



Submission to Aged Care Taskforce:

Feedback on draft aged care funding principles

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ABOUT MEALS ON WHEELS AUSTRALIA

Meals on Wheels™ has been an iconic and trusted service in Australian communities for 70 years, but it wasn't until 1989 that the national association we now know as Meals on Wheels Australia was born. Today, Meals on Wheels Australia is a vital national association, working alongside its member organisations – as well as peak bodies, providers, and services – across every state and territory. Committed to supporting the wellbeing and interests of older Australians, Meals on Wheels Australia works with these groups and the community to raise awareness and lobby for action around the importance of good nutrition and social connection.

CONSENT TO PUBLISH

Meals on Wheels Australia gives consent for this submission to be published on the Department of Health and Aged Care's website.

FEEDBACK ON DRAFT AGED CARE FUNDING PRINCIPLES

The Aged Care Taskforce is seeking stakeholder views on the following draft aged care funding principles which will inform the work of the Taskforce. The draft aged care funding principles are:

- 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.
- Principle 2** – Aged care funding arrangements and their outcomes should be fair, simple, transparent and sustainable.
- 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.
- 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.
- Principle 5** – There should be accountability for funding received from government and participants, how it is spent, and the quality of the services provided.
- 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.

Consultation questions

Meals on Wheels™ Australia (MOWA) welcomes the opportunity to respond to the consultation questions on the draft principles. Our focus is on those questions and issues most relevant to our peak organisation and its members, and our collective areas of expertise.

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

Meals on Wheels™ member services operate primarily in the high volume in-home care segment of Australia's aged care system, delivering meals and other services via the Commonwealth Home Support Programme (CHSP) and/or the Home Care Packages program (HCP). Not all member organisations operate their service under the Meals on Wheels™ registered trade mark.

The construct of each of the existing government-funded in-home care programs, and legacy issues carried forward from precursor programs, make it difficult for older Australians to understand either the system or the expectations and requirements about payment for services. These matters were comprehensively covered in MOWA's submission to and broadly in the Final Report of the Royal Commission into Aged Care Quality and Safety.

This complexity and confusion means that meal service providers continue to spend considerable time and effort explaining to consumers, and often, HCP service coordinators that:

- The cost of ingredients (food) contained in their meal service is a personal cost and not covered by the CHSP grant or HCP budget;

- The ingredients used in their meal are high quality and of sufficient quantity to meet minimum nutritional requirements, which may place the minimum service contribution cost for food/ingredients higher than the consumer's typical grocery bill on a per meal basis;
- Their co-contribution to their HCP does not include the cost of the food;
- A HCP can include meal services, provided that the consumer pays for the cost of the food;
- The HCP provider requires the sub-contracted meal service provider to invoice the consumer separately for the cost of their food;
- The HCP pays for all costs other than the cost of the food, but the different funding arrangements for CHSP mean that government funding is insufficient to cover all remaining costs and a higher consumer co-contribution applies for exactly the same service to the same person in the same location;
- Different CHSP providers within and across geographic areas receive different levels of funding for delivering broadly the same service, which creates variability in consumer co-contribution before other considerations such as quality, reliability, and choice.

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

In the context of in-home meal services, "fairness" would mean that:

- there would be equity in the amount one consumer pays for the service compared to another, where the service offer, location and consumer characteristics (including capacity to pay) are equivalent;
- service types were more specifically defined to enable fair and equitable payments to service providers delivering equivalent services to equivalent consumers in equivalent locations;
- provider payments flex as consumer demand and complexity fluctuates, with a safety net of guaranteed funding to ensure that at least one viable provider is able to meet local community need for necessary services;
- food insecurity is recognised as a legitimate issue for some older Australians, with provisions for the cost of food to be met by government in such circumstances rather than reliance on charity and philanthropy to bridge the gap – noting that consumers who require provision of prepared meals lack the cognitive and/or physical capacity to turn a mystery box hamper of staples into a meal;
- there is equity in comparison to services available through other parts of the care economy, such as disability services, health care and child care, with respect to what costs are the responsibility of participants and what are the responsibility of government (tax payers).

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

Meals on Wheels™ Australia cannot comment on the macroeconomic considerations to ensure that the sources of funding for aged care in Australia are sustainable for future needs. As a network of service providers, we consider it imperative that the funds transferred for the delivery of care from

government and consumers to providers is sufficient to ensure the sustainability of quality and safe services in all Australian communities.

Meals on Wheels™ Australia is a member of the Support at Home Alliance, which has advocated for development of an AN-ACC style funding system for in-home care^{i,ii}. We believe this approach provides the greatest likelihood of a sustainable income stream with which to provide services within the new in-home aged care system.

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?

Since inception within Australia in the 1950's and '60's, a core principle of the Meals on Wheels™ service model has been that consumers contribute towards the cost of the service. This was to reflect a dignified transaction rather than a handout. Notwithstanding the variability in government payments resulting in uneven levels of consumer co-contribution for community meals services, the experience of members is that the majority of older Australians willingly contribute to the cost of their service, which includes the cost of the food. The food cost is typically 20 – 35% of the full service cost, with no consistent definition of what the 'meal' comprises and other factors including rurality contributing to variances.

