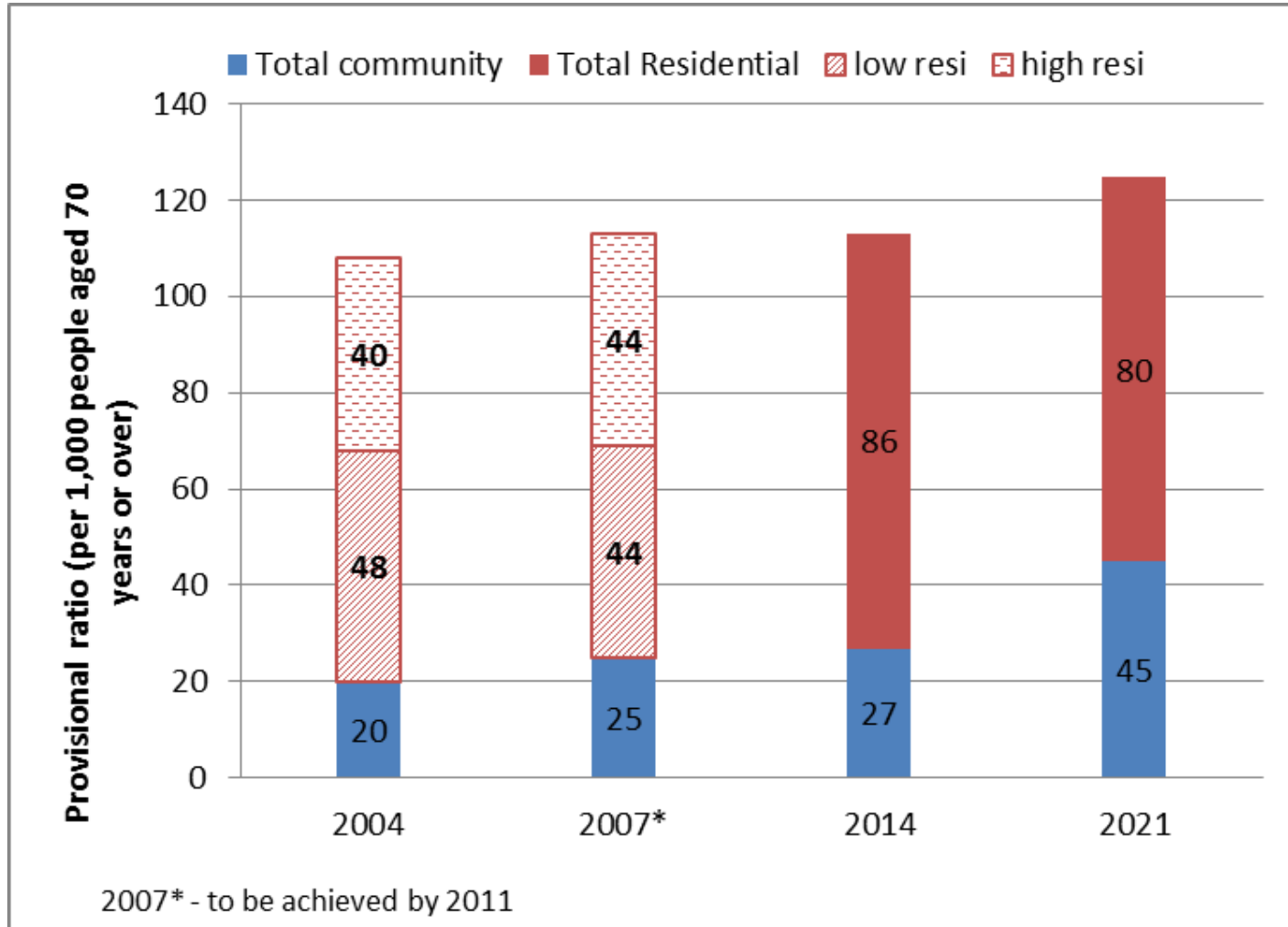


- Released by Prime Minister 20 April 2012
- Complemented:
 - Health Reforms
 - National Disability Insurance Scheme (NDIS)
 - Response to Report on Economic Potential of Senior Australians

