

31 August 2023

## Aged Care Taskforce

### Federal Department of Health & Aged Care

Retirement Living Council's Response to Draft Principles and Submission Questions

#### About the retirement living industry and the RLC

In terms of the demographic landscape, there are 4.4 million people around Australia aged over 65 today – this number will grow to 6.6 million by 2041.

Of this cohort, more than 260,000 senior Australians live in approximately 2,500 retirement communities across the country, with an over-65s market share of approximately 6 per cent.

Independent data shows that residents in retirement villages are on average happier, healthier (both mentally and physically) and are more socially connected and active.

Importantly for the aged care and health sectors, research helps inform industry and government that residents in retirement communities have reduced interactions with GPs and hospitals and delayed entry into aged care. This results in significant efficiencies for governments – almost \$3.5 billion per annum – thus reducing pressure on the aged care and health sectors.

As a result, there is great potential to increase these benefits to governments if the retirement industry is supported to evolve and grow to meet the increasing needs of Australia's ageing population. Some of these challenges have been outlined in the recently released Intergenerational Report.

Our sector is at a pivotal juncture, evolving from a property-focused sector in years gone by to one that focuses on health, wellbeing and care. It is critical that Government understands these opportunities as it plans for the significant increase of older Australians and aims to keep the aged care sector operational.

When older Australians make the decision to 'right-size' into a retirement community that offers safer and more supported living environments, it brings with it the added benefit of freeing up traditional housing stock for young people, couples and growing families.

From an organisational perspective, the Retirement Living Council (RLC) is the national leadership group for the retirement living sector, championing policies that deliver age-friendly homes and better services in retirement communities.

The RLC sits within the Property Council of Australia's national advocacy team and is the most powerful voice of the sector, representing national retirement village and seniors living community operators, including for-profit and not-for-profit providers.

## **Response to Draft Principles**

The Aged Care Taskforce's draft principles serve as a commendable foundation for shaping the direction of the funding review. This response delves into the RLC's perspective on the draft principles:

### **Principle 1 – The aged care system should enable and encourage participants to remain in their home for as long as they wish and can do so.**

While we endorse the principle of facilitating individuals' choice to remain in their homes, it's essential to recognise the continued need for residential aged care. To guide this principle:

Consider the evolving role of residential aged care, including high care, dementia care, step-down care, hospital rehabilitation, restorative care, respite, and reablement services.

It is important for the Taskforce to ensure a forecast for the demand for aged care beds over the next few decades considers and factors in key demographic shifts.

Additionally, it is important for the Taskforce to understand that the pathway to residential aged care is easier from a retirement community rather than home.

Finally, it is the RLC's view that this principle underpins the Royal Commission's recommendation to move towards consumer directed models of higher care that are independent of residential bed licences to promote innovation in new models of care delivery. The retirement living sector has an important role to play in facilitating higher levels of care through a higher-level home care package that could be delivered in the RV environment.

### **Principle 2 – Aged care funding arrangements and their outcomes should be fair, simple, transparent and sustainable.**

The RLC wholeheartedly supports the need for fair, transparent, and sustainable funding arrangements. Suggestions include:

- Incremental means- and asset-testing to encourage consumer contributions, enabling more personalised service selection (which is critical to transparency and fairness); and,
- The taskforce must consider mechanisms to recover funding from assets posthumously to ensure sustainability.

### **Principle 3 – Government is and will continue to be the major funder of aged care. Government funding should be focused on care costs. Personal contributions should be focused on accommodation and everyday living costs with a sufficient safety net.**

This principle – emphasizing government funding for care and personal contributions for accommodation and daily expenses – aligns with the RLC's position. Given this principle, the RLC emphasises:

- Balancing government funding and consumer choice to foster service innovation; and,

- Urge consideration for potential for innovative blended accommodation and service cost models.

**Principle 4 – Government and participant contributions should be sufficient to provide quality and appropriate care delivered by a skilled workforce, allowing and encouraging innovation by the health, hospital and aged care systems.**

The RLC supports this principle but emphasises the significance of consumer choice and individual care needs.

