



PROPERTY COUNCIL OF AUSTRALIA

RESEARCH REPORT FOR RETIREMENT VILLAGE HOME CARE ANALYSIS PROJECT

DECEMBER 2016



IMPORTANT INFORMATION

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EXECUTIVE SUMMARY

The following report highlights the current care services and accommodation offerings available to older Australians in the context of the changing Australian demographics.

SECTOR DYNAMICS

The Australian aged care sectors and retirement industry are currently undergoing legislative reforms as a result of an ageing population and evolving consumer preferences. In particular, there has been significant reform in the home care industry in response to the desire for older Australians to age in place. The retirement village sector is well placed to capitalise on these changes through the delivery of home care services in their villages.

Globally, an ageing population is a challenge being faced by both developed and developing countries. Triggered by declining fertility and mortality rates, the older population is growing at a considerably faster rate. This has both social and economic consequences and the Australian government has had to expand and diversify the welfare and health care systems to ensure that people age with security and dignity.

In addition to changing demographics, the characteristics of the Australian population has also begun to vary. We are beginning to see a reduction in marriage rates, and increased divorce rates. And as a result of declining birth rates, the family size has significantly decreased. However, recent external economic factors have seen the presence of multi-generational households rise, with Baby Boomers and Generation X caring and accommodating for their parents as well as their own children.

The government currently offer two mainstream funded care options are available for older people: residential aged care and community-based aged care (home care and community care). The changes in population characteristics directly impact the aged care industry. In particular, the desire to delay entry into residential aged care offset by the limited availability of informal carers is driving the demand for formal home care. The government has recognised these changes and is now focusing efforts towards more cost effective home care models, introducing user pays models and removing restrictions currently placed on the allocation of home care packages.

Whilst action is being taken by the government to address care needs of the ageing population, less action has been taken to address the accommodation needs of older Australians. Traditional Australian homes are usually not built to facilitate ageing in place, or require significant modification. In addition, a significant proportion of older Australians' hospitalised injuries result from falls occurring in the home, highlighting a need to address the appropriateness of the current residential home as an accommodation option.

The concept of ageing in place is not strictly limited to older Australians ageing within their current home, it also expands to ageing within their community. This is in line with major pull factors of villages which includes the services available in the local area and proximity to the previous home.¹

Retirement villages provide age appropriate accommodation and a safe and social environment for older Australians. In addition, with older Australians inhabiting a high proportion of social housing and villages reporting an average vacancy rate of 8%, there is an opportunity to provide affordable housing to seniors that is funded by the government.^{xxiv} This concept would be similar to supported resident ratios maintained in residential aged care.

Growth in the sector is currently inhibited by a lack of support from the government through unequal concessions and grants, complex and differing state legislation, and planning restrictions and limitations. With a rapidly ageing population, the government should more strongly support growth in the retirement village sector.

The opportunity for retirement village operators to become home care providers presents numerous benefits to the tax payer, residents and operators. Internationally, flexible models that provide greater continuums of care have been successfully implemented in both user and mixed pay systems.ⁱⁱ

National pilot studies on the provision of home care in retirement villages found that the effective provision of home care delivery can delay the admission into residential aged care. With residential aged care costing the government over \$10.6 billion per year for 192,000 older Australians, compared to home care packages costing \$1.3 billion for 73,000 older Australians in FY2015, the delay of entry into residential aged care provides direct savings to the tax payer.^{xxvi}

Older Australians benefit through the ability to age in place, as well as gaining access to a personalised level of service. The concentration of home care packages can also benefit Retirement Village operators. Depending on the scale and/or location of villages, greater efficiencies could be realised through efficient staffing arrangements, which improves the viability of the service. Further, these benefits are passed onto residents who are able to access care services at short notice and have an increased sense of support and security.



DEMOGRAPHIC ANALYSIS

DEMOGRAPHIC ANALYSIS

OVERVIEW

The phenomenon of an ageing population is becoming increasingly prevalent in Australia and around the world. As mortality and fertility rates decrease, the impact on society will be vast from both an economic and social position. Policy makers will need to continue to assess the evolving needs of the older generation to ensure that welfare and health care systems in place continue to meet these needs.

In addition to the growing proportion of older Australians, the older generation brings a different set of socio-economic characteristics in terms of family structure, health, education and wealth. Understanding these varying factors is essential in developing aged accommodation and care service models of the future.

AN AGEING POPULATION

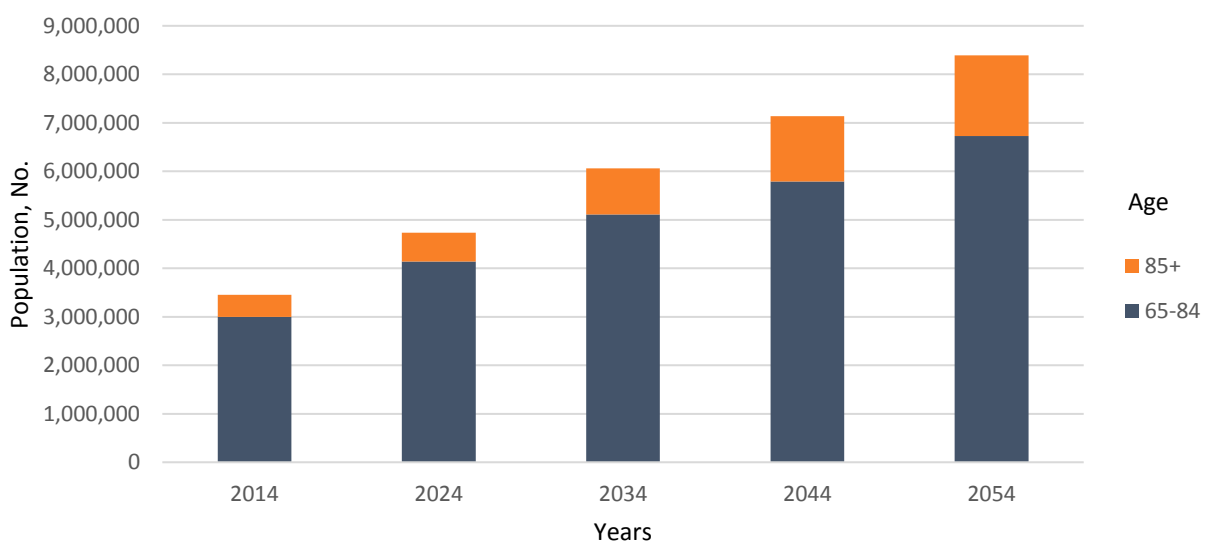
Australia is experiencing a significant shift in the aged demographic profile of its population with the emergence of the baby boomer generation, relatively low birthrates and rising migration.

According to the Australian Institute of Health & Welfare (AIHW) projections the ageing population will grow substantially over the next forty years with the population of Australians aged 65 or over expecting to be in excess of 8 million, or 22% of the total population, by 2054.