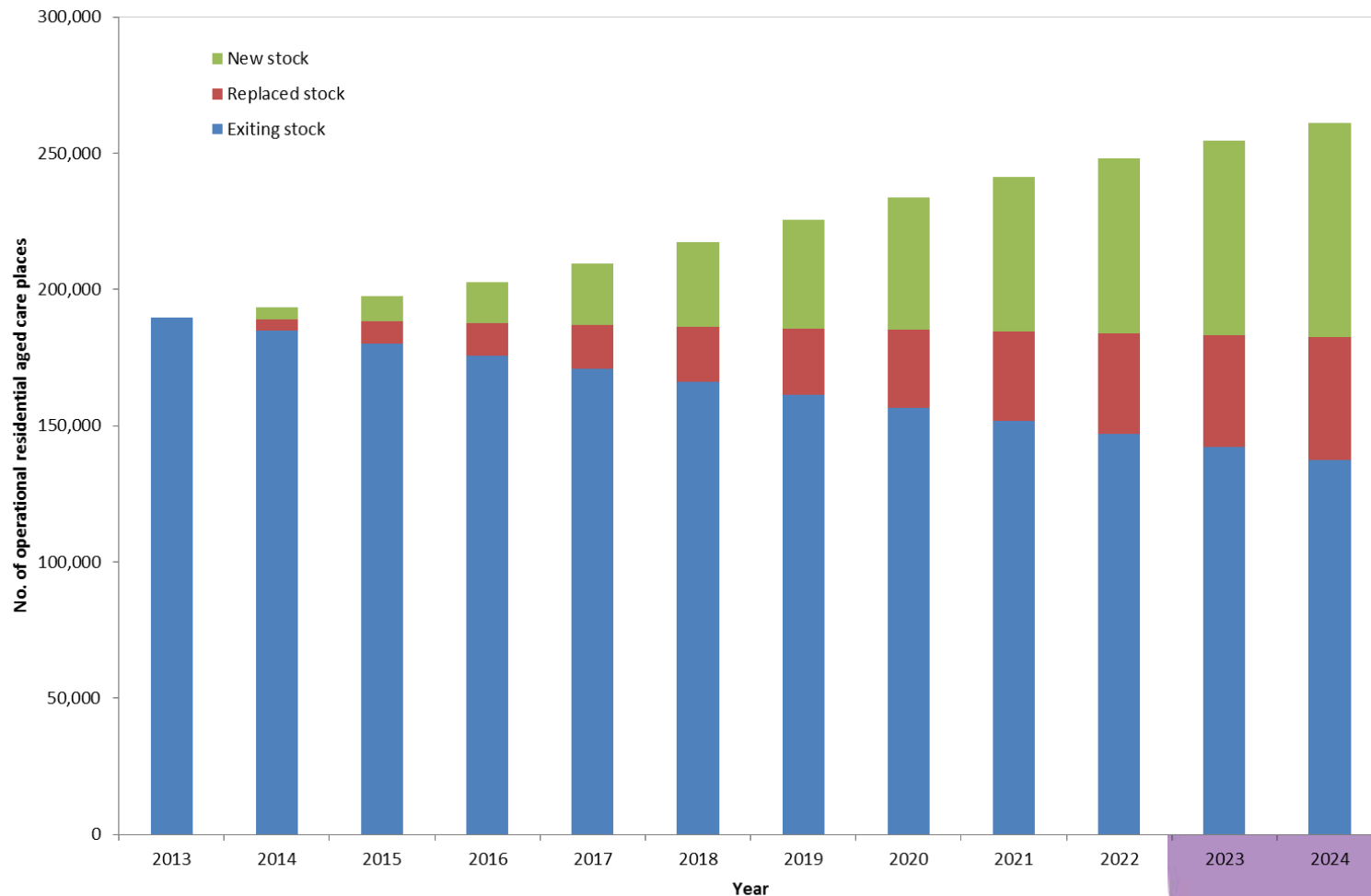
Key Features of LLLB Reforms

- \$3.7 billion package over 5 years (2012-2017)
 - Only \$577m new funding
 - \$1.6 billion taken from Aged Care Funding Instrument (ACFI) cuts in residential care
 - Other measures, such as dementia supplements, funded by reducing basic subsidies
- Marks further policy shift towards **home care**
- Greater emphasis on user pays

