22 January 2024

Dear Treasurer,

Please see herein the Retirement Living Council's FY25 Federal Budget submission, outlining key recommendations to help unleash better housing supply that leads to better health outcomes for older Australians.

As your government appreciates, Australia is experiencing a dramatic demographic shift, propelled by an ageing population. These changes will have implications for the nation's socio-economic outlook, including increased demand for healthcare, social services and aged care services.

It is no longer possible to consider the future of residential aged care without discussing the important housing and health value proposition of the retirement and seniors' living industry.

This is a sector that currently provides purpose designed homes for 250,000 older Australians but is effectively operating at full capacity. There are various state and territory-based planning impediments contributing to delaying the onset of more supply – issues that are not the remit of the commonwealth.

However, retirement communities are the sleeping giant of Australia's health and housing landscape given the benefits they provide to consumers and governments alike.

With this in mind, we present to you the RLC's submission, containing five key recommendations:

1. Include retirement communities as a key delivery component of achieving the Housing Australia Future Fund target to build 1.2 million new homes nationwide by 2029.
2. Implement the RLC's 'Shared Care' proposal – in the first instance through a pilot program – demonstrating that significant efficiencies and savings to consumers and government can be achieved through a strengthened Home Care delivery framework.
3. Remove incoming purchase price benchmarks for Australians living in retirement communities to allow deeper access to Commonwealth Rental Assistance.
4. Amend existing inconsistencies to allow Australians living in retirement communities to access the Home Equity Access Scheme.
5. Exempt a portion of home sale proceeds for the age pension asset test to reduce the financial disincentive for those considering 'rightsizing' while ensuring the security of their pension long term.

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Retirement Living Council FY25 Commonwealth Budget Submission

About the Retirement Living Council

The Retirement Living Council (RLC) is the national peak body for Australia's retirement living sector, championing policies that deliver age-friendly homes and better services in retirement.

The RLC sits within the Property Council's national advocacy team and is the most powerful voice of the sector, representing for-profit and not-for-profit owners and operators of retirement villages and seniors' living communities.

'Better Housing for Better Health'

This landmark 2023 report sheds light on the value-adding contributions of the retirement sector and presents a comprehensive overview of its role in addressing the needs of older Australians and managing the escalating costs associated with housing, health and aged care services.

The Commonwealth Government's own Intergenerational Report forecasts a more than twofold increase in Australians aged 65+ by 2063 and charts the ever-growing cost and challenge of funding aged care.

Better Housing for Better Health outlines several tangible solutions to these critical challenges which we believe will be welcomed by policy makers across Australia, and our sector stands by ready to assist and cooperate.

Helpfully, we have included state-by-state population projections along with dwelling suitability scales in this blueprint.

Some of the key findings from the report include the following:

- National expenditure on aged care across Australia reduces by $945 million annually by delaying entry of ~11,600 people into residential aged care by two years.
- Residents interact less frequently with healthcare systems, and:
    - Are 20 per cent less likely to require hospitalisation after only nine months, and
    - 14,000 hospitalisations avoided annually.
- The current pipeline of retirement communities will reduce the housing shortage by 18 per cent.
    - Growing this pipeline to meet current demand levels could reduce Australia's housing shortage by 67 per cent.

In addition, the report also reveals that residents in retirement communities are:

- 15 per cent more physically active.
- 41 per cent happier.
- Five times more socially active.
- Twice as likely to catch up with family or friends.
- Experiencing reduced levels of depression and loneliness.

1. Include retirement communities in the Housing Australia Future Fund

The Housing Australia Future Fund (HAFF) is the single biggest investment to support social and affordable housing in more than a decade.

One key component of the HAFF is a new national target to build 1.2 million well-located homes.

National cabinet set a new target to build 1.2 million new homes over five years from July 2024. The new target is an additional 200,000 homes above the National Housing Accord target agreed to by states and territories in 2022.

Given retirement communities provide age-friendly accommodation that can delay residents' entry into aged care facilities and generate $945 million in annual savings for the commonwealth government, government should prioritise this housing type.

One way of ensuring housing diversity and freeing up older, bigger stock is to establish minimum land allocations for retirement communities in new greenfield developments, which should be a policy priority for state and territory governments.

Greater access to land for retirement communities through minimum land allocations in undersupplied areas – similar to targets placed on social and affordable housing - can ensure suitable options for the ageing population, as well as address housing supply issues.

Recommendation:

i. Include retirement communities as a key delivery component of achieving the Housing Australia Future Fund target to build 1.2 million well-located new homes nationwide by 2029.

2. Implement the 'Shared Care' model

Australians are getting older, and while they continue to live longer, healthier lives, there are increasing impacts on the residential aged care and healthcare sectors.

This brings risks and opportunities for industry, consumers and governments, in particular around affordability, supply, care and fiscal relief.

As the government looks to ensure that financial support for living at home remains sustainable, the number of recipients of the home-based support packages only continues to grow.

The RLC's 'shared care' framework (attached) has been developed between October and December 2023. It provides three models for retirement village operators to deliver community-based care services under the Support at Home program within the village setting, either independently or through a delivery partner.

We have developed these models showing that significant efficiencies and savings to consumers and government can be achieved, even at moderate levels of uptake.

Our sector is already providing community-based care for residents at all stages of their care journey – and we want to do more to ensure that older Australians are living independently for as long as possible.