It is the 85 and over demographic that will experience the highest growth over the coming forty years. This category will double from 455,000 (approximately 2% of the total population) in 2014 to nearly 955,000 by 2034 (3% of the total population).

The increase in the ageing population can largely be attributed to the rapid population growth during the baby boom period. For most Western countries, this period is associated with the post war generation (1946 to 1964), however Australia was already experiencing high fertility rates in the late 1930's and early 1940's.

Graph 1: Australian Aged Population Projections 2014 - 2054



Source: AIHW, Australia's Welfare 2015

The aged population growth is also a result of increased longevity, with males born between 2010 and 2012 expected to live around 25 years longer than those born between 1901 and 1910, and females born between 2010 and 2012 expected to live around 26 years longer than their 1901 to 1910 counterparts. The average life expectancy is estimated to increase by 3 years in 50 years' time. The median age has increased 22 years at the turn of the 20th century to 37 years in 2011.

The federal government recognises that existing services will be unable to service increased numbers of older people seeking aged care. The Australian population will also be unable to pay for increased costs of care associated with higher numbers of citizens receiving formal care and reduced numbers of working (tax paying) members of the community to pay for the care. They are, therefore, planning for the future impact of an increased population of aged care recipients by focusing efforts towards more cost effective home care and introducing user pays models.

The retirement village sector has an opportunity to capitalise on changes to aged care services that are strongly demanded by their clients. Restrictions currently placed on the allocation of home care packages will cease from February 2017. This creates a substantial opportunity for retirement village operators to deliver highly efficient home care service to their existing residents.

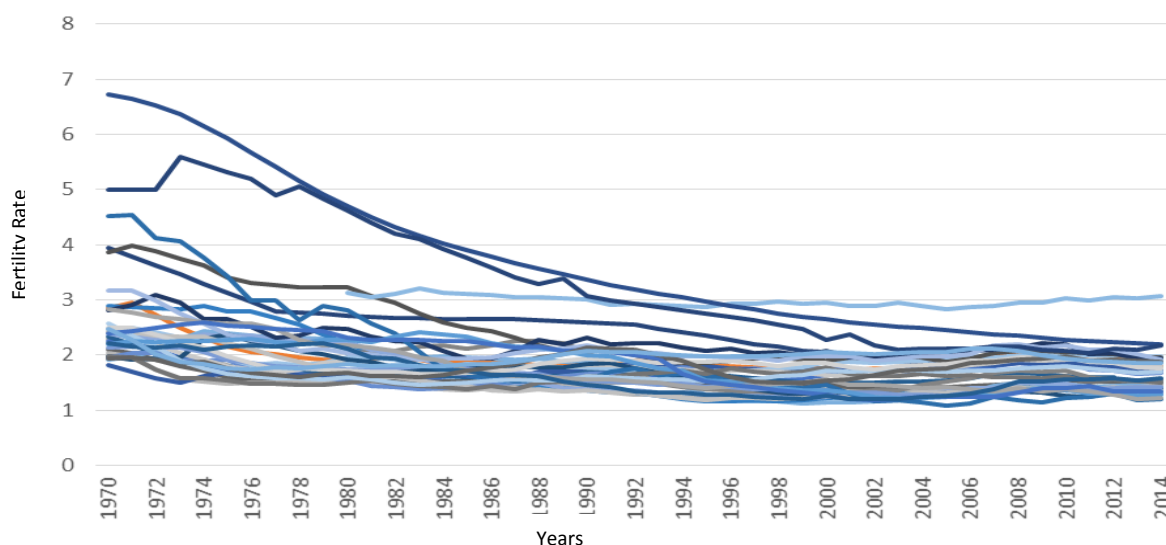
The increase in ageing Australians over the coming years will underline a substantial increase in demand for aged accommodation and care services.

POPULATION CHARACTERISTICS

BIRTH RATES

The decline in birth rates is a clear contributor to our ageing population. This phenomenon is being experienced across the world. As evidenced in the graph below, all OECD countries have reported a significant decrease in fertility rates (births per woman) since 1970. The OECD and United Nations state that a fertility rate of approximately 2.1 should produce a stable population. A rate less than this will result in a population decline. There are currently only three countries within the OECD which are experiencing rates above 2.1: Israel, Mexico and Turkey. Australia's fertility rate has declined from 2.86 in 1970 to 1.8 in 2014.ⁱⁱⁱ

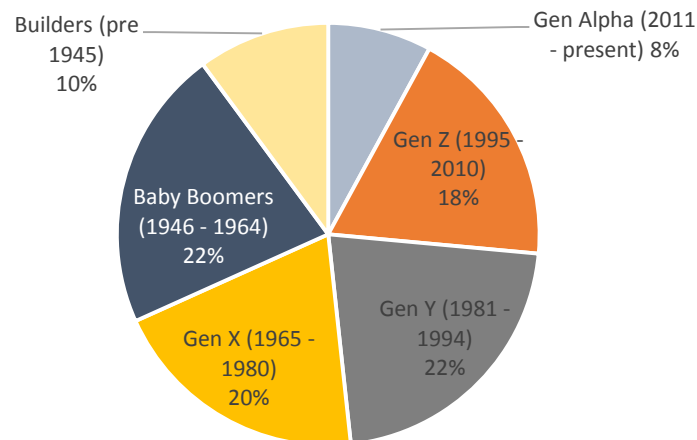
Graph 2: OECD Countries Fertility Rates (de-identified), 1970 to 2014, by year



Source: OECD (2016), Fertility rates of OECD Countries (indicator) (Accessed on 18 June 2016)

The decline is also evident in the composition of the Australian population, with each generation smaller than its preceding generation (with the exception of Gen Y).

GRAPH 3: AUSTRALIA'S GENERATIONAL PROFILE



Source: Social Analysis, Australia's Population Map and Generational Profile, McCrindle Research

Declining fertility rates and a change in the generational composition will have a major impact on the ability of the older generation to age in place. Demand for aged care services and accommodation will depend on the relative availability of informal carers which is expected to decline.

FAMILY STRUCTURE

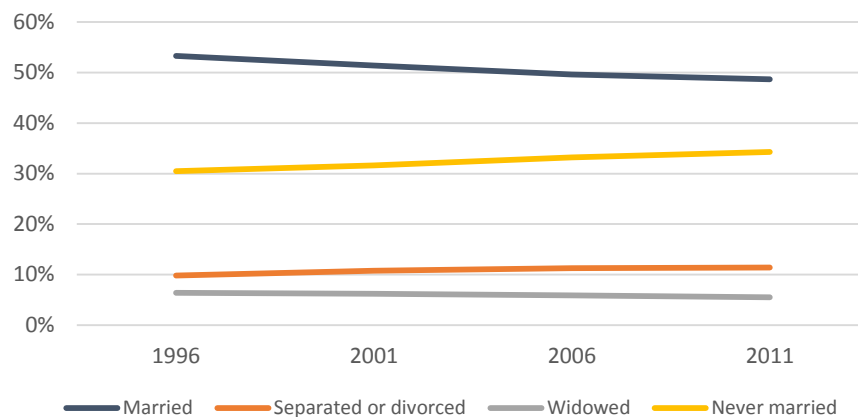
Australia is also experiencing a change in household types, family sizes, marriage and divorce rates. An analysis undertaken by McCrindle Research predicts that the nuclear family, which is currently the most common household type, will soon be overtaken by the couple only household.