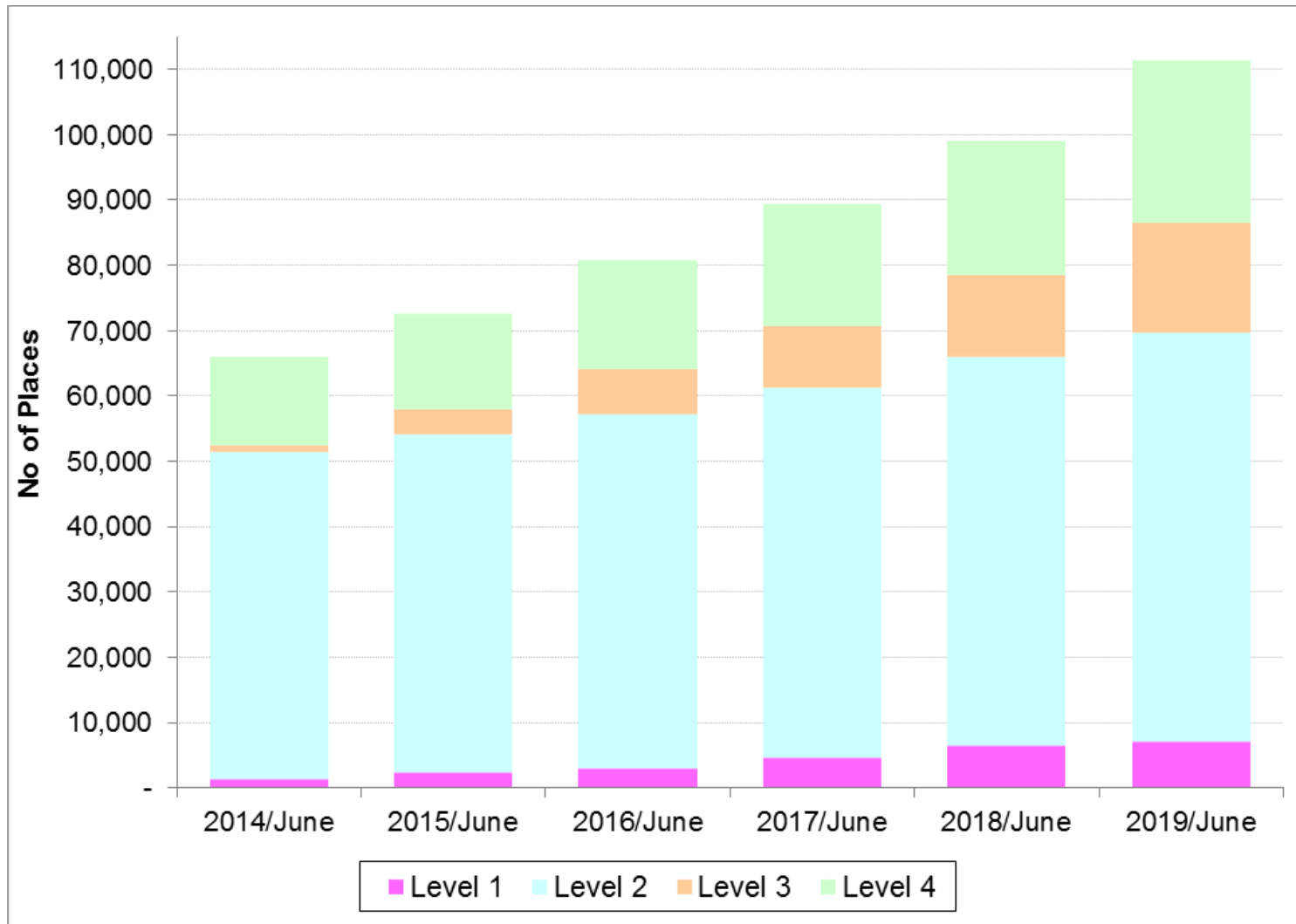
Planned increase in Provisional Ratio, 2004 – 2021 (per 1,000 people aged 70 years or over)



Number of Operational Residential Aged Care Places Required in the Next Decade – 2013-2024



Projected Growth in Home Care Places



Aged Care Reform Acts

- 5 Acts passed Federal Parliament in June 2013 to enact aspects of *Living Longer Living Better* reforms
- Amongst other things, the 5 Acts:
 - Establish new forms of accommodation payments in residential aged care
 - Create 4 levels of Home Care Packages
 - Revise income-tested fees for residential care and introduce them for Home Care Packages
 - Create new funding supplements for Dementia, Homeless People and Workforce
 - Establish an Australian Aged Care Quality Agency

Residential Care Reforms: 2013

- Residential care places adjusted down from 88 to 80 places per 1,000 people 70+
- ACFI subsidies cut
- Dementia & Severe Behaviours Supplement
- Veterans Supplement
- Homeless Supplement

Residential Care Reforms:

1 July 2014

- Accommodation supplement increased from \$34.20 to \$52.49 per day for new or refurbished buildings after 20 April 2012
- Low and high care distinction removed
- New accommodation payments regime:
 - Refundable accommodation deposits
 - Daily accommodation payments
 - Residents can choose up to 28 days after entering aged care
- No refundable accommodation deposit retentions allowed
- Additional user pays via change to means testing, with annual cap of \$25,000 and lifetime cap of \$60,000 on care fees
- Providers can offer optional additional amenities and hotel services to all residents at an additional charge

Home Care / Home Support

- Home Care packages adjusted up from 25 to 45 places per 1,000 people 70+
- 2 new levels of Home Care package
- All future Home Care packages must be CDC, and all existing become CDC from 1 July 2015
- Dementia & Cognition Supplement
- Veterans Supplement
- Additional user pays via income tested fee, with annual cap of up to \$10,000 and lifetime cap of \$60,000 on care fees
- Home Support Program to replace HACCC, NRCP, DTC and ACHA from 1 July 2015



