

## **Proposed alternative models for allocating residential aged care places**

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### **7 What works well under the current residential aged care allocation and places management model for consumers and/or providers?**

#### **Strengths of current arrangements for consumers:**

Many consumers enter residential care well outside the ACPR in which they receive approval for residential care. Evidence of this will be provided in a paper titled "The ill-informed market for residential aged care". Although lacking data on the quality and financial stability of providers, many consumers are clearly making active choices, rather than just accepting the first available local place.

There is however no system for following persons who have been approved for residential care, but who have not been able to enter such care. Occupancy rates in areas with low population densities are generally low, suggesting that more places have been built in remote areas than are needed. Providers are free to refuse entry to persons whose financial or health circumstances are unattractive to the provider. Without a system for following persons approved for residential care, we do not know what damaging forms of discrimination are being practised.

#### **Strengths of current arrangements for providers:**

Providers get immediate benefits from an allocation of places at a specific site. Places have a commercial value. The provider may find it easier to get development finance, as there is a lower probability of a competitor being allocated places at a nearby site. But the willingness of potential residents to move substantial distances makes this a limited advantage. In the many years it takes to build a home new licences may be granted nearby.

### **8 Are there other issue/s with the current model for the allocation and management of places for residential aged care that have not been covered in this paper?**

#### **Other issues with current arrangements for consumers:**

Entrants to not-for-profit homes live on average about 38 months before death, while those to for-profit homes only live about 33 months on average (submission by Cumpston, Sarjeant and Service to Royal Commission into Aged Care Quality and Safety, 10 September 2019). Although some for-profit providers may be providing unacceptable quality of care, in aggregate for-profit providers received about 68% of the places allocated in the 2018-19 aged care approvals round.

Although the compliance history of applicants has to be considered under section 14-1(3)(a) of the Aged Care Act, notices of non-compliance and sanctions have been applied inconsistently (submission by Cumpston and Bail to the Royal Commission, 12 February 2019).

**Other issues with current arrangements for providers:**

**Are these problems occurring at national level, or only in certain areas (e.g. rural, regional and remote areas) or for particular consumer groups?:**

Lack of any published data on quality and financial stability is a problem for consumers nationally. Lack of data on types of person unable to find residential care is a problem for the affected persons, for the Department of Health in carrying out its legal responsibilities, and for providers wanting to meet specific needs.

**What evidence supports your view that these are significant issues which need to be addressed?:**

The submissions cited above to the Royal Commission by Cumpston, Sarjeant and Service, and by Cumpston and Bail.

**Design principles for alternative allocation models**

**9 Are the proposed design principles appropriate?**

No

**Please elaborate on your response:**

"Provide opportunities for a more consumer driven market" should be "Provide a well-informed consumer-driven market".

Persons seeking residential care should have access to reliable data on the quality of care and financial stability of providers.

In judging the adequacy of government funding and supervision of aged care, the public should have reliable data on quality of care and financial stability, and on persons unable to obtain residential care.

**10 Are there any other principles that you consider should be included?**

Yes

**Please elaborate on your response:**

If places are to be awarded to providers promising to meet special needs or cater for specific health conditions, then there should be systems in place to ensure these promises are kept.

**Model 1: Improve the ACAR and places management - Overall model**

**11 What are your views on the suggested improvements proposed under this model?**

**Views on model 1:**

Provided consumers are well-informed about quality and financial stability, reducing locational controls is a good idea. Providers usually have a better idea of the likely demand for their services than the Department. They will not risk capital without reasonably assured demand. Providers should not be encouraged to invest in ACPRs

significantly below the aged care provision ratio, as there are many reasons why this ratio may not be appropriate.

### **Model 1: Improve the ACAR and places management - Key design considerations**

**12 How can this model ensure/encourage adequate supply of and equitable access to residential aged care and residential respite care (aside from increasing funding or revising the funding model), including**

**in rural, regional and remote areas and other thin markets?:**

Thanks to many years of ill-founded ACARs, many rural, regional and remote areas may already have too many residential places. Research is needed on persons who choose to move long distances, and why.

**for consumers from vulnerable cohorts (such as Special Needs Groups, consumers with dementia)? :**

Research is needed on which vulnerable cohorts are unable to get suitable care. Fixing problems may require changes to quality measures or provider funding methods, rather than building new homes.

**13 Are there variations to this model which should be included in the impact analysis?**

**Model 1 variants:**

Procedures are needed to allow the entry of new providers, rather than restricting allocations to existing providers.

