

MARKET AND MANAGEMENT LESSONS FOR AGED CARE IN AUSTRALIA

Yesterday's ideas about aged care will not meet the future challenges created by profound demographic change, argues **Jim Toohey**

The oft quoted adage, 'Those who cannot learn from history are doomed to repeat it,' is attributed to the Spanish philosopher George Santayana. But an even more gloomy and pointed perspective comes from Hegel, the great inspirer of Marx, Engels and Sartre. Hegel, who might have been expected to put his faith in the state, once said:

What experience and history teach is this—that people and governments never have learned anything from history, or acted on principles deduced from it.

If we take Santayana at his word, the world can best prepare for the demographic challenges of the next 40 years by looking for a relevant historical perspective.

But in this case there is a big problem.

If we want a historical perspective on a catastrophe such as a major pandemic, we can look to the Middle Ages and the Black Death, or the end of World War I and the outbreak of Spanish influenza.

If we want to understand the economic and social impact of a worldwide depression, we can look to the 1930s.

If we want to speculate about the global impact of the demise of a great power, we could look to Rome, the Ottoman Empire, or any of the great Chinese dynasties.

But if we want to predict the economic, social and political impact of huge numbers of elderly people living in retirement for 20 or 30 years, and who are increasingly becoming dependent

on the wider community, then we are in uncharted waters. Even if government and the people, contra Hegel, were willing to learn from history, there are no lessons to be learned or principles to be deduced by turning to the past.

Ageing Australia

The phenomenon of a rapidly ageing population is unprecedented in world history and the impact is already beginning to be felt. Different societies and political systems will cope in different ways. But in Australia, as in the rest of the Western world, we need to understand that the change goes beyond numbers, which are pretty sobering themselves.

In Australia, the number of people aged 65 years and over is expected to increase by five million (from three million to eight million) by 2050. At the same time, the number of taxpayers supporting each retiree will decrease from 5 to 2.5.

Our situation is complicated by two additional and very significant multipliers—escalating expectations and increasing ethnic diversity.

'Mary's' tale

The first complicating factor is best illustrated by an exchange I had many years ago in a high care residential facility with an elderly woman in her

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90s. 'Mary' (not her real name) is now deceased but our conversation stayed with me because what she told me is particularly illuminating for our future.

Somehow Mary and I started discussing how much Australia had changed from when she had been a young woman raising nine children during the Great Depression.

She was married to a World War I veteran who had been wounded on the Somme and then worked for Queensland Railways.

Like pretty much everyone at the time, she had chickens, a vegetable patch, banana trees, and the indomitable stoicism and good cheer that characterised her generation.

With so many mouths to feed, food would often run low before they received the weekly wages. To make everything go further, Mary would save the bread crusts and the onion tops and not eat dinner with the family, telling them she was sitting up to do some mending and would eat later. When they had gone to bed, she would eat the onion tops between the stale bread with a cup of tea.

She laughed when she told me how long you could last on black tea, onions and bread.

She told this story unselfconsciously—not to engender pity or praise or admiration but rather as an anecdote of how things were in those times.

Mary liked the facility she was in—she shared a room with three other ladies around her age, all of whom she got on with; the sheets were clean; the food was good; and the nurses were caring and friendly. Undoubtedly, she would rather have been in her own home, but she did not consider her situation to be hardship or privation. To some extent, it was a well-earned rest.

It was only afterwards that I thought about the contrast in expectations between Mary and the next generation that followed her into the aged care system—first retirement village living and then residential care.

Baby boomers are not conditioned by hardship and stoicism. Their horizon is greater and their tolerance for sacrifice is low. They do not view ageing as a life stage where they have to moderate or curtail their aspirations.

To use a simple contrast, while Mary may have complained if she didn't receive enough food, her daughters would complain if the pattern on the throw cushions didn't match the curtains.

The current incoming retirement village demographic is already demonstrating the desire to have much more, and indeed, is demanding more.

My view is that the impact of changing expectations among the elderly will probably be of greater significance than the rising numbers of elderly people.

Multiculturalism

The full impact of ethnic diversity won't hit for another 20 or 30 years. But it should also be planned for because it represents a further layer of complexity.

Mary, and indeed her sons and daughters, descended from the Anglo-Celtic heritage from which large parts of the economic, political, cultural, medical and social systems of Australia have evolved. They reflect the current demographics of our residential care facilities and retirement villages, where residents come from the largely homogenous or monocultural background of the 1930s and 1940s Anglo-Celtic Australia. The service delivery model to meet their needs is limited: meals are mainly three vegetables and meat; desserts are fruit salad and ice cream; entertainment activities are bingo and Melbourne Cup parties; and religious activities are at the Catholic/Anglican/Uniting churches.