The Coalition's Policy for Healthy Life, Better Ageing

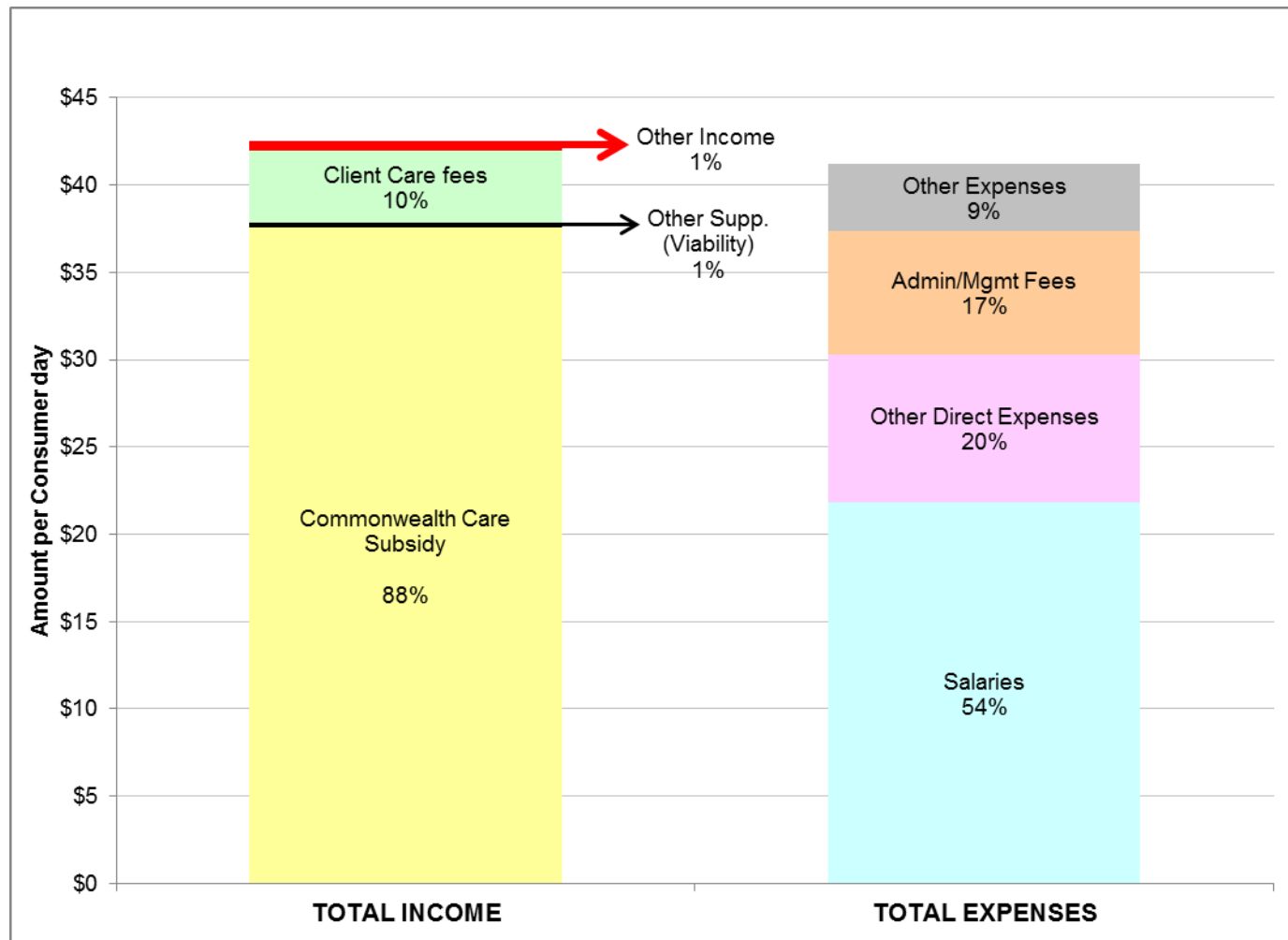
September 2013

Now the Aged Care Policy

- *5-year Healthy Life, Better Ageing Agreement*
 - Based on Productivity Commission *Caring for Older Australians* report and LLLB reforms
 - Negotiated with key stakeholders via Aged Care Sector Committee
- Cut red tape
 - So far removal of Federal building certification requirement passed House of Representatives
- Put \$1.5 billion for Workforce Supplement back into general aged care funding
 - 2.4% increase in aged care subsidies and community programs from 1 July 2014
 - But \$590m cut to payroll tax supplement in 2014 Federal Budget
- \$200 million for dementia research
- Aged care transferred from Department of Health & Ageing to Department of Social Services