The presence of multigenerational households is also becoming more common with baby boomers and Gen X caring for their parents and their own children in a single household. As a result, there has been a turnaround in a decreasing household size trend. The average household size in Australia was 4.5 people in 1911.^{iv} In 2011 census, the average household size was 2.6 people. Whilst significantly lower than the size 100 years ago, it was a small increase compared to the 2006 census results which showed the average household size was 2.5 people.^v

The number of people who are married is declining, whilst the number of people who have never married, and those who are divorced or separated, is increasing. This trend will place increasing pressure on younger generations, in particular Gen X, who will be responsible for the care of one or more of their older family members, as well as being required to support their own children.

In line with declining fertility rates, the changes in family structure will have a direct influence on the delivery of informal care, and the reliance on other care and accommodation means for older Australians will become increasingly important.

Graph 4: Registered Marital Status in Australia, by Census year



Source: ABS Census Statistics, 2011, 2006, 2001 and 1996

EMERGING AGED HEALTH CARE NEEDS

The prevalence of infectious and parasitic diseases is projected to fall in the coming decades in line with current trends, improving average life expectancy among the elderly.^{vi}

The increase of other morbidities, including obesity and ‘extreme frailty’ is expected to rise however. With improved lifestyle choices and medical interventions, more people are surviving major diseases that have previously been associated with death. However, this means seniors are left to manage chronic conditions.

The suitability of available aged care services (which includes home care and residential aged care) is dependent upon individual needs and preferences. We are already seeing a larger proportion of aged care residents with high care needs requiring more diverse and specialised care for managing dementia, chronic disease and conditions resulting in declining function.

Older Australians with lower care needs are increasingly cared for in their own home, however residents with higher care needs (especially those with dementia) have poor home care package retention rates and are frequently discharged to residential care.

Predictors of residential care placement are mainly based on underlying cognitive function and / or functional impairment, and associated lack of support and assistance in the home environment by informal carers.

In a review of 36 studies across developed countries with developed aged care systems, it was found that increased age, low self-rated health status, functional and cognitive impairment, dementia, prior exposure to residential aged care and a high number of prescription medications were indicative of people entering residential aged care.^{vii}

Further research found that indicators for admission into Australian residential aged care included admission age, high requirement for assistance with activities of daily living, social dependence, cognitive impairment, and low social activity.^{viii}

This is also supported by research undertaken on a large demonstration project in United States by Greene et al. which suggested that home care services that provide assistance with activities of daily living (ADL) without also offering medical and health related services, are unlikely to reduce the need for older people to access residential care services.^{ix}

Further, research into residential aged care undertaken by the AIHW found that a person's behavioural issues and ability to carry out ADL's were more likely to influence their decision to enter care. For younger residents entering care, health conditions were more influential in the decision to enter residential care.^x

This evidence highlights that a review of the home care package programme needs to be undertaken by government to ensure that it is meeting the needs of older Australians, as well as supporting ageing in place and planned regulatory reforms.

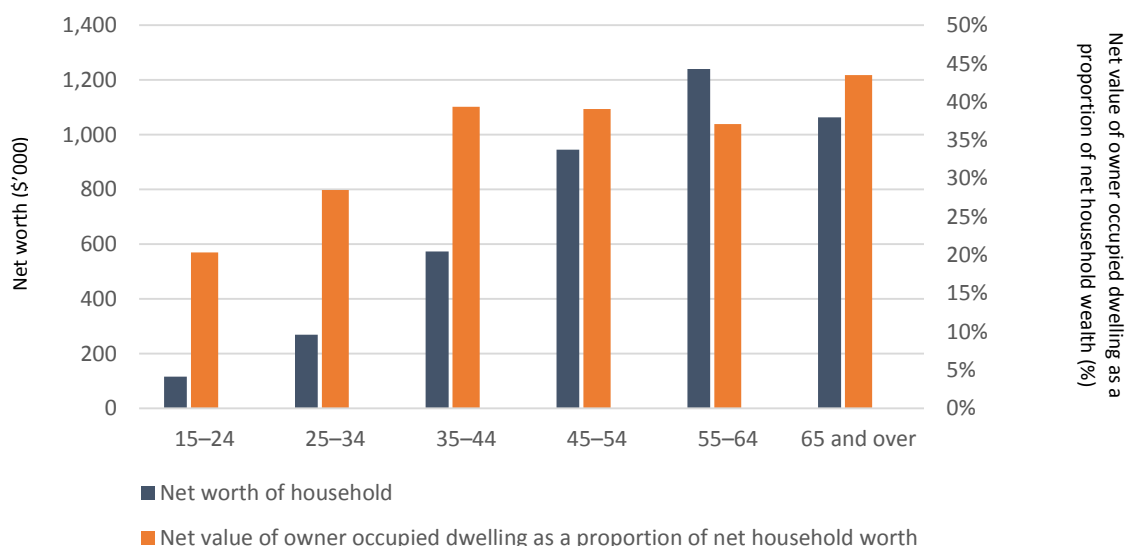
INCOME AND WEALTH

There has been substantial research surrounding the income and wealth of older Australians. The most recent research conducted by the Australian Bureau of Statistics (ABS) on Household Income and Wealth found that many older Australian households are asset rich and income poor.^{xi}

More than 80% of senior couples owned their house outright.^{xii} In addition, older Australians have higher wealth positions, however, they tend to have lower income than their younger counterparts.^{xiii} The asset rich and income poor status can be attributable to rising house prices, increasing wealth, and changes in the main source of income.

Graph 5 shows that the population aged 65 and above have the second highest net asset worth compared to younger generations, with the exception being the age group between 55 and 64 years. It is also evident that a significant portion of older Australians' net worth is attributable to their home (43%).