Key considerations include:

- Define “appropriate care” considering diverse cultural, religious, and personal preferences; and,
- Leveraging accommodation investments to drive innovative care experiences.

**Principle 5 – There should be accountability for funding received from government and participants, how it is spent, and the quality of the services provided.**

Accountability is crucial, but it should not overshadow other principles. Key considerations:

- Existing requirements for care plan budget approval and consumer satisfaction surveys; and,
- Potential for further mechanisms to enhance transparency and satisfaction in retirement villages.

**Principle 6 – The residential sector should have access to sufficient, and new, capital to encourage the development of new accommodation and upgrades to existing accommodation.**

Encouraging industry-funded upgrades and new developments aligns with the RLC’s outlook.

Further insights:

- Link between returns and capital availability.
- Acknowledging and understanding the role of retirement living sector in creating diverse, efficient and innovative care environments.

## Response to Taskforce Questions

The Retirement Living Council appreciates the opportunity to contribute to the Aged Care Taskforce's questions. Below, we provide detailed responses to the questions posed:

### 1. Is Australia's aged care system and how you pay for aged care easy to understand? If not, why not?

The current RAD/DAP model lacks clarity, employing industry-specific language that confuses older Australians and their families. The choice between upfront payments and rental models further complicates matters, often entwined with estate planning and pension eligibility issues.

The RLC supports retaining upfront options for customer and operator benefits and furthermore recommends deregulating accommodation payments to suit individual preferences. Operators should retain some accommodation payments, ensuring investment returns. Ultimately, customers should enjoy the freedom to choose their preferred payment mode.

### 2. What does "fairness" in aged care funding and care services look like?

The RLC firmly believes that Australians, at every life stage, deserve access to quality care and services. Modern seniors seek choice, quality, and comfort in their living arrangements, amenities, and services. The concept of "fairness" in our view embodies the ability to choose services that align with their means.

Our perspective is grounded in the value of consumer choice, accompanied by a transparent safety net that respects providers' investment decisions. Fairness translates to freedom – granting those with means the ability to select services that match their lifestyle and ensuring those without means are not left behind, enabling a higher quality of life in their golden years.

### 3. Is funding for Australia's aged care system sustainable? If not, what is needed to make it sustainable?

The current state of funding for Australia's aged care system is unsustainable, necessitating comprehensive and long-term structural reforms. The RLC suggests that government funding should predominantly cover care services and a baseline standard of accommodation, regardless of individuals' financial capacities.

Those with greater financial means should be given the opportunity to contribute to enhanced accommodation and additional services tailored to their preferences. To achieve sustainability, we propose five key reforms:

1. **Acknowledge the retirement village sector's role** in prolonging independence by enabling more efficient and flexible home care services within village settings.
2. **Deregulate fee structures and artificial RAD pricing caps**, particularly for the basic daily care fee.

3. **Promote investment in new and upgraded facilities** by allowing capital returns. This could involve deregulating RAD pricing, retention models, DMF structures, or rental-based accommodation costs.
4. **Offer financial support to help newly built residential care facilities** during their startup phase.
5. **Increase co-contributions across funding areas**, adjusting means-tested care fees, while maintaining appropriate safety nets.

The RLC discourages certain reform options, including taxpayer-funded levies, short-term fee increases without long-term indexation solutions, and the complete removal of upfront accommodation payments in favour of a rental-only model.

#### **4. What costs do you think consumers in aged care should contribute to and to what extent? How is this different for care, compared with everyday living expenses or accommodation?**

Our perspective on consumer contributions entails those with the means participating in funding personal services, hotel amenities, and accommodation costs. However, care services should remain primarily government-funded, while considering increased means testing for care fees.

The changing landscape of residential aged care prompts us to question if the future might see a shift towards more home-based care for low-needs individuals, leaving the residential facilities for high-care, dementia care, and other specialised services. The flexibility to discharge care funding in alternative settings – such as serviced apartments in retirement villages – could drive innovation and variety in service models.

#### **5. What does quality and appropriate care mean to you?**

Our understanding of quality care goes beyond clinical outcomes, encompassing holistic well-being. Quality and appropriate care entail timely and tailored services, fostering not just health but overall well-being.