4. Who Pays in Home Care?

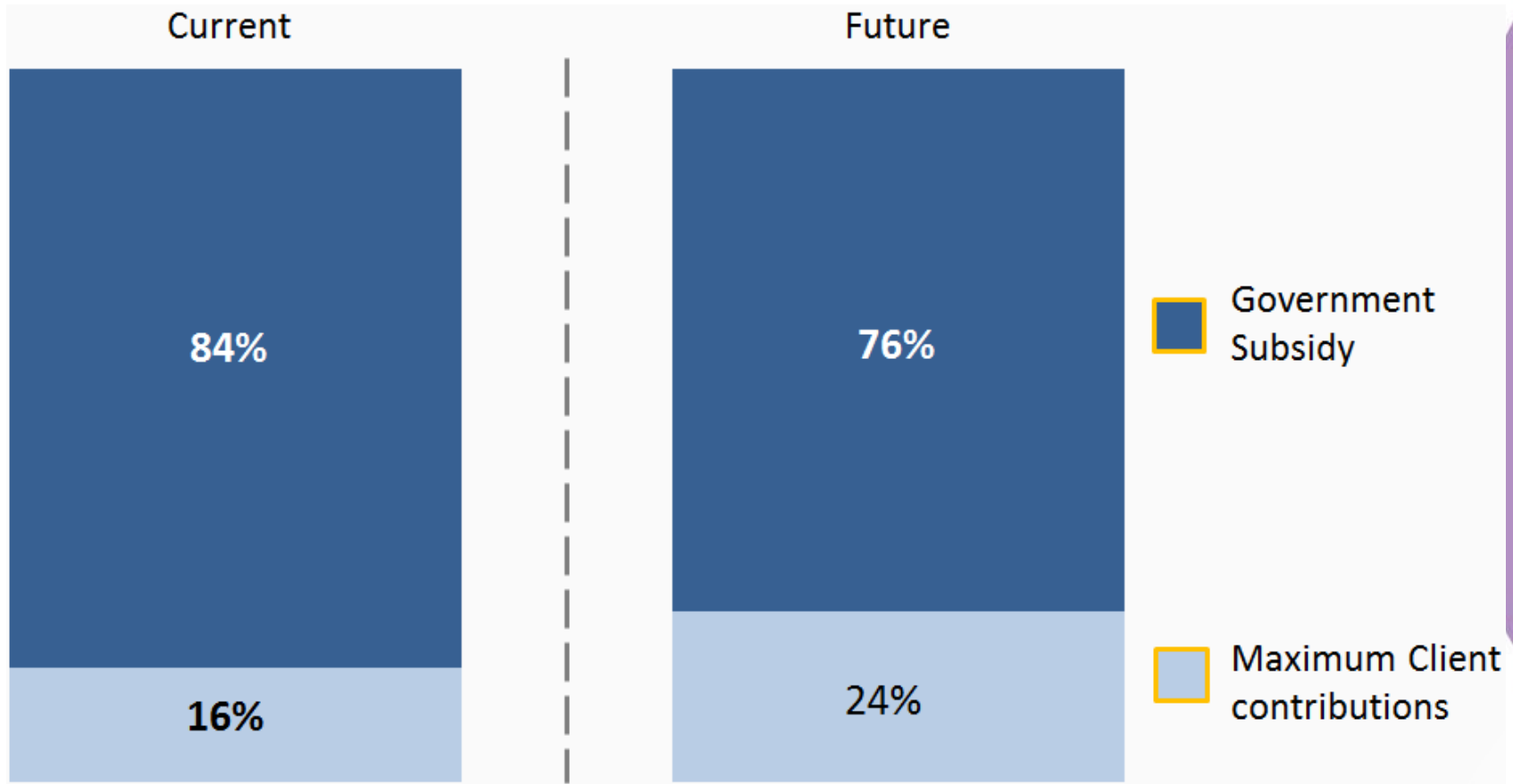
Community Aged Care Packages Revenue and Expenses Per Client Per Day 2012-13



Income testing in Home Care

- Consumers can continue to be asked to pay a basic fee
- Some consumers can be asked to pay an income-tested care fee
- The amount of subsidy paid is reduced by the consumer's income tested fee
- DHS administers the income assessment
- There is a fee estimator on My Aged Care

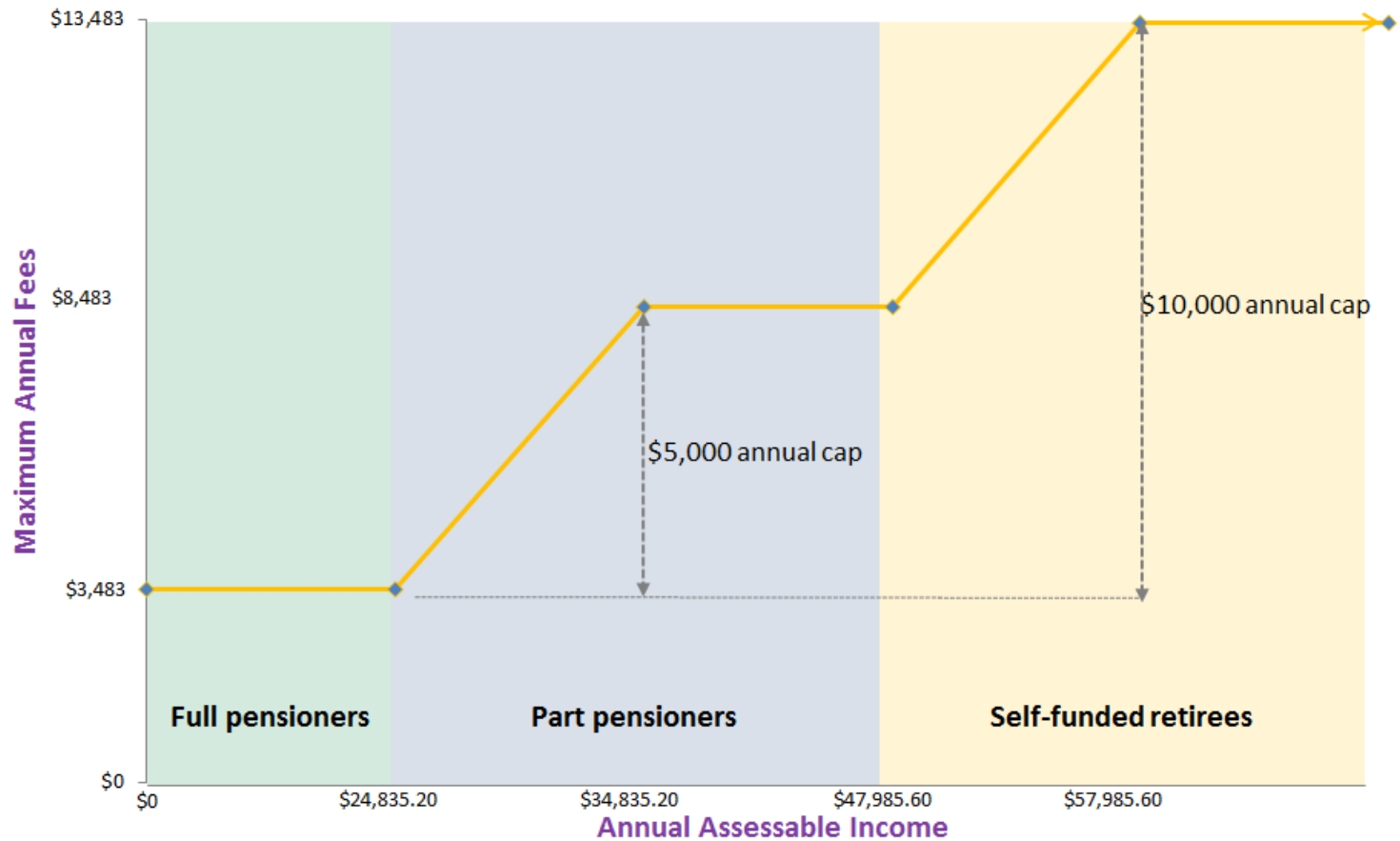
Home care – Government subsidy vs Client contributions



