



RESEARCH REPORT SNAPSHOT

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Snapshot - Real Choice for Ageing Australians: Achieving the Benefits of the Consumer-Directed Aged Care Reforms in the New Economy

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A New Era for Home Care Services

The Federal government's 'Consumer-Directed Care' (CDC) aged care reforms are in danger of falling short of their promise unless further regulatory changes are implemented to fully enable consumer choice, provider competition, and generate better value and better performance for taxpayer's money.

Under the new CDC system, each ageing Australian requiring home care can now access an individualised funding budget (according to their assessed level of need) for use to purchase the care they require based on personal choice.

The CDC reforms are of great significance given that governments are generally struggling to achieve consumer-focused, market-based, and sustainable reform in other areas of large public spending in government services sectors that face similar policy, cost, and service delivery challenges.

The CDC changes are thus an important opportunity to showcase the benefits of reforms – more and higher quality government-funded services plus greater private investment in service delivery – to often sceptical and change-averse members of the public.

However, the CDC reforms fail to optimise the potential outcomes due to lack of follow up and follow through reforms.

Traditional Home Care – Inflexible and High Cost

On 27 February, 2017 all 'Home Care Packages' – the federal government subsidy that gives elderly Australians access to home-based care and support services – became fully portable. Care recipients have for the first time been given the freedom to choose the type and mix of care and support

Figure 1: Funding Breakdown

Level 4 Home Care Package		Administration Fee (e.g. 20%)	\$9,781	}	Administration & Case Management Fees
		Case Management Fee (e.g. 15%)	\$7,336		
\$48,906		Funds Available for Service (e.g. 65%)	\$17,484	}	Provider's Margin on Services Delivered
Total Funds Available			\$14,305		
				}	Amount Paid to Worker for Service

services they wish to receive, and the freedom to choose the service provider they prefer.

CDC packages have replaced the long-established system of block funding of 'Approved Providers', which limited the consumer's choice to the kind of one-size fits all service model that the traditional provider chose to deliver. This 'institutional'-style of care invariably involves centralised rostering by head office managers of care workers who rotate in and out of homes and perform set tasks in a set timeframe.

As well as being inflexible and unresponsive to the personal needs and diverse expectations and preferences of today's more demanding consumer, traditional home care services also incur large administrative overheads that absorb a significant proportion of funding.

As Figure 1 shows:

- A Level 4 Home Care Package offers substantial government support of \$48, 906 per annum.
- Yet it is common for an individual in receipt of a Level 4 package to typically receive just e10 – 12 hours of care per week.
- Historically, providers charge between 35% to 50% of funding (and sometimes more) for core administration and case management services.
- The amount of care and support received by someone assessed as having Level 4 needs is unlikely to be sufficient to allow them to remain living in their own home.

Choice and Competition – the New Economy in Aged Care

A key objective of the CDC reforms is to encourage providers to tailor the range of services offered to care recipient's individual needs in order to win the custom of consumers who are free to take their business elsewhere. The need to compete successfully will also spur providers to

discover operational efficiencies and other innovations that will increase the amount and/or mix of services that can be delivered out of the funding package.

The 'value' locked up in inefficient and ineffective provider-centric models of care can now easily and conveniently be released by consumers thanks to CDC funding allowing new and technologically innovative players to enter the market. The 'Uber'-style, Peer to Peer (P2P) online platforms that are now available to directly connect consumers with self-employed care workers can potentially double the amount of flexible and personalised care and support consumers receive.

Consumer-focused P2P platforms that are not burdened by traditional provider overheads - that literally cut out the middle management 'head office' positions in service delivery - have found that consumers are able to access 20 plus hours care per week – 8 hours of additional support-out of same Level 4 funding package.

The additional care and support that P2P platforms can deliver will materially improve the quality of life of elderly care recipients and promote active ageing, wellness, and social connection – while also providing local jobs for care workers in local communities especially in rural and remote areas with the greatest need.

Optimising Outcomes

If the full benefits of choice and competition are to be realised across the sector for consumers, care workers, and tax-payers, further government action is need to remove other regulatory barriers to maximising the provision, value, and quality of aged care services with minimal additional cost.

To optimise the potential outcomes, federal government should implement a 'to do' list of additional reforms to promote real choice and greater improvements in the efficiency and effectiveness of consumer-driven aged care in the new economy (see BOX)

Box: Aged Care Reform 'To Do' List

1. Establish a minimum standards framework for home care services to ensure excessive regulation does not restrict customer choice and provider competition in the new consumer-focused market and doesn't burden the sector with excessive costs.
2. Ensure consumers do not face significant switching costs by foreshadowing the application of Australian consumer law to the charging of hefty exit fees, should traditional providers fail to cease a practice that is contrary the spirit and intent of the CDC reforms.
3. Review the duty of care provisions of the *Aged Care Act* to prevent traditional providers from citing statutory obligations as an excuse to deny consumers the right to choose alternative providers. This will help stimulate the unbundling of one-size fits all care packages into separate services (spanning fund holding, administration, case management, care coordination, advocacy, and service delivery) that can be purchased discretely from specialised organisations offering different parts of the bundle.
4. Revisit mandatory qualification requirements for care workers to make it easier for care workers without industry-experience to seek employment in the sector, while trusting consumers to judge workers suitability based on the quality of service received and assume a level of risk consistent with independent ageing and dignity of life.
5. Examine how employment laws might be applied to an individual engaging another individual to provide personal care and domestic service in order to clarify the status of care workers as independent contractors hired directly by consumers. This will encourage the growth of innovative online marketplaces for care and support services that can offer better value and superior quality home care.
6. Undertake a public information education campaign to foster awareness among ageing Australians and care recipients of their right to choose under the CDC system, and promote knowledge of the full range of options now available including online platforms.

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