This involves personal care, nursing, allied health, social inclusion, independence, and connection to family, friends, and society at large. The RLC's view aligns with the notion that quality care equates to an improved quality of life rather than just clinical excellence, and that the retirement industry provides many of these services either directly or through service partners already.

#### **6. What does innovation in aged care mean to you? How can funding support it?**

Innovation in aged care should prioritise consumer needs and preferences. A more customised approach, departing from the one-size-fits-all model, can be achieved through a funding and investment framework promoting innovation in service delivery.

Consumer choice, diverse outcomes, and varied needs should drive investment, fostering creative solutions that cater to the diverse requirements of future generations.

## **7. What is the role of Government versus private investment in funding upgrades and constructing new facilities? Is the role different in rural and remote locations?**

If we get the balance right, the private sector can take the lead in breathing life into fresh and upgraded facilities, often sidelining the need for government dollars – and at times, saving government significant future costs. If the market is free to innovate and grow – in essence, flex our muscles, we are able to showcase the potential of self-fueled innovation and growth.

This is not to take away from the game-changer of Government intervention. Regional and remote sectors of Australia – often demanding highly specialised facilities, requires government to step in where our sector cannot.

We believe in partnership with the government – our sector, and the aged care sector can thrive. Private investment provides the innovation and thrust, while Government steps in with its support when needed – whether on the outskirts or in the world of cutting-edge advancements. It's a situation that requires both government and our sector to essentially work in partnership together.

## **Is there anything else you think the Taskforce members need to know about Australia's aged care system?**

The Retirement Living Council is working in partnership with Accenture to develop a comprehensive report that will illuminate critical aspects of the care landscape. This forthcoming report aims to substantiate the positive impact of retirement living communities on the well-being of older Australians. Specifically, it will highlight the enhanced happiness and overall health (both physical and mental) of residents within retirement communities. Additionally, the report will underscore the increased social engagement and connectivity among residents, along with the significant reduction in early interactions with formal aged care services, including fewer visits to general practitioners and shorter stays at hospitals.

Along with this valuable research, our recent Retirement Living Census showcases a few key datasets. The number of retirement communities integrating health care services is progressively on the rise, and yet, the pipeline of new developments continues to decline (and of those in the system across the country they are operating at effectively full capacity). Our industry reports that this is in response to continued legislative and planning barriers, the complexity of dealing with three tiers of government and disincentives for our sector to continue to grow.

What is clear from the census data, however, is our sector's strong shift in transitioning beyond a mere accommodation-focused model from yesteryear, to one that embraces a proactive health-provider role. This strategic shift underlines our commitment to aligning with the evolving needs of older Australians, enabling them to lead healthier, happier, and more connected lives.

Link to our most recent Census and data [can be accessed here.](#)

## **In Conclusion**

The Retirement Living Council appreciates the opportunity to share our leading industry insights with the Aged Care Taskforce. These responses reflect the RLC's expertise and commitment to advancing aged care solutions that prioritise choice, transparency, sustainability, and quality of life for all Australians.

A balance between government funding, consumer choice, and industry innovation is essential to create an inclusive, adaptable, and effective aged care landscape. The transformation towards a holistic care approach requires collaborative action and forward-thinking solutions to enrich the lives of our ageing population.

Essentially, we believe that success is achieved through empowering consumers with choice, supporting innovation, and delineating appropriate roles for both government and private investment which will drive the evolution of Australia's aged care system. The journey towards a holistic, person-centered approach requires collective efforts to secure a brighter future for our ageing population.

The retirement living industry has a powerful story to tell because it has people at its heart, housing hundreds of thousands of people – yet is often misunderstood.

Many people often don't realise that retirement living and aged care aren't the same thing, so there's an important job in educating leaders about the fundamentals of the sector and the older Australians we provide homes for.

This submission attempts to speak to some of these differences, but also some of the great opportunities in front of us.

On behalf of the RLC Board of Directors, our national membership and the more than 260,000 Australians that live in retirement communities – thank you.

A handwritten signature in black ink, appearing to read 'Daniel Gannon', written in a cursive style.

**Daniel Gannon**

Executive Director  
Retirement Living Council