84% equates to approx \$1.2 billion and 16% equates to approx \$0.2 billion, based on 2013/14 data.

Home Care income thresholds and caps

Single person



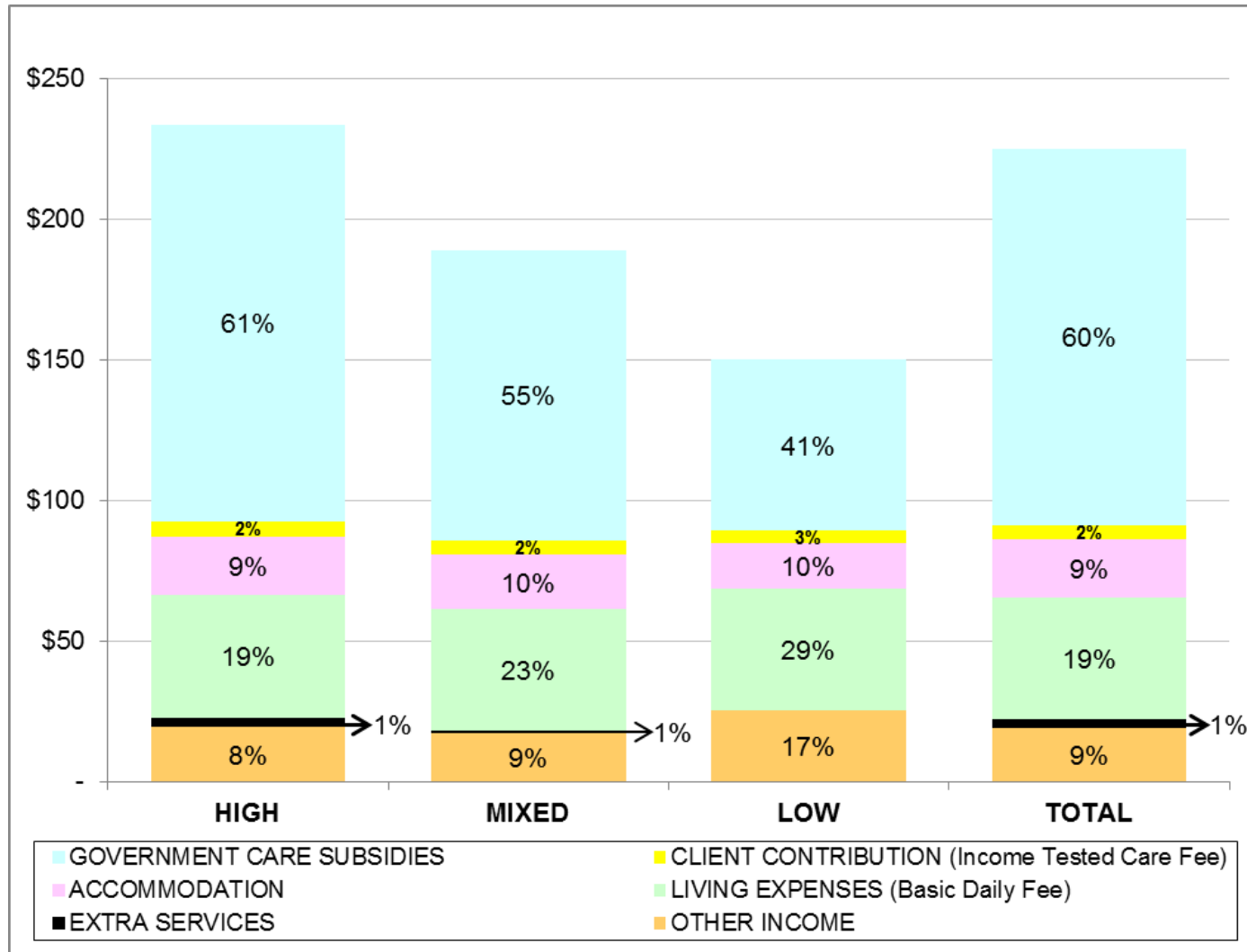
Note: The thresholds current as of 1 July 2014