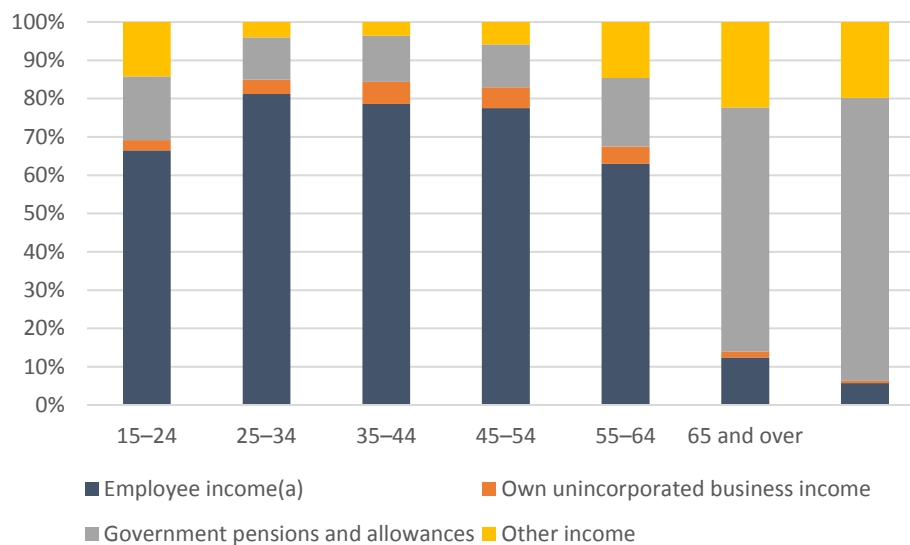
Graph 5: Net worth of household and net value of owner occupied dwelling as a proportion of net household worth, by age



Source: ABS, Household Income and Wealth, Australia, 2013-14

As evident in Graph 6, the main source of household income for the population aged under 64 is wages and salary, compared to government pensions and allowances for the population aged 65 and above.

Graph 6: Main source of household income, by age group 2011-12



Source: ABS Household Income and Wealth Australia 2013-14

With a high reliance on government income, the ability and capacity for additional care needs creates financial pressure for older Australians. There are instances where individuals prematurely enter into residential aged care due to the inability to access and fund home care. As explored in the following section, whilst a number of older Australians could look to draw down on the equity in the home to fund their retirement, many older Australians do not have this opportunity.

With a significant proportion of older Australians classified as asset rich and income poor, action needs to be taken to ensure older Australians have access to appropriate levels of care and accommodation and do not prematurely enter into residential aged care.



AGED ACCOMMODATION & CARE SERVICES

AGED CARE SERVICES & ACCOMMODATION IN AUSTRALIA

CARE SERVICES

In Australia, the aged care system offers a range of care options to meet the different care needs of each individual. Two mainstream funded care options are available for older people: residential aged care and community-based aged care (home care and community care).

Often people first enter the aged care system through community-based care, before eventually progressing to residential care. Aged care services in Australia are continuing to evolve in response to changing regulation that reflects the care needs and preferences of older Australians.

INFORMAL CARE

There is evidence that older people's preferences for support appear to be moving towards the use of formal (those provided by professional aged care providers) rather than informal care (care provided by friends and family).^{xiv} This trend follows experiences in countries with advanced community and home care models such as the United Kingdom and The Netherlands.

McCallum demonstrated that older Australians do not want to burden loved ones and showed a strong preference for formal care over informal care.^{xiv}

Social and demographic trends identified by the AIHW suggest that in the future there are likely to be fewer informal carers relative to the expanding ageing population, with the ratio of older people relative to those of traditional working age increasing. As stated previously, lower marriage rates, smaller family sizes and increasing divorce rates impact the availability of informal carers.

Informal care will continue to be important in meeting the needs of older Australians, however, with declining informal care availability, we are likely to see an increase in demand for formal home care support.

HOME CARE

There are various formal home care services offered to older Australians. This includes Commonwealth funded programs such as the Home Care Packages, Commonwealth Home Support Programme, Veterans Home Care, Transitional Care, as well as privately funded care (private fee for service). The uptake of home care services is increasing in line with consumer preferences to age in place and regulatory changes.

There has been significant reform within the home care industry as a result of the Living Longer, Living Better legislation. As a result of the changes, there are two main programs operating to deliver community based care to older Australians:

1. Commonwealth Home Support Programme (CHSP)

CHSP commenced on 1 July 2015. It consolidated four existing programs and provides entry-level support services for older people who need some assistance with daily living in order to live independently at home. In Western Australia, these services continue to be offered through the joint Commonwealth-state funded Home and Community Care (HACC) Programme.

At June 30, 2014 there were 1,084 commonwealth funded providers and 544 providers operating under state funded programmes in Victoria and Western Australia. With over 812,000 consumers of Commonwealth or state funded packages, home support overwhelmingly represents the largest aged care sector.

2. Home Care Packages Programme (HCP)

The Home Care Packages Programme provides more complex, coordinated and personalised care at home, and offers four levels of care packages to progressively support people with basic, low, intermediate and high care needs. From 1 July 2015, consumer-directed care applied to all packages.

From 28 February 2017, the ownership of HCPs moves from providers to consumers. From that point, any approved provider can deliver package services to clients who have been approved for and hold a HCP. Any unfilled packages will be held by the Department and be allocated as approvals are made.

At June 2015, there were 504 home care package providers, almost 50% of which were considered small (providing a single service). In 2015, there were nearly 84,000 care recipients who received support as part of the 72,702 packages.

As a result of reforms, the number of HCP is expected to increase from around 72,000 places to around 140,000 places nationally by 2021-22.

With reduced red tape, the changes will increase competition substantially and lead to quality and innovative services. This presents great opportunity for retirement village operators.

In addition to the above community care programs, funded services are also provided to seniors through the Veterans' Home Care Program and Transition Care Program. Older Australians also have the option of paying a private fee for services if they are not eligible under funded community care programmes or if they would like additional services.

RESIDENTIAL AGED CARE FACILITIES

Residential aged care provides care within a supported accommodation setting for those whose care needs can no longer be met within their own homes. There are two types of care offered in residential aged care facilities:

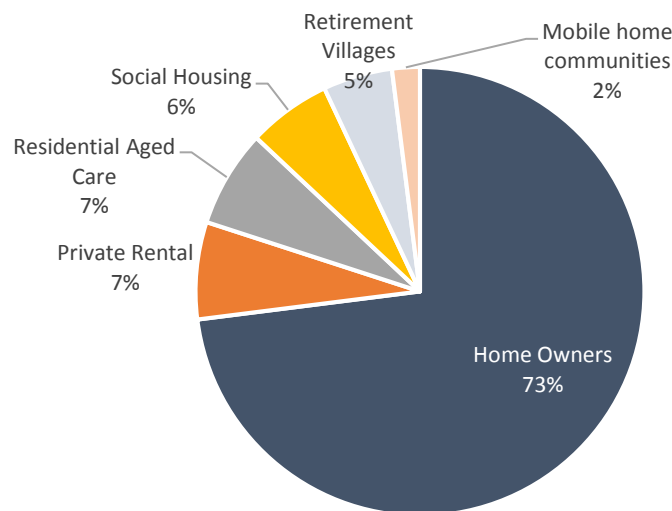
- **Permanent care** offers ongoing care in a residential aged care facility, tailored to an individual's needs. While permanent care was previously offered at two levels—low and high care—this distinction was removed from 1 July 2014.
- **Respite care** offers temporary, short-term care in a residential aged care facility to support both older people and their carers to live at home for as long as possible. Unlike permanent care, respite care continues to be offered as either low care or high care.