But the demographics of Australia's ageing population is now vastly different and includes people with connections to China, India, Southeast Asia, Africa and the Middle-East. In the next 35 years, the culturally diverse Australia of today will grow older and need specialist care and accommodation. The variations in expectations between different ethnic groups, and the breadth of facilities required to accommodate diverse needs and wants, will be huge. New factors will influence the physical style, internal layout, density, furnishing, and most importantly, the range and delivery of services. This, in turn, will affect the training and skills of carers, particularly managers.

Residential care providers have to develop a service delivery model that provides a much wider range of services to include the requirements of a diverse range of residents. This complexity in the facilities of the future will in itself change the service model significantly. For example, Western medicine will exist with naturopathy and acupuncture. The scale of the project is immense and will need to include a client service/customer relationship with aged care recipients rather than the institutional ('take what you're given and accept it') model that prevails today.

Market response

Despite the lack of comparable historical precedent to inform action, there are some lessons worth learning from the recent experience of the aged care and retirement living sectors. Policymakers and providers should ponder the lessons of recent experience as they prepare to deal with the challenges of rising expectations, diversity and the desire for greater consumer choice in the years ahead.

It is estimated that there are 2,000 or so retirement villages in Australia, accommodating approximately 180,000 people. The numbers are not precise because retirement living is a nebulous term and puts together a variety of services that may not necessarily belong together. In general, however, the retirement living sector refers to specific communities for those aged 70 and over and provides varying levels of accommodation and general and personalised services.

Currently, less than 9% of the eligible population move into a retirement village. That's 9% of the 70 and over cohort who own their own home, which in turn is about 78% of the total 70s plus demographic.

Based on the feedback from hundreds of residents, I can attest that the vast majority of them report how pleased they are to have shifted to retirement communities, with many acknowledging they should have done so earlier. There were many examples of improved health outcomes as a result of the move.

This suggests the sector needs to collaborate on a long-term strategy to promote the generic advantages of retirement living rather than

devoting resources to individual retirement village sales. Providers must work together to grow the pie rather than fight over who gets how much of the 9%. They also need to assess the major drivers of the decision to move into specialised aged accommodation.

The best source of information about these drivers is the Grant Thornton 2011 retirement village survey of 30,000 residents across 320 facilities from the church and charitable, not-for-profit, and commercial sector. The survey found that the move to a retirement village was prompted by the following considerations:

- personal and health security, including easier access to specialised health and support services (especially on-call help)
- fewer physical demands for daily living (gardening, shopping and maintenance)
- ageing in place by securing onsite access to ongoing nursing and hospital care
- living in a community of peers with similar needs and preferences.

These findings tally with my own experiences in the sector. Enquiry rates for retirement villages, particularly serviced apartments (where a greater level of personal care assistance is provided), peak twice a year—immediately after the Christmas holidays and Mother's Day. These are the two occasions each year when the family gather around aged parents and realise that living alone without assistance was becoming problematic.

Importantly, though, the decision to move to a retirement community will not ultimately be driven by need, regardless of whether the need is immediate or perceived. Transitioning out of the family home primarily still is a lifestyle choice—and lifestyle considerations will become increasingly important when the sector gets smart about marketing this choice and its attendant benefits to the elderly and their families.

Listening and learning

A consumer-driven model requires providers to genuinely seek to understand what elderly people want instead of projecting their own assumptions. The Grant Thornton survey is the best study the sector has undertaken to date. But more investment in good quality research—by government and non-government entities—is needed to guide business and policy decisions, otherwise outdated perceptions will distort outcomes. Accurate information regarding infrastructure needs and service demands is essential when retirement villages have an economic life of 40 years.

For example, onsite access to ongoing levels of care is becoming more important as the market matures. When I first entered the industry (in 1995), colocation of independent living and ‘high care’ facilities was frowned upon. The perception was that residents of retirement villages did not want to be reminded of what awaited them, and as many put it, they enjoyed the distinction of living independently and not in ‘care.’

However, as the average entry age increases, and residents became older and frailer, the obvious benefits of not having to relocate a great distance to find care when needed has become more important. The Grant Thornton survey showed a very high level of preference for colocation.

Hence, the belief that very large scale, stand-alone, and exclusively independent living units are a good option is rapidly diminishing. Most providers with a good footprint in the sector understand the importance of access to graduated levels of onsite care or locating villages in proximity to a residential aged care facility.