Home Care – Safeguards


- Grandparenting arrangements for people who entered Home Care Packages before 1 July 2014
- Caps on the amount of income tested fees
 - Full pensioners will not pay any income tested fees
 - Part pensioners pay up to \$5,000
 - Self Funded Retirees pay up to \$10,000
- Financial Hardship Assistance

5. Who Pays in Residential Care?

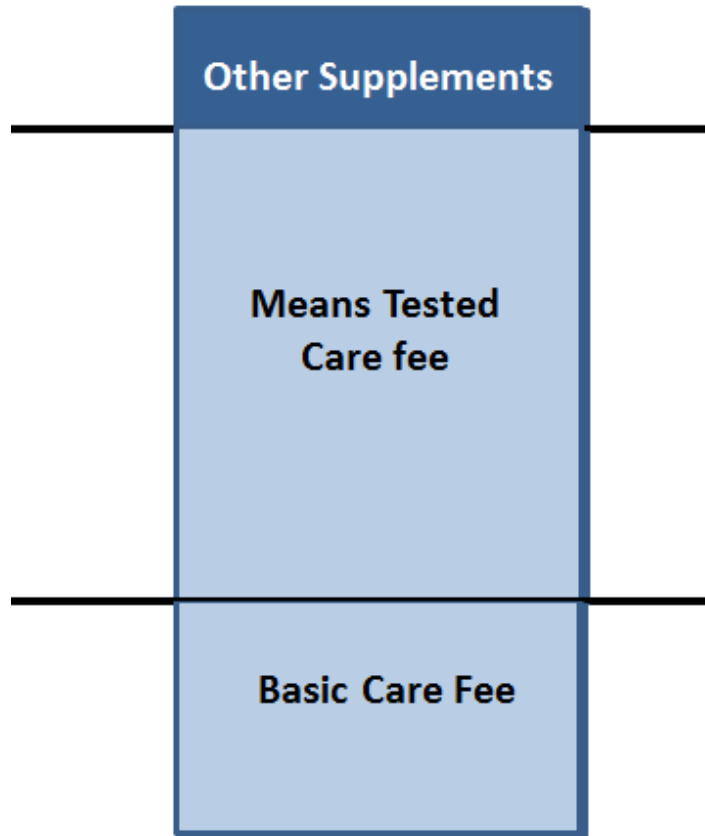
Revenue Per Resident Per Day 2012-13



Residential Care Fees from 1 July 2014


- Basic Fee
 - Means Tested Care Fee
 - Accommodation
 - Extra Services Fee
 - Additional Services Fee
- 

