Australia: Elderly to pay much more for care

Alex Messenger
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The Gillard government last week released an aged care package, apparently timed to offset some of the political impact of the unprecedented $40 billion cuts to be imposed in Labor's scheduled May 8 federal budget. Prime Minister Julia Gillard assured voters the aged care reform was "not a budget measure." It was about "care and access."

In reality, the proposals are part and parcel of the government's austerity agenda. Under Labor's plans—for which the Greens have indicated support—the elderly will pay substantially more for their care. Aged care conditions, often shockingly low, will not improve. More people will be pushed into a flourishing "reverse mortgage" market—effectively using the value of their homes to pay for their "home care" or admission into a nursing home.

The media has echoed the government's spin campaign, broadcasting feel-good stories of elderly people grateful for the opportunity to stay in their homes rather than suffer confinement in a residential care facility. Aged care industry groups have heralded the proposals "a major step forward" and a "landmark."

Headlined as a $3.7 billion package, new funding is no more than $587 million. This will be outlaid over five years, with less than half of that figure to be spent before 2015. The remainder of the funds will come from an increase in what retirees pay and from undisclosed cuts in other areas.

An increase from 60,000 to 100,000 home care packages (generally 15 hours of support) will be phased in over five years. That figure is unlikely to meet current unmet demand, much less the annual increase in demand as the population ages. Moreover, all except those fully reliant on the poverty-line aged pension will have to pay between $2,500 and $10,000 per year—up to nearly six times more than the current cap of $1,800.

Ageing Minister Mark Butler claimed that the restructuring would end a situation where "pensioners are subsidising the accommodation and care costs of millionaires." The truth is that retired workers on low incomes—from $25,000 upward—will now pay onerous fees, whereas millionaires have always been able to afford their own private care.

Far from the "increased funding" promoted by the media, the changes will reduce the government's contribution to the funding of home care from 84 percent to 76 percent. Nor will the government contribute anything to help all those with more than minor care needs, who must supplement the minimal 15-hour home care packages with commercially-purchased services.

The situation is no better for those who require residential care. There will be an increase of just 30,000 residential care places partly-funded by the federal government over the next five years, again at a substantially higher cost to the elderly. Those who receive a pension will pay up to 85 percent of that pension for their accommodation and care costs. They will also pay 50 percent of any other income they receive, and up to 20.5 percent of any assets they have. According to the government, a person's lifetime contribution to care costs will be capped at $60,000.

The amount that government pays private (generally for-profit) nursing home providers will rise from $32 to $52 per day. This increase will do nothing to improve the quality of care in nursing homes, often notoriously poor. Rather, it is specifically designed to boost the profit levels and thereby encourage corporate investment in the nursing home industry.

Some $1.2 billion will be spent over five years on “attracting and training” aged care staff, who are among the most poorly-paid workers in the country. The trade unions hailed the pledge, with the Australian Nursing Federation claiming it was “a victory for low-paid workers.” Yet the government’s announcement contained no details. Instead it spoke of “developing and implementing an Aged Care Workforce productivity strategy in collaboration with the sector” and a “new Workforce Compact, between government, unions and aged care providers.” Any wage increases will clearly be tied to productivity speed-ups, enforced by the unions.

Significantly, with the budget looming, the media praised the wider precedent set by the government’s refusal to promise any real increase in funding. The *Australian’s* David Uren, for example, wrote: “The aged care package is an exercise of doing something with nothing.” Uren also welcomed the “user pays” axis for “extracting a bit more from consumers through tougher means testing.”

Fearing a popular outcry, the government rejected a recommendation of last year’s Productivity Commission report on aged care to include the family home in the assets test for calculating aged care contributions. The Combined Superannuants and Pensioners Association had described the commission’s recommendation as “a declaration of war on older Australians, their children and their grandchildren.”

The inclusion of family homes would have forced more elderly people to either sell their houses or enter into “reverse mortgages.” Under such schemes, a bank or other lender provides a line of credit, using the home as collateral. The loan is generally repayable, at a high interest rate, when a homeowner dies. The total value of such loans in Australia already exceeds $3 billion, making it an important new source of profit for the finance sector.

The same result is now to be effected by stealth. The proposed hikes in aged care contributions will intensify the pressure to take up reverse mortgages to cover rising care costs and living costs generally. Significantly, the government rejected another Productivity Commission recommendation, for the establishment of a public lending fund to rein in the exorbitant charges charged by the banks and other financial institutions.

More fundamentally, the government dismissed a Productivity Commission call to end the rationed system of residential places and care packages, to be replaced by a basic entitlement to approved aged care. While the commission’s proposals for an “entitlement” were bound up with further free-market deregulation of the aged care industry, the government’s rejection of any notion of an entitlement to care demonstrates the real attitude of the Labor government, and the corporate elite it serves, to the elementary social right to retire with dignity and security.

Gillard’s aged care “reforms” are in fact a step toward radically reducing government responsibility for aged care. The “user pays” shift will not only benefit the banks and aged care operators. It is part of a broader offensive to restructure the entire economy, in the interests of the corporate elite, to start to match the austerity assault now being waged against the working class across Europe and internationally.