

Media Release

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Funding strategies needed to support our ageing population

Tuesday, August 3: The lack of access to funding is a key concern for Australian Aged Care residential accommodation providers (Providers), financiers, operators and other key stakeholders according to a joint submission to the Productivity Commission on behalf of the industry by professional services firm Deloitte and Aged Care Association of Australia (ACAA).

The Treasurer, in consultation with the Minister for Ageing, has asked the Productivity Commission to establish a Public Inquiry into ‘Caring for Older Australians.’

According to Deloitte partner and Senior Living leader, Helen Hamilton-James, it is widely accepted that the number of elderly people in the Australian population will rise rapidly over the coming decades which will result in a large increase in the numbers of people requiring care.

“An expansion must occur in the formal care sector if the care needs of a changing population are to be met,” said Ms Hamilton-James.

Deloitte and ACAA believe that older Australians can help finance their care costs. This change in funding requires a carefully designed, long-term transition path which will help consumers set aside and access the financial resources they require.

“One of the dominant issues in aged care is how this expansion in demand for services can be financed, as the current financing arrangements are not capable of supporting the increase in supply that is needed. Also the Commonwealth has a financial role to finance care for those elderly Australians who are not in a position to cover their care costs themselves,” said Ms Hamilton-James.

The Aged Care industry also has the issue of differential trends in demand between high and low care. Currently, the Ageing in Place policy, has allowed providers to cover at least some part of the common costs of high care places through entry bonds which are charged in low care places.

However, while low care continues to be required, it may not expand as rapidly as the required growth in high care places.

“As a result, the required growth in high care places will not be able to be financed through bond payments in low care places,” said Ms Hamilton-James.

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Deloitte and ACAA have recommended four possible models to ensure sufficient savings are available to fund future high and low aged care needs:

- Use of superannuation or other long-term saving products
- User pays system
- Use of insurance products
- Use of capital markets for funding requirements.

“Perhaps we need to look at how large the funding gap is today and split it between residential care and care in the home then examine how this gap would change if funding models change. Also it may be worth looking at the impact an additional 1% of super savings could have on the funding gap.

At least a debate is now taking place, as these issues will only become more prominent in the future as our ageing population increases,” concluded Ms Hamilton-James.

NB: See our media releases and Funding the future of aged care alert at www.deloitte.com.au.

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