Subsidies and Fees from 1 July 2014

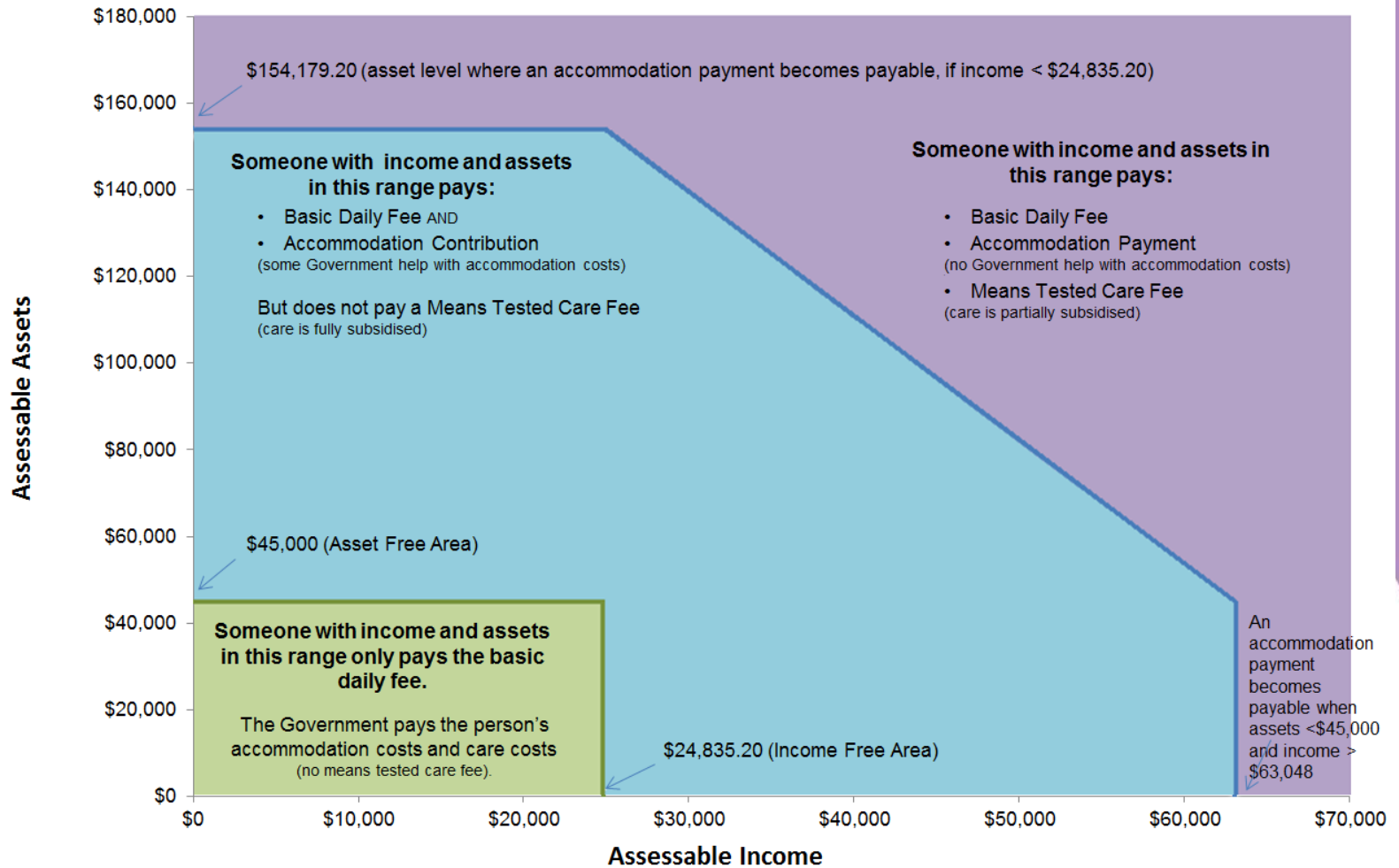


- Government contribution
- Care recipient contribution

Means Testing in Residential Care

- Income and assets combined test conducted by DHS
 - Determines the fees and therefore the Commonwealth Subsidy paid for each resident
 - Fee estimator available on My Aged Care website
- 

New Residents from 1 July 2014



Safeguards for Residents

- Grandparenting arrangements
- Annual and lifetime caps
 - Annual cap of \$25,000
 - Lifetime cap of \$60,000
- Safeguards on the family home
- Financial Hardship Assistance

Accommodation Costs – What's New?

- Choice of Payment Method
 - Refundable Accommodation Deposit or
 - Daily Accommodation Payment or
 - Combination of Both
- Fairer Assessment of Capacity to Pay

Accommodation prices– What's New?

- Consumer Protection and Safeguards
 - Accommodation Price cannot be more than the price published
 - Prices over \$550,000 must be approved by Aged Care Pricing Commissioner
- Increased Price Transparency
 - Prices must be published on My Aged Care, provider websites and relevant printed materials

Accommodation bonds 2012-13 vs. published accommodation prices as at 29 July 2014

Average	New Accommodation Bond 2012-13 (\$)	Refundable Accommodation Deposit [RAD] (\$)	Daily Accommodation Payment [DAP] (\$ per day)
Australia	273,386	355,035	65.07
NSW	281,673	329,460	
Not for profit	251,440	374,611	68.66
For profit	309,306	333,557	61.13
Government	191,631	343,152	62.89
Major city	300,914	366,020	67.08
Regional	193,378	327,157	59.96
Remote	131,393	275,090	50.42

Published accommodation prices as at 29 July 2014

- There are 19 aged care services with RAD prices of more than \$1 million – highest \$2.6 million in NSW
- 122 aged care services with either room price more than \$550,000 or where home has application pending with Aged Care Pricing Commissioner
 - None in Tasmania, Northern Territory or remote areas

Impact of reforms

- Still too early to tell precisely
- KPMG undertook analysis of proposed reforms in 2013
 - Estimated nearly **10%** (\$400m) drop in bond (RAD) holdings in low care in 2014-15, as up to one third of incoming residents choose DAPs over RADs
 - Also \$68m drop in recurrent revenue with loss of low care bond retentions
 - Estimated **\$3.4 billion** additional RAD holdings in high care
- Possible impact on older people
 - Those with low value assets and income under means tested amount threshold
 - Choices around selling or retaining home versus retention of Age Pension

Conclusion

- Biggest changes in aged care since 1997
- Costs are increasing for older people in all forms of aged care
 - Changes needed to moderate impacts on some groups
- Government will remain majority funder
- Impact on provider viability projected to be largely positive, but may affect individual providers in different ways
- Industry consolidation likely to accelerate, though new entrants also possible if sector more profitable