Aged care—reforming the aged care system

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Key Issue

Demand for aged care is growing as the population ages, with a corresponding increase in Australian Government expenditure.

Aged care issues look set to feature strongly in the 45th Parliament. A review of recent reforms will be conducted and tabled in parliament, major changes to home care will commence in 2017, and further reforms have already been foreshadowed.

Increasing demand for aged care

The Australian Government is the primary source of funds for, and regulator of, the aged care system. Care is provided in people’s homes or in a residential (nursing home) setting by more than 2,000 not-for-profit, for-profit and government providers.

Recurrent government expenditure on aged care services was around $15.8 billion in 2014–15, with the Australian Government providing approximately 95 per cent of this funding. Expenditure is contained by capping the number of subsidised aged care places in line with growth in the population aged 70 years or over (aged care services are generally aimed at people aged 65 or over, but the average age of consumers is considerably older). As the figure below shows, the number of people aged 70 years and over is projected to grow from 2.5 million in 2016 to 3.6 million in 2026, requiring more subsidised places. In the longer term, demand for aged care services is expected to more than treble by 2056.

Figure 1: Number and proportion of the population aged 70 and over


Review of the 2012 reforms

The Productivity Commission (PC) released a report in 2011 recommending significant changes to the aged care system to improve access, quality and choice of services, and financial sustainability. The then Labor Government incorporated some of the PC’s recommendations in its 2012 Living Longer, Living Better (LLLB) reform package. The first wave of LLLB reforms required consumers to contribute equitably to the cost of their care and accommodation, placed a greater focus on individualised care and established the My Aged Care website and call centre to help people navigate the system. The longer term goal was to create a more flexible and integrated aged care system driven by consumer choice, with less government regulation.

The LLLB reforms are now due for review. The legislation (section 4) requires an independent review commencing around August 2016 to be tabled in parliament in 2017. The review will consider matters such as demand for and supply of places, means testing, pricing, access, and workforce strategies. It may also consider issues that have emerged since
the reforms were enacted, such as the recent tightening of the funding formula for residential aged care providers.

**Changes to care in the home**

Significant changes to aged care services provided to people in their homes are set to commence in 2017. From 27 February 2017, packages of home care services will be allocated directly to eligible consumers. This means that consumers will no longer have to search for a provider that has a package available in their area, as they will be able to direct the funding attached to their package to a provider of their choice. While this should increase consumer choice and market competition, questions have been raised about the capacity of consumers to make an informed choice if their decision-making capacity is reduced, or if comparative information on providers is not readily available. The changes to home care may also focus attention on unmet demand, as a national waiting list for home care packages will be created for the first time.

Further changes to home care were flagged in the 2015–16 Budget, with a proposal to merge home care packages with the entry level Commonwealth Home Support Programme from 2018. Legislation for the proposed merger has not yet been introduced, but may come before the 45th Parliament for consideration.

**Calls for further reform**

Aged care stakeholders look set to campaign for further structural reform of the aged care system during the 45th Parliament. In April 2016, the Aged Care Sector Committee produced a Roadmap at the request of then Assistant Minister for Social Services, Mitch Fifield, calling for wide-ranging changes to make the system more sustainable, consumer-driven and market-based. This included some proposals that were recommended by the PC in 2011 but not adopted by government, such as uncapping the number of subsidised places, and releasing equity in the family home to pay for aged care. Such proposals could come with a degree of fiscal or political risk.

It is likely that aged care workforce issues including employee remuneration and retention, and whether workforce growth will be able to keep pace with rising demand for services, will continue to be a focus for the parliament. The Senate inquiry into the future of Australia’s aged care sector workforce did not report prior to the dissolution of parliament, and may resume its inquiry in 2016.

The aged care system has undergone significant reforms since 2012. Given the increasing demand for services, ongoing cost and workforce pressures, and stakeholder calls for further reform, this rapid pace of change is expected to continue during the 45th Parliament.

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**Further reading**