The typical total level of consumer contribution for CHSP meals services is around 50% of operating costs inclusive of the cost of food – with CHSP meal service providers more reliant on consumer co-contributions than any other service typeⁱⁱⁱ.

Further clarity is required for older Australians to understand which aged care costs are considered everyday living expenses or ordinary household expenses, to be met by the consumer, compared to those that reflect the cost of care. In our decades of experience, consumers readily understand that the ingredient component of their delivered meals service forms part of their everyday living expenses. However, most older Australians do not ordinarily pay for someone to prepare their meal, transport it, adhere to the most stringent food safety regulations, screen and train workers to monitor their safety and wellbeing, or otherwise fund the attendant costs of providing a service that meets or exceeds the Aged Care Quality Standards, program guidelines and other obligations. Restaurant and takeaway meals are an occasional treat and not a daily expense.

Meals on Wheels™ member organisations observe that consumers are price sensitive, especially as the cost of living increases. A total consumer co-contribution of \$11.00 per service inclusive of ingredients and other costs, where the consumer needs just five meal services per week, absorbs 10% of the income of a single, full aged pensioner. It is commonplace for consumers to forgo services for which they have an assessed need, for couples to share a meal designed for one person between two, or for food sufficient for one nourishing meal to be spread across two or three mealtimes.

A future consumer co-contribution system would address the risk of food insecure and/or undernourished older Australians (and the consequent upward pressure on health and aged care expenditure). This would either be predicated on all participants paying the same, low price or on a sliding scale based on their capacity to pay. Meals on Wheels™ Australia has previously asserted that future consumer contributions to meal services would cover the cost of ingredients, plus no more than 10% of the remaining service cost.

Meals on Wheels™ Australia considers that it is the responsibility of government to set and clearly communicate the parameters of any consumer co-contributions and to administer any means testing arrangements across all aged care services and settings. For in-home care, this process ought to form part of the entry, eligibility and assessment process, removing providers from needing to make value judgements about capacity to pay, or from relying on the generosity of donors to bridge the gap between the combined consumer contribution plus government payment, and the cost of delivering safe, quality and innovative services.

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?

Meals service providers require premises from which to operate. Often, this requires a commercial kitchen fit-out that meets stringent food safety requirements and/or considerable cold storage capacity. These infrastructure costs exist whether services are small and localised, or aggregated at a regional or state level.

The majority of Meals on Wheels™ member services are non-profit organisations that are registered charities with DGR1 status. They cannot raise equity capital for investment in facilities. The capital cost (including depreciation and cost of servicing debt) must be built into revenue within the unit pricing structure plus consumer co-contributions, or in a separate capital grant framework.

Members' experience in many locations has been a strong reliance on local government in-kind contributions, where local government provides buildings at less than market rent. In these instances, where the building is a local government asset, the only way to afford equipment upgrades and replacement is through local, state or federal grants or philanthropic means.

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

Non-profit and local government organisations providing meals and other supports at home and in group settings were the pioneers of in-home and community aged care in Australia. Our activities pre-date government involvement via policy and funding mechanisms and have adapted to measures adopted in the 1970's, 1980's, and since 2010. Unlike many aged care services that emerged after the commencement of the *Aged Care Act 1997*, Meals on Wheels™ service providers have maintained a principle of volunteer engagement, where volunteers are the predominant workforce and almost invariably the direct service personnel engaging with older consumers. This model of service has created social impact^{iv} through mutual benefit and built social capital and connection that is recognised and valued by the Albanese government^v.

Changes in public policy and public management since the late 1990's have trended towards the commercialisation and commoditisation of aged care services while public budget constraints drive the need for service efficiency. Meals on Wheels™ members have for some time been concerned that funders and policy makers would prefer a more commercial model of meals service provision.

Existing providers that become a commercial or trading entity would lose their charity status and could not ethically engage volunteers to deliver the service. The loss of the voluntary workforce upholding the Meals on Wheels service network would add tens of millions of dollars to the total system cost and strip away the community benefit created via the Meals on Wheels™ service model.

While the time of volunteers is given freely, service costing and pricing formulae must ensure that volunteers are appropriately reimbursed for their out-of-pocket expenses, such as the use of their vehicles when visiting consumer homes to deliver meals. The future system design must preserve the social value created by Meals on Wheels™ and similar service providers within the home and community care system and resist designing it out in pursuit of seemingly cheaper alternatives.

ⁱ Seamless Aged Care: How to set up “Support at Home” right, the first time. Paper 1: by the Support at Home Alliance, December 2021.

ⁱⁱ Support at Home Alliance. Submission on In-Home Aged Care Discussion Paper. December 2022.
<https://www.accpa.asn.au/wp-content/uploads/2022/12/Support-At-Home-Alliance-In-Home-Aged-Care-December-2022.pdf>

ⁱⁱⁱ Deloitte Access Economics. (2020). Commonwealth Home Support Programme Data Study. Department of Health.

^{iv} https://mealsonwheels.org.au/wp-content/uploads/2023/05/HS_MoWA-Social-Impact-Report-2023.pdf

^v <https://www.adelaide.edu.au/stretton/news/list/2023/05/02/hugh-stretton-oration-2023>