**14 What other key changes could be made to the existing ACAR and/or places management arrangements to encourage a more consumer driven and competitive residential aged care sector?**

**Other key changes to ACAR:**

Allocation of places should take into account objective quality measures, as well as notices of non-compliance and sanctions.

**Other key changes to places management:**

**Model 1: Improve the ACAR and places management - Exploring the potential impacts**

**15 In overview, what would be the potential impact of this model (consider benefits, costs and risks) on you or the stakeholder group or organisation you represent?**

**Model 1 potential impact:**

As an actuary, I have been analysing the aged care industry using demographic and financial models. This submission is made on behalf of consumers, a group seriously under-represented in aged care consultations.

If model 1 is introduced within the present ill-informed system, then even more of the places are likely to go to large homes run by for-profit providers in city locations. This will seriously disadvantage consumers, as there is emerging evidence that many such homes provide

unacceptable quality of care (see Cumpston Sarjeant and Service submission to Royal Commission, 10 September 2019).

## **16 What do you think might be the impact on the residential aged care sector overall?**

### **Model 1 potential overall sector impact:**

Even more residents in for-profit homes will die prematurely.

## **17 If this model were to be implemented, what are the potential impacts on, linkages or interdependencies with, other programs or reforms in aged care that might impact you or the stakeholder group or organisation you represent?**

### **Model 1 & other programs or reforms:**

Given meaningful information flows to consumers, providers and regulators, model 1 might allow a better-informed market, giving better care to all who need it.

## **Model 1: Improve the ACAR and places management - Implementation and transition considerations**

## **18 How could implementation of this model maximise the benefits and minimise risks/disruptions?**

### **Model 1 implementation:**

To maximise the benefits to consumers, any information on quality and finances should be published as soon as it is available. It should also be used in any future allocations of places. Consumers should not be allowed to enter residential care without access to relevant quality and financial information about the provider. New places should not be allocated to any provider with poor quality or inadequate capital

## **What steps/sequencing and timeframes would be appropriate to facilitate a smooth transition? :**

Quality of life data have been publicly available since consumer experience reports were first collected in May 2017. Three quality of life indicators have been mandatory since 1 July 2019. Cumpston Sarjeant and Service have used ACFI data to show that average stays before death are about 38 months in not-for-profit homes, but only about 33 months in for-profit homes. On the data already available, it should be possible to identify which providers have statistically significant deviations below acceptable care standards. Such providers should be publicly identified, and not eligible for any place allocations.

From de-identified aged care financial reports for 17-18 supplied on 9 September 2019 in response to FOI request 1268, 107 out of 885 providers had negative total assets. These 107 providers accounted for about 13% of all residents. There may be good reasons why providers are able to operate with negative or low capital, but consumers are entitled to know the figures and the reasons. Providers should be given one opportunity to submit publishable balance sheets, with publication starting from 30 June 2020.

## **What specific supports or enablers would be required to ensure the changes are understood by all stakeholders and successfully implemented?:**

Frankness about the nature of the changes being made, and the reasons for them, would be essential. In refusing access to FOI request 1179 for the five regression equations forming

part of the proposed new provider payment system, the Department quoted section 47E(d) of the FOI Act, which provides that a document is conditionally exempt if its disclosure would ... have a substantial adverse effect on the proper and efficient conduct of the operations of the agency. Secrecy about how an agency operates may have very adverse consequence on the public good.

**Model 2: Assign residential aged care places to consumers - Overall model**  
**19 Overall, what are your views on this proposed model?**

**Model 2 views:**

Model 2 is inadequately described, and no simulations or trials appear to have been made of its operation in practice. Given enough teeth, it will force homes to accept entrants who do not meet their usual financial, medical or social criteria. Without such teeth, it may be just an excuse for government to inadequately fund and supervise residential care.

**Model 2: Assign residential aged care places to consumers - Key design considerations (consumers)**

**20 What are your views on the establishment of a queue to access subsidised residential aged care, if the demand from eligible persons exceeds the available places?**

**Model 2 views on queue:**

The concept of demand exceeding available places is unhelpful for residential care. Homes target specific sections of the market, and there will always be expensive homes for those with high means. If some homes are closed, or no new homes built, then more persons with low means or difficult medical conditions will be unable to enter residential care. If sufficient numbers of the unadmitted persons die in well-publicised misery, there will be political pressure to increase supply.

**21 What are your views on using date of approval and urgency of need as factors in determining a person's priority (noting these are the factors used in home care)?**

**Model 2 views on date of approval and urgency:**

Urgency of need must be given priority. If an aged person is unable to care for themselves, has no money to buy care and has no carer, then a squalid death outside residential care is likely.