There are currently just under 1,000 residential care providers in Australia operating close to 2,700 services. In 2014/2015 there were 192,000 allocated places with an average of 93% occupancy.

ACCOMMODATION

In the past decade a large amount of research has been undertaken exploring housing and related decisions of Older Australians. As indicated below, the majority of older Australians are home owners, however a significant portion (approximately 13%) are renters (either public or private). There are other accommodation offerings for older Australians, in addition to residential aged care, and these are outlined in the following section.

Graph 7: Living Arrangements: Older Australians



Source: Housing Decision of Older Australians, Productivity Commissioner Report

PRIVATE HOMES

The majority of older Australians currently live in private homes, with 73% being home owners, 7% private renters and 6% social housing tenants. The average age of older Australians in private homes is between 74 and 75 years of age. The preference of the elderly is to age in place in their current homes, however the suitability and affordability of their current homes can hinder this.

Suitability of the current home

Based on current trends there is an expectation that a larger share of the ageing population will reside independently in their home longer than previous generations due to increased life expectancy, limited availability of additional housing for elderly people and consumer preference. However, a large number of private homes do not adequately facilitate ageing in place.

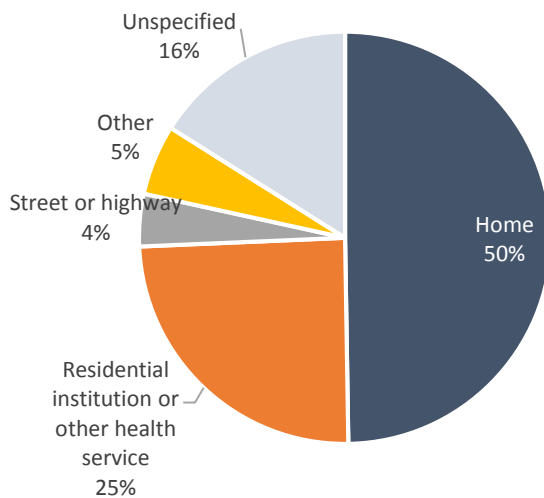
To allow for ageing in place within private homes, spaces need to be accessible and adaptable. Whilst guidelines such as “The liveable and adaptable house” have been released by the Australian government, these guidelines are not enforceable and a number of new and existing homes do not meet these standards. Therefore, the current home can pose a risk to the health and safety of elderly Australians.

AIHW research found that people aged 85 and over accounted for 7% of all hospital admissions and 13% of days spent by patients in hospital, yet the group only represents less than 2% of the population.^{xv} Further analysis found that the unsuitability of elderly person’s private homes is likely to be creating additional pressure for hospitals.

Research undertaken by the AIHW found that the major external cause of hospitalised injury for older men and women was falling. Falling injuries accounted for 77% of cases overall (men 67%; women 82%). Mechanical forces (6%), transport crashes (5%), animate mechanical forces or venomous bites and stings (2%) and poisoning by pharmaceuticals (1%) were the other leading external causes of unintentional injury.^{xvi}

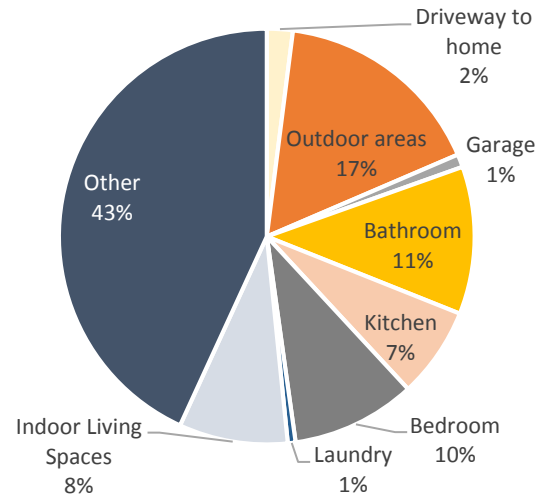
The rate of hospitalised fall injury increased with age and was more likely to occur at home with half of all hospitalised falls occurring in or around the home.

Graph 8: Place of occurrence for fall injury cases, people aged 65 and over



Source: AIHW

Graph 9: Place of occurrence in home for fall injury cases, people aged 65 and over



Source: AIHW

From a wider point of view, the private home as a means of accommodation for the elderly is often considered an inefficient use of housing, with 90% of seniors having one or more spare bedrooms.^{xii} However, older Australians often find other uses for these spare rooms and are also reluctant to move away from their current location and community. Therefore, in assessing the suitability of private homes in the context of ageing in place, the size of the home is less relevant.

In adapting homes to be elderly appropriate, consideration has to be given to a number of components including but not limited to car parking, bathroom/toilet facilities, corridors, ramps/stairs, and kitchen access (bench heights, etc.). A number of homes, especially older homes have large backyards that require significant maintenance and pose further risk for older Australians.

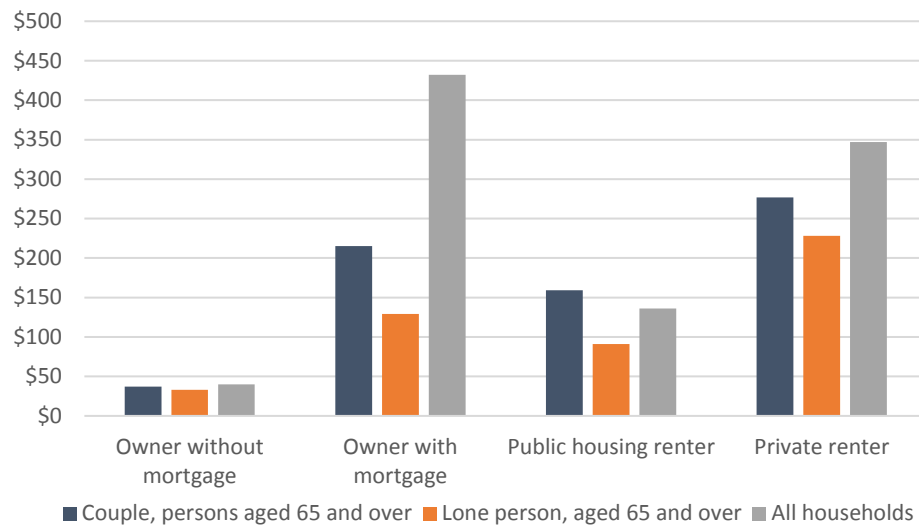
Affordability of the current home

The affordability of private homes for older Australians, whether renting or owning, is becoming an important topic. As discussed in Section 4, the older generations have been classified as asset rich and income poor.