'Shared care' model		Comprehensive model
Option 1 **Basic services**	Option 2 **Intermediate services**	Option 3 **All services**
RV operators provide only a sub-set of services – 'shared care' partner providers are responsible for any other services		**RV operators have a duty for all services provided**
Approximate equivalent[1] = CHSP, HCP Level 1	Approximate equivalent[1] = HCP Level 2-3	Approximate equivalent[1] = HCP Level 3-4
Typical **RV offerings** Including: • Home modifications and maintenance (e.g. gardening) • Transport (medical and recreational) • Social support	Typical RV offerings + **Daily living assistance** Including: • Personal care • Domestic assistance • Meals preparation • Goods, equipment and assisted technology	Typical RV offerings + Daily living assistance + **Clinical and medical support** Including: • Nursing services (including medication management) • Allied health and therapy services • Respite

These service delivery models are expected to streamline processes, resulting in savings and greater efficiencies. Potential financial benefits have been estimated using CHSP and HCP program data and utilisation rates, and multiplying wages, funding or an allowance by an estimated improved efficiency.

Preliminary estimates indicate that the proposed service models could provide up to approximately 16-18 per cent efficiency benefits.

If 50 per cent of the industry adopted the proposed service models, preliminary estimates indicate an approximate $64 million per annum system benefit. The estimated savings are significant considering they apply only to the portion of home care services spent on RV residents (~250,000 people).

Estimated benefits have been calculated for:

- Avoided (non-wage) travel costs through co-location of residents;
- Savings from reduced resourcing inefficiencies (e.g. optimised rosters and shift lengths);
- Productivity gains from reduced travel time; and
- Productivity gains from reduced administrative task duplication.

Systemwide benefits were estimated by extrapolating per person savings and applying penetration rates of RVs and the utilisation of home care packages within them. While not modelled, these benefits are expected to increase over time due to an ageing population and growing home care use.

Recommendations:

Further consultation, model development and analysis are required to validate the opportunity for the proposed models, underpinned by the following recommendations.

ii. Review and validation

The feasibility of the proposed service models should be validated by RV operators, regulators and consumers to assess likelihood of adoption and buy-in.

iii. Establish pilot program

A pilot program should be co-designed with government to trial the models and evaluate their initial benefits. This could provide an opportunity to test the transition of CHSP to the Support at Home program.

iv. Detailed analysis

Analysis of the funding models using pilot locations, specific cost data and sensitivities should be conducted to enable deeper understanding of the cost and benefits. The qualitative benefits identified in this report should be quantified where possible to support the business case for the proposed service models.

v. Enable further efficiencies through regulatory framework

Any additional compliance requirements and regulatory issues that may limit efficient service delivery in RVs should be identified, and any required regulatory changes pursued.

3. Increase eligibility for Commonwealth Rent Assistance

Commonwealth Rent Assistance (CRA) is a non-taxable income payment for eligible people who rent in the private rental market.

The application of CRA among older Australians differs between housing types. Retirement community residents on a pension are defined as homeowners if the purchase price exceeds a benchmark, making them ineligible for CRA.

Conversely, age pensioners in other housing types – like land lease and manufactured home estates – qualify for CRA, irrespective of the purchase price of their relocatable dwelling.

Removing incoming purchase price benchmarks for retirement community residents with lease or increasing the current threshold eligibility in line with escalating house prices to allow access to CRA would relieve financial stress for retirement community residents and provide a more equitable playing field.

Recommendation:

vi. Remove incoming purchase price benchmarks for retirement community residents with lease or licence agreements or increase the current threshold eligibility in line with the median price of a retirement unit ($516,000) to allow access to CRA to provide a more equitable playing field.

4. Amend inconsistencies to the Home Equity Access Scheme

The Home Equity Access Scheme (HEAS) allows pensioners with property ownership to receive a voluntary, non-taxable loan from the government to supplement their retirement income. The scheme allows homeowners to use the equity in their home as security for a loan that will allow them to boost their retirement income.

Retirement community residency is currently classified as homeownership for the purposes of CRA but not for the HEAS, meaning many older people are ineligible because they have a lease or licence over the home rather than freehold title.

Recommendation:

vii. Amend the inconsistency to allow retirement community residents to access the HEAS.

5. Address financial disincentives to rightsizing

As evidenced in *Better Housing for Better Health*, in 2021, nearly three quarters of people aged 75 and over were living in dwellings where they have one or more bedrooms spare. This represents more than 1.4 million older Australians that are residing in dwellings that are oversized for their needs.

This suggests that the majority of older people are not rightsizing, and many are requiring extra supports to continue living in their family home. Larger dwellings can also increase health risks as people age, with most cases of falls in older people occurring at home. Features such as stairs without railings, clutter or poor lighting can create hazards for older people.

Research shows that only 26 per cent of people over the age of 55 had rightsized, with the RLC identifying three key enablers to further encourage older Australians to rightsize:

- Access to supply of retirement dwellings in the right areas
- Australians being financially incentivised to make the move, and
- People being emotionally motivated to make the move.

Rightsizing can affect age pensioners as surplus funds from the sale process are considered assets, potentially leading to a reduction in their pension benefits.

Recommendation:

viii. Exempt a portion of home sale proceeds for the age pension asset test – or an increase in the asset free threshold for age pensioners who purchase a cheaper home within 12 months of selling their family home to reduce the financial disincentive for those considering rightsizing while ensuring the security of their pension long term.

<u>Additional Resources</u>

- Better Housing for Better Health
- Shared Care Model Proposal