



**Australian Government**  
**Productivity Commission**

# Caring for Older Australians

Productivity Commission  
Inquiry Report  
*Overview*

No. 53, 28 June 2011

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ISSN 1447-1329

ISBN 978-1-74037-362-3

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**An appropriate citation for this paper is:**

Productivity Commission 2011, *Caring for Older Australians: Overview*, Report No. 53, Final Inquiry Report, Canberra

JEL code: I11, I18, H51

***The Productivity Commission***

The Productivity Commission is the Australian Government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Its role, expressed most simply, is to help governments make better policies, in the long term interest of the Australian community.

The Commission's independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.

Further information on the Productivity Commission can be obtained from the Commission's website ([www.pc.gov.au](http://www.pc.gov.au)) or by contacting Media and Publications on (03) 9653 2244 or email: [maps@pc.gov.au](mailto:maps@pc.gov.au).

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- workforce shortages — due in part to low wages, high administrative loads arising from the burden of regulation, strenuous work environments and limitations on scopes of practice
  - complex, overlapping and costly regulations — with an embedded culture in governments of excessive risk aversion and a lack of independence of some regulatory activities
  - insufficient independence of the complaints handling process from the Department of Health and Ageing (DoHA) — with policy development and the administration of regulation being combined, contrary to best practice
  - incomplete and overlapping interfaces — within and between jurisdictions, and also with health, disability, mental health, housing and income support.

## Future challenges

The dimensions of the challenges facing aged care are well known, but worthy of a brief review.

- The number of Australians aged 85 and over is projected to increase from 0.4 million in 2010 to 1.8 million (5.1 per cent of the population) by 2050.
- By 2050, it is expected that over 3.5 million older Australians will access aged care services each year, with around 80 per cent of services delivered in the community.
- There is increasing diversity among older Australians in their preferences and expectations (which continue to increase), including a greater desire for independent living and culturally relevant care. This is particularly relevant for many culturally and linguistically diverse, sexually diverse, and Indigenous communities.
- The *Intergenerational Report 2010* estimated that Australian Government spending on aged care would increase from 0.8 per cent of GDP in 2010 to 1.8 per cent of GDP by 2050.
- While further advances in the management of some diseases are expected, more people will require complex care for dementia, diabetes and other morbidities associated with longevity, as well as palliative and end-of-life care.
- Many older Australians with low income have substantial wealth, which gives them the capacity to meet their lifetime accommodation costs and to make a modest contribution to the costs of their care, subject to a reasonable safety net.
- The relative availability of informal carers will decline, reducing the ability of some older people to receive home-based care.

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- The aged care workforce will need to expand considerably at a time of ‘age induced’ tightening of the overall labour market, an expected relative decline in family support and informal carers, and strong demand for workers from other parts of the health and disability systems. It will need to adopt new models of care and scopes of practice.
  - There is a need to harness new, cost-effective assistive and information technologies that offer opportunities for productivity gains and higher quality care.

The system, as currently configured, cannot withstand these challenges. Fundamental reforms are needed and the new arrangements should be built on a clear statement of the Government’s policy objectives for the caring of older Australians.

## **Policy objectives**

There are strong rationales for government involvement in aged care, including equity of access to appropriate care, the protection of vulnerable consumers and the correction of market failures such as gaps in the provision of information. The Australian Government has principal responsibility for aged care planning, funding and regulation, and for supporting informal carers. The Government states that it:

... aims to ensure that all frail older Australians have timely access to appropriate care and support services as they age ... through a safe and secure aged care system. (DoHA 2009, p. xi)

A number of participants presented their visions of a future system of care and support for older Australians. While the visions varied, they had many common themes, including that: the focus should be on wellbeing; services should promote independence; and people should be able to make their own life choices, even if it means they accept higher levels of risk. Older people should be treated with dignity and respect and should be able to die well. Carers of older people should be adequately supported.

The overriding objective of public policy is to improve the wellbeing of the community as a whole. In the context of aged care policy, the focus for older people should be on their physical and emotional needs, connectedness to others, ability to exert influence over their environment, and their safety — within their expressed life choices. At a broader level, the wellbeing of family members, friends and neighbours who provide care to older people, and people who provide formal care also need to be considered. The effects of policies on current and future taxpayers who fund care subsidies should also be taken into account.

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*To guide future policy change, the aged care system should aim to:*

- promote the independence and wellness of older Australians and their continuing contribution to society*
- ensure that all older Australians needing care and support have access to person-centred services that can change as their needs change*
- be consumer-directed, allowing older Australians to have choice and control over their lives and to die well*
- treat older Australians receiving care and support with dignity and respect*
- be easy to navigate, with older Australians knowing what care and support is available and how to access those services*
- assist informal carers to perform their caring role*
- be affordable for those requiring care and for society more generally*
- provide incentives to ensure the efficient use of resources devoted to caring for older Australians and broadly equitable contributions between generations.*

While the distinction between the various components of aged care costs are not always clear, unpacking aged care (into accommodation, everyday living, health and personal care costs) is important for designing future funding principles for aged care and for ensuring consistent subsidies and user contributions across care settings.

*The Australian Government should adopt separate policy settings (including for subsidies and co-contributions) for the major cost components of aged care, namely care (including personal and health care), everyday living expenses and accommodation.*

This report offers a detailed plan for implementing a new policy framework which encapsulates the Commission's proposed objectives and approaches to policy settings.

## **Consumer-directed care**

Older Australians told the Commission that they did not want to be passive recipients of services, dependent on funded providers. Rather, they wanted to be independent and be able to choose where they live, which provider they would use, the way in which services are delivered, and whether to purchase additional services and/or a higher standard of accommodation.