The impact of this on the wellbeing and lifestyle of older Australians is depicted in the following graphs. Whilst the mean cost of housing (recurrent outlays associated with providing for their shelter which include mortgage repayments, rent, property, water rates and body corporate fees) for persons aged over 65 is generally below the mean cost for all households (excluding public housing renting), as a proportion of gross income, the cost of maintaining a household are higher for older Australians.

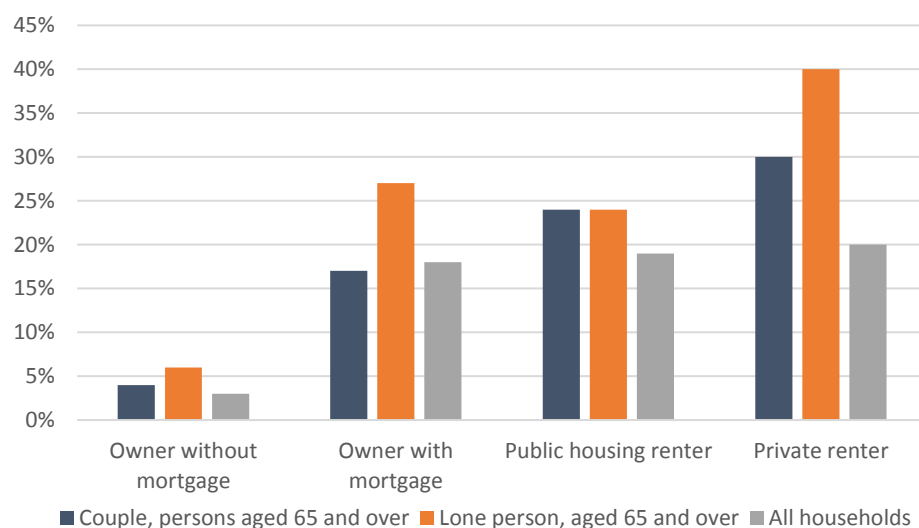
Whilst a significant portion of older Australians could consider selling their home to release equity and continue to fund their retirement, this option is not available to the 14% of older Australians renting.

Graph 10: Mean housing costs per week, by tenure and landlord type



Source: ABS Housing Occupancy and Costs, 2011-12

Graph 11: Mean housing costs as a proportion of gross income, by tenure and landlord type



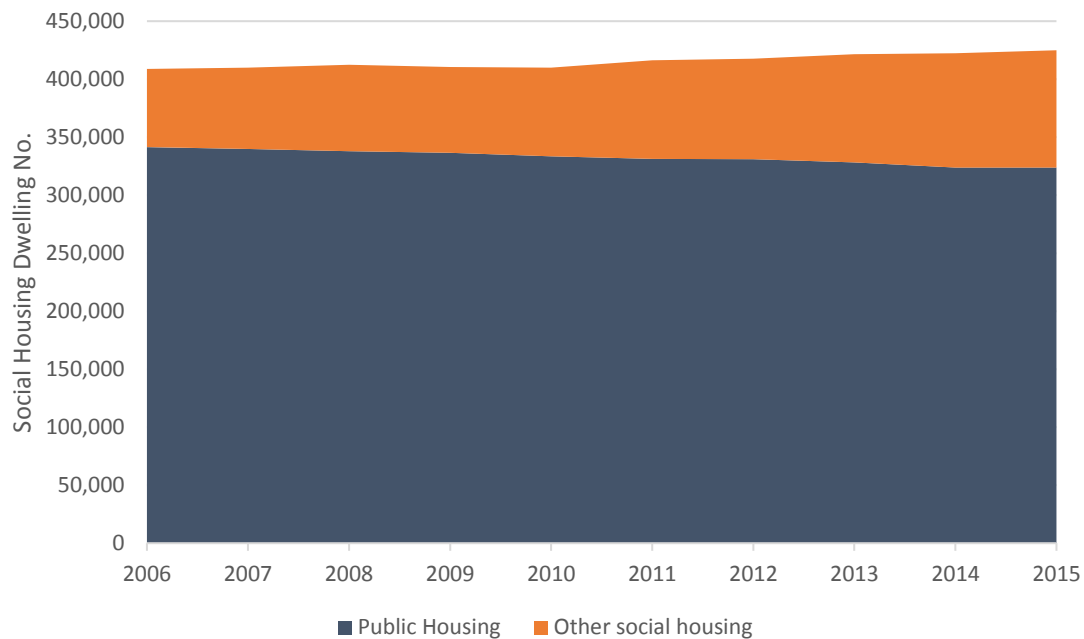
Source: ABS Housing Occupancy and Costs, 2011-12

It should be noted that renters who receive the pension may also be eligible for Commonwealth Rental Assistance (CRA).

People aged 55 years and over make up 32% of all public housing tenants. Public housing tenants remain in tenure for long periods of time. Approximately 42% of public rental housing households remain in the same tenancy for over a decade. More than half of social housing tenants are single adults living alone (52%).^{xvii}

Whilst there has been a slight overall increase in social housing dwellings, as indicated in the graph below, there has been steady decline in public rental housing. The decrease is attributable to the ownership or management of social housing transferring to community housing organisations.

GRAPH 12: NUMBER OF SOCIAL HOUSING DWELLINGS BY PROGRAM TYPE, 2006-2015



Source: Australian Institute of Health and Welfare, Housing assistance in Australia 2016

Further, the AIHW social housing statistics indicate full occupancy levels, long waiting times and high underutilisation (unused bedrooms) levels.

With older Australians comprising a significant portion of social housing tenants, social housing being underutilised, private homes being often unsuitable for the elderly and a lack of alternative housing options, the current seniors' housing model is not effective or sustainable.

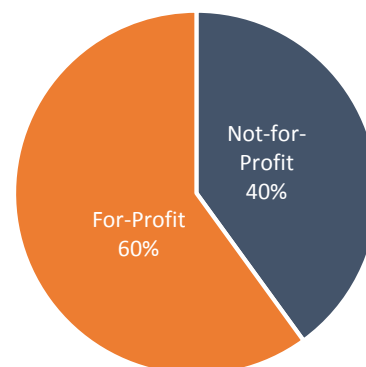
RETIREMENT VILLAGES

Overview

The concept of retirement living has existed for many decades in various forms around the world. In Australia, retirement villages began to evolve when not-for-profit organisations and government institutions realised the need to provide accommodation for the elderly.

The sector was originally operated by churches and charitable organisations, however, today approximately 60% of the sector is accounted for by private/institutional investors and 40% by the not-for-profit sector.^{xviii} There are more now than 2,300 retirement villages in Australia and more than 184,000 Australians living in retirement villages.^{xix}

Graph 13: Retirement Villages Operators



Source: Colliers International

In recent years competition has begun to escalate with the interest, growth and consolidation in the sector driven by an ageing population and the financial potential.

Retirement villages comprise both independent living units (ILUs or villas) and serviced apartments. Serviced apartments are typically smaller than ILUs however provide some standard services as part of the service fee (such as meals), and offer extra services to assist residents at an additional fee.