**23 What are your views on the validity period of the assigned place for residential aged care?**

**Model 2 validity period of place:**

Once assigned a place, there should be no limit on the period for which it is valid. Otherwise homes would have incentives to stretch out negotiations until the assigned place lapsed.

**24 Where a place is withdrawn, how can we balance the need to allow consumers to re-join the queue while also avoiding creation of perverse incentives for people to join the queue without intention of taking up a place at that time?**

### **Model 2 withdrawn place:**

Once a person reaches the top of the queue, they should remain there. They should be allowed to make requests for admission to multiple homes, as any one home may not have a vacancy, or may not want the applicant.

### **25 What additional information or supports would consumers need to assist them in selecting a preferred aged care home?**

#### **Model 2 - Additional information or supports for consumers to select aged care home:**

Consumers will need good information on the quality of care and capital adequacy of the provider.

### **26 What would need to be in place to ensure equitable access to appropriate services when requesting entry to an aged care home i.e. in particular for consumers with limited capacity to pay, consumers from Special Needs Groups and those with dementia?**

#### **Model 2 equitable access for particular consumers:**

Persons with limited capacity to pay will need to bring with them sufficient government-funded financial incentives to make them acceptable to providers.

Special needs groups should be protected by anti-discrimination legislation, but allowed to choose between competing homes.

Homes not able to provide quality care to those with dementia should not be allowed to admit any residents, as the onset of dementia is unpredictable but widespread.

#### **Model 2: Assign residential aged care places to consumers - Exploring the potential impacts**

### **35 What would be the overall potential impact of this model (consider benefits, costs, and risks) on you or the organisation or stakeholder group you represent?**

#### **Model 2 potential impact:**

Model 2 would be better overall for consumers than the present system, as it would quantify and draw attention to the plight of persons approved for residential care but not able to obtain it.

### **36 What do you think might be the impact on the residential aged care sector overall? Model 2 overall sector impact:**

The aged care sector is currently driven by providers, who operate almost free of scrutiny of their quality of care or financial stability. This is very unsatisfactory for consumers, who may miss out on admission to residential care, or receive low-quality care once admitted. Public discussion of proposals for change, such as model 2, is a novelty, and may do good.

#### **Model 2: Assign residential aged care places to consumers - Implementation and transition considerations**

#### **41 How could implementation of this model maximise the benefits and minimise risks/disruptions?**

##### **Model 2 implementation:**

Model 2 would be a radical change, as it would give new rights to consumers, and limit the freedom of providers to choose between applicants. Without careful design, it might reverse the trend towards homes specialising in particular market segments, and increase the numbers of large homes providing low quality of care and low quality of life.

##### **What steps/sequencing and timeframes would be appropriate to facilitate a smooth transition? :**

Any decision on model 2 should be deferred until data on persons unable to obtain care, and on provider quality of care and capital adequacy, are publicly available. It may be that problems of non-access can be addressed by low-cost targeted measures. Following persons from approval for residential care on would give data very useful in the design of a queue system.

##### **What specific supports or enablers would be required to ensure the changes are understood by all stakeholders and successfully implemented?:**

Full disclosure of the reasons for change, and of how they are expected to operate in practice.

##### **General views**

#### **42 Aside from the two proposed models, how else could we encourage greater consumer choice and a more consumer driven market in residential aged care?**

##### **Other models to consider:**

To obtain a more consumer driven market, consumers need to know much more about providers. Data on quality of care and capital adequacy should be publicly available for each provider. Knowledge of the occupancy rate of each service would also help consumers.

Modern technology could also be used to make the market function better. Consumers should be able to select a number of residential care services, and make simultaneous applications to each of them. To facilitate this, details of the consumers ACAP assessment and financial circumstances could be centrally stored.

#### **43 Do you have any other overall comments you wish to provide?**

##### **General comments:**

It is good to see that the responses to the discussion paper will be published on the Department's website. This will encourage discussions between submitters, and further research by some of the submitters.

##### **Documents to be uploaded in support of this submission are**

Cumpston JR "The ill-informed market for residential aged care" (note written in support of this submission)

Cumpston JR, Sarjeant HB and Service DA "Improving the quality of residential care"  
(submission on 10 September 2019 to Royal Commission into Aged Care Quality and  
Safety)

Cumpston JR and Bail K "Data on residential aged care quality" (submission on 12 February  
2019 to Royal Commission into Aged Care Quality and Safety)