Diversity explosion

In general, providers are becoming more responsive to consumer demand with regard to the physical infrastructure of retirement facilities. A diversity explosion is underway and will become bigger and quicker.

Many years ago when serviced apartments first appeared, they were considered a risky and bold venture—there was still a strong belief that retirement village living was simply a lifestyle

choice and people would not pay for access to personal services in a retirement village setting.

Fifteen years later, we not only have multitudes of serviced apartments, but the concept itself has further diversified to fixed service (a standard basket of services) and flexi-units where residents pick and choose the services they want. There is also a much greater range of serviced apartments and diversity in the design of independent living units.

Where once bedsits dominated serviced apartments, there are now two- and even three-bedroom units. Most sales growth is in the two-bedroom sector, but there will always be a market for bedsits.

Independent living units generally have two or three bedrooms, but more and more are including a study. The emerging cohort is far more comfortable than before with high-rises and greater density.

Communal services are beginning to come under greater scrutiny too. Although having resort-type facilities is attractive to some prospective residents, and more commonly to their children who have a strong influence, the enthusiasm usually wanes, particularly when the realisation dawns that the cost of the upkeep of rarely used facilities forms part of the service fee and affects future sales.

For providers commencing a village today, the only immutable principle is that as choices expand, the middle of the spectrum widens. Units have to be big enough to accommodate those who want the feel of independent living but compact enough for minimal day-to-day tidying up and housekeeping.

The internal and external construction and style will have to reflect enough of the contemporary times to attract the influencers (family members with sway over purchase decisions) and yet familiar enough to reflect the home just departed and create a feeling of security and comfort.

The layout must be homelike and residential, yet subtly skewed towards the efficient and effective delivery of personal and medical services. That’s a real challenge—a physical environment that looks luxurious and comfortable but allows for care and support without looking institutional.

Bedsits will continue to be favoured by many who have a frugal or minimalist approach and don't welcome the idea of loads of visitors! For this is the essence of the principle of choice.

Retirement village planners extol the need to design physical environments that will coerce (they call it 'encourage') social interaction. This mindset is antithetical to the concept of true independence and genuine choice. Some people quite like being hermits and happily keep social interaction to a minimum. That's their choice and it needs to be respected.

Service innovation

The greatest potential for innovation is in the area of the greatest price sensitivity—the provision of services.

The future for quality residential aged care is in the delivery of high levels of sub-acute nursing and personal care, including low level dementia, in residential villages. This will involve partnering with commercial retirement village operators to provide gravitated levels of care directly into units, thereby shortening hospital stays and allowing rehabilitation and recuperation in a more familiar and suitable environment.

The development of complementary services will allow residential and retirement organisations to focus on their core business.

The recent aged care reforms announced by the federal government did not largely reflect the Productivity Commission's recommendations in the *Caring for Older Australians* report except for a single important principle—keeping people out of formal residential care facilities by providing services at home. A better match with these principles couldn't be imagined than an organisation that provides excellent care services by partnering with another organisation that provides top-quality, attractive homelike accommodation and personalised services.

Rapid technological advances will also affect the planning of aged and retirement living.

The development of retirement village resident information/management systems will dramatically streamline information flows between residents, management and the outside world, and provide management with a broader range of information than is currently possible. This will also significantly reduce service delivery

and administration costs, with a flow-on reduction in service fees.

This change has been lightning fast—it would not have been feasible with the retirement village demographic of even 10 years ago. Incoming retirement village residents are far more open to the use of IT systems and handheld tablet/smartphone technology.

It is well recognised that addressing the challenges of the demographic revolution in turn requires a revolution in policy development and funding choices for aged care.

There is the capacity for a much broader flow of information and access to specific services, including medical, allied health, and social media via technology. The technology is remarkably cheap, and even more so when compared to the current manual systems prevalent in virtually every village in Australia.

Conclusion: The new paradigm

It is well recognised that addressing the challenges of the demographic revolution in turn requires a revolution in policy development and funding choices for aged care. And as critical, but less recognised, is the revolution in the management of the industry.

A significant 'changing of the guard' is underway in terms of management of facilities. This will accelerate as the impact of ageing, expectations, diversity and choice hits in the years ahead.

We can no longer view aged care simply as medical service with some deference towards a homelike environment. That paradigm has to be completely stood on its head.

The organisations that will prosper in the future will be those who understand they are providing specialised, appropriate and beneficial communities for the aged with a basket of services, one of which is medical care. Managers—often from outside the sector, and with a stronger customer service ethos—who are able to transition from an institutional/medical culture to a customer service model will be worth their weight in gold.