Retirement villages have been constructed around the needs and preferences of older residents in terms of layout and design of the home and village, and through the provision of additional amenities and services.

Push & Pull Factors

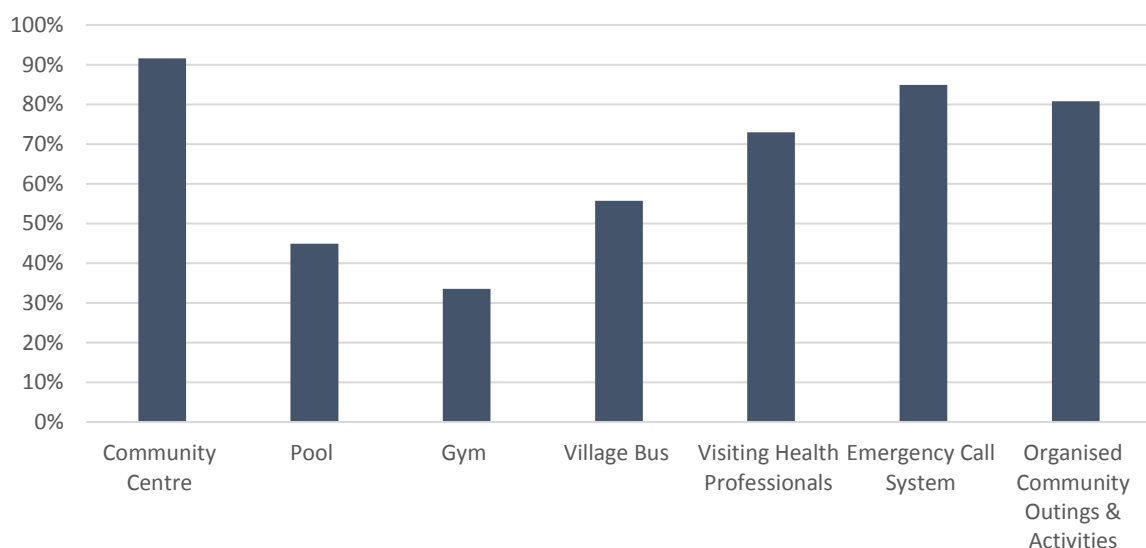
Significant research has been undertaken to understand what motivates and influences people to move into villages. Research undertaken by Grant Thornton in 2011 found that likely reasons for choosing a village were the reputation of the village, affordability, services available in the local area, proximity to previous home and village services and amenities.^{xx} The McCrindle Baynes Village Census found the leading pull factors towards a village was the ability to remain independent, a safe environment and emergency support, village facilities and maintenance on site.^{xxi}

The census also found the leading push factors for retirement village residents was the ability to downsize whilst they could, the current home being too big to maintain and concerns about their future health. Therefore it is evident that villages attract those moving due to declining health and those concerned about their future health.

Village Services and Amenities

In response to push and pull factors and the changing demographics, villages are offering more diverse services and amenities.

GRAPH 14: PERCENTAGE OF VILLAGES PROVIDING VARIOUS AMENITIES AND SERVICES



Source: Preliminary PwC/RLC Census 2016 results at 31 December 2015

A number of villages included front yard gardening (74%) and the village bus services (45%) within the monthly fee. Around 33% included unit backyard gardening and 18% offered personal services. Services and amenities mentioned above could also be covered by funded home care services.

Regulation

The retirement village sector is managed on a state by state basis. Retirement village operators do not have access to capital funding offered to aged care services. In 2015 alone, the government allocated \$67 million in capital grants nationwide to assist aged care providers to establish or upgrade facilities. Providing grants to the retirement village sector could assist with the provision of affordable and age appropriate accommodation as well as establishing communal facilities that could also be accessed by the wider ageing community.

Growth and the ability for the sector to provide additional services is further limited by complex, inconsistent and changing state regulation, and significant planning limitations that prevent the development of retirement villages within established suburbs.

In residential aged care, providers must maintain a required supported resident ratio. The supported resident ratio is a minimum ratio set by the government requiring residential aged care facilities to provide care services to financially disadvantaged residents. A similar concept could be introduced into retirement living and could be funded by the government. This also provides an opportunity for retirement living operators to maximise the occupancy of their village.

With retirement villages playing an increasingly important role in the provision of safe and appropriate accommodation for older Australians, it is important that all levels of government support the growth of the retirement living sector by offering capital grants and planning concessions.

Affordability

Compared to the median dwelling price in Australian capital cities, retirement villages offer affordable accommodation options. The median national ILU entry price is just under \$400,000.^{xxiv} This is lower than the median Australian dwelling price at \$600,000 for houses and \$495,000 for units.^{xxii} Moving into a retirement village gives older Australians an opportunity to release equity tied up in the family home.

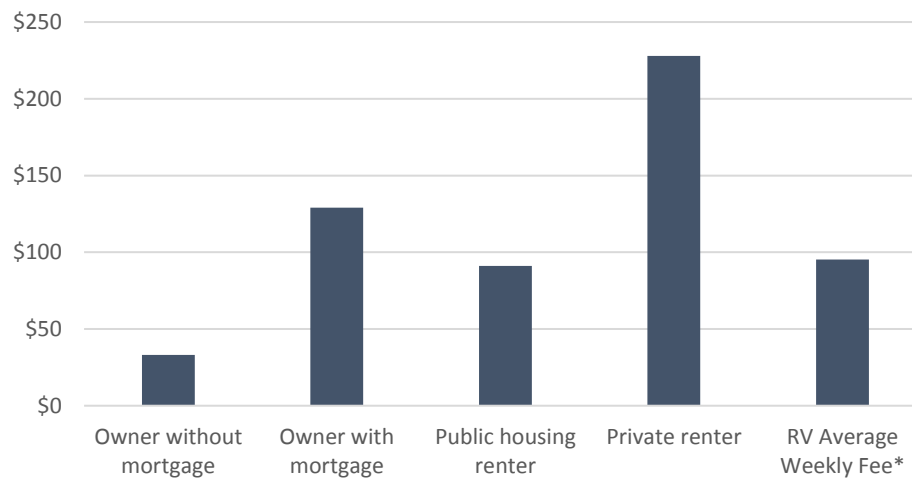
Table 1: Median ILU Prices

	Median*
ILU Entry Price: 1 bedroom	\$287,000
ILU Entry Price: 2 bedrooms	\$393,000
ILU Entry Price: 3 bedrooms	\$507,000

*Source: Preliminary PwC/RLC Census 2016 results at 31 December 2015, weighted

Residents in retirement villages are required to pay monthly fees. The average monthly service fee for a single resident is \$434 (weighted). On a weekly basis, this is significantly lower than the costs of privately renting or being a home owner with a mortgage.

Graph 15: Lone person over 65 mean housing costs per week, by landlord type



Source: ABS Housing Occupancy and Costs, 2011-12 and PwC/RLC 2015 Census Data
*Weighted average

Impacting the affordability of retirement villages is the inability for most residents to receive CRA. To receive CRA, the entry contribution paid by residents must be lower than the threshold of \$149,000 (in 2016).^{xxiii} This is materially below the current median ILU prices. Further, there are only a small number of villages who offer rental accommodation.

With villages reporting an average occupancy of 92%^{xxiv} and social housing being underutilised, the government should consider direct accommodation funding that would allow operators to provide affordable housing to financially disadvantaged seniors.

Care within Retirement Villages

As stated above, a number of retirement villages are offering services that will meet either the current or future health needs of residents. Care services include visiting health professionals and emergency call systems.

Research indicates approximately 17% of units receive home care support.^{xxv} With the introduction of consumer directed care and deregulation of the home care sector (discussed further below), there is an opportunity for retirement village operators to deliver funded home care services to their residents.

The benefits to taxpayers, residents and operators are numerous. Residential aged care funding represents 76% (\$10.6 billion) of aged care funding in 2014-15. This is compared to home care and HACC/CHSP which represent 14% (\$1.9 billion) and 9% (\$1.3 billion), respectively, of the government's aged care spend. HACC/CHSP provided services to 812,384 consumers in 2014-15 and Home Care had 72,702 places. Home care support in the village can delay entry into residential aged care which translates to potential savings for the taxpayer.^{xxvi} In addition, home care in retirement villages meets older Australians desire to age in place and delay entry in residential aged care.

The benefits of providing home care within the retirement village sector extends beyond savings for taxpayers. The government commissioned a pilot study on the delivery of home care in retirement village settings. Key findings and outcomes of the pilot study are as follows^{xxvii}:

- Recipients being identified for care at an earlier stage in the care needs continuum.
- Enablement of the delivery of a personalised level of service that has high preventative care and social support value for care recipients at relatively low cost.
- Staffing arrangements and co-location of clients allows for efficient delivery of care services, even at short notice.
- Reduction in the need for residential aged care services through the provision of ADL support, medication management and frequent monitoring during the day in periods of high need.
- Over 55% of participants who entered into permanent residential aged care did so at a low care facility. A survey of these participants highlighted the need to provide client centred care that includes being available outside business hours, offering predictable staffing and service times, and flexible care.
- Subjective evidence that residents and families have an increased sense of support and security.
- There was a reduction in the rate of admission into the emergency department, with residents being referred to hospital via general practitioners.

Retirement village operators are also able to benefit from the provision of home care service in the village. Not only is this likely to improve occupancy and attraction of the village, it also provides additional income streams.

Retirement village operators are well positioned to take advantage of the changing home care industry. To successfully provide home care services, operators need to be able to provide flexible and client centred care.

MOBILE HOME COMMUNITIES

The concept of mobile home communities is becoming a popular and affordable accommodation option for seniors. In these communities the resident owns the dwelling and leases the land. Whilst this can be more affordable, residents have a low security of tenure and can be evicted without any grounds of notice in some jurisdictions.^{xxviii}

Similar to retirement villages, mobile home communities offer varying levels of services and residents are able to access home care services. However, unlike retirement villages mobile home residents are considered to be renters even if they own the dwelling and therefore able to receive CRA (if eligible).

INTERNATIONAL AGED ACCOMMODATION & CARE SERVICES

In the emerging user-pays environment resulting from the *Living Longer, Living Better* legislative reforms, aged accommodation and care providers are eagerly looking to learn from international examples that provide direction around service model development and the design of the built environment.

The international models reflect the cultural and aged care funding systems of the relevant country. Therefore as Australia moves towards a user pay system, we have focused our research towards New Zealand and the United States. The New Zealand aged care and retirement living industry has a similar, mixed funding system, however it is considered to be more progressive than Australia. Alternatively, the United States, which has emerging integrated offerings similar to New Zealand, has a user pay system and only provides financial support for consumers with very low assets and/or income.

NEW ZEALAND

The New Zealand (NZ) aged care and retirement village sector is considered to be more progressive than Australia and a number of Australian operators are looking at NZ's environment for inspiration.ⁱⁱ

Like Australia, NZ has a mixed funding model, reformed in 2009, where residents are required to pay for the majority of their accommodation but where care services are, in part, supported by the government. Wealthier people are required to contribute more.

Although less regulated than the Australian retirement and aged care environment, NZ providers are required to undergo a registration process with a local authority, certify buildings and pass an accreditation process on a regular basis. NZ also has a strong retirement village industry and home care industry that actively competes with residential care operators for clientele.

The progression of the NZ market has been driven by deregulation in the NZ aged care industry. There has been significant capital investment that reflects consumer preferences, with New Zealanders seeking environments that provide a full continuum of care so they do not have to move when they become more dependent on others. This has resulted in the prevalence of sites with integrated retirement village, serviced apartments, rest-home care (low care) and hospital care (high care).

Providers are also offering flexible service models where complex care services can be delivered in the resident's retirement village or serviced apartment. As a result, within residential aged care facilities there has been an increase in resident acuity and decreased length of stay resulting from delayed entry to care by those who prefer to stay at home and receive formal support or move to a retirement village where they are able to receive care services. In 2013-14, the length of stay in NZ residential care homes was only 84 weeks compared to 149.5 weeks in Australia.

UNITED STATES OF AMERICA

The aged care and retirement village model in the USA is comparable to the NZ model. In the USA, Continuing Care Retirement Communities (CCRC) are becoming more prevalent. The communities include independent living, assisted living and nursing home accommodation options. As with the NZ model, CCRCs provide a continuum of care. There are various payment options that reflect the level of care required. Residents can choose between:

- Life Care: A higher entrance fee is required, however, the monthly fee does not increase even if additional healthcare is required;
- Modified Care: A lower entrance fee is required. The initial monthly fee is lower and covers certain higher-level care but increases with care needs; or
- Pay as you go: A low entrance fee is required and lower monthly fee that increases with needs.

The entrance fee is generally not refunded or only partly refunded when the resident leaves the community.

A high proportion of US residents opt for monthly fees, rather than a higher ingoing deposit (especially in high end villages).

As evident from the above international experiences, flexible payment models, whether mixed pay or user pay systems, can allow residents to age in place.



APPENDIX

APPENDIX – GLOSSARY

ABS	Australian Bureau of Statistics
ADL	Activities of Daily Living
AIHW	Australian Institute of Health and Welfare
CCRC	Continuing Care Retirement Communities
CHSP	Community Home Support Programme
CRA	Commonwealth Rental Assistance
DMF	Deferred Management Fee
Gen	Generation
HACC	Home and Community Care
HCP	Home Care Packages
ILU	Independent Living Units
NZ	New Zealand
OECD	Organisation for Economic Co-operation and Development
USA	United States of America

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