System governance and program planning in community aged care

Submission to the Royal Commission into Aged Care Quality and Safety

July 2020

MUNICIPAL ASSOCIATION OF VICTORIA

The MAV can provide this publication in an alternative format upon request, including large print, Braille and audio.

The MAV is the statutory peak body for local government in Victoria. The MAV engaged Jenny Van Riel to assist the Association undertake this work. The MAV would also like to acknowledge the contribution of the 30 councils who provided their comments and advice during this project.

While this paper aims to broadly reflect the views of local government in Victoria, it does not purport to reflect the exact views of individual councils. This submission has been endorsed by the Chief Executive Officer of the MAV as suitable for distribution to members.

MUNICIPAL ASSOCIATION OF VICTORIA

Table of contents

MUNICIPAL ASSOCIATION OF VICTORIA

1 Executive summary

The Municipal Association of Victoria (MAV) welcomes this opportunity to present a further submission to the Royal Commission on Aged Care, Quality and Safety on the topics of system governance, market management and the allocation and clarification of roles and responsibilities for these functions.

The MAV is the legislated peak body representing Victoria's 79 councils and is a signatory to the *Trilateral Statement of Intent* (the Statement) (February 2017) between the Commonwealth, State of Victoria and Victorian local government (represented by the MAV). This submission responds to the questions posed by the Commission as they relate to community aged care services. The Commonwealth (as all governments) has a range of options open to it to govern, manage and fund service delivery on the ground.

In this MAV submission, and the related submission to the Royal Commission on the impacts of COVID-19, the importance of public sector oversight is highlighted in planning and program funding allocation for community care services for older people. The MAV strongly advocates that the Government retain a program funding model post June 2022 for the Commonwealth Home Support Program (CHSP), rather than move any further towards 'marketisation'.

This submission has been developed in consultation with Victorian councils and on behalf of Victorian local government. This submission strongly reommends that the Commonwealth;

1. Establish a National Partnership Agreement on community aged care to strenghten public sector oversight and planning of the service system for older people, and that this is managed through retention of a program funding model, rather than moving to further 'marketisation'.

2. Continue block funding as the ongoing financial allocation mechanism as the most appropriate and efficient way to deliver large volumes of low-level services to clients with lower levels of need in community aged care (as currently provided through the Commonwealth Home Support Program - CHSP).

3. Within the national program approach, enable development of agreements with each jurisdiction to work jointly with the State/Territory and local government in the planning and allocation of community aged care services, to ensure ensure effective place based responses to current, emerging and unmet needs for older people.

4. Support local government to contribute through the development of inter-governmental arrangements that recognises local government as a legitimate and important partner in the planning and public oversight of the community aged care system in partnership with the other spheres of government.

5. Renew the Victorian Tripartite Agreement on community aged care with the State of Victoria and Victorian local government for joint oversight of system governance and service planning and allocation for community aged care funding, and that local government and the MAV contribute planning, data, advice and local knowledge to inform and support these roles.

2 Background

2.1 Community Aged Care System in Victoria

The community aged care system in Victoria has been considered unusual and particularly effective in Australia because its foundations were grounded in a concerted effort to keep people well and out of hospital. The system design was necessary because Victoria has fewer hospital beds per capita than any other State or Territory and a relatively older population with a high proportion from CALD backgrounds who migrated to Victoria post World War II. It also had a high proportion of people with chronic disease in the 65+ age group. In the 1990's, the Victorian system developed a range of diversionary strategies aimed at supporting people in the community and helping them to manage their chronic disease symptoms in a stable state at home. Those diversionary strategies were underpinned by an overall focus on collaborative working relationships between primary and community aged care providers and health services.

Councils in Victoria have historically been a major provider of community care services along with community health and nursing services. They have planned, funded and delivered a range of service and system innovations, programs and approaches that have inspired or transformed into national community aged care programs and models over the past ten years. Examples include: Primary Care Partnerships Strategy, the Hospital Admission Risk Program, sub-acute services, Chronic Disease Self-Management, and holistic face to face assessment and a wellness promoting approach.

The critical connections between community aged care, primary care and health services that worked for the benefit of older people in Victoria have included;

- the extensive involvement of local government in planning, funding and delivering services guaranteeing geographic coverage of the whole state;
- a system wide focus on promoting wellness, aimed at preventing decline and maintaining people's independence in function;
- a strong assessment framework; and
- system wide reform initiatives such as person centred care (Active Service Model - ASM), and diversity planning and practice.

This collaborative approach was underpinned by common information collection tools and electronic sharing of client information.

2.2 The role of Victorian Local Government in Community Aged Care

The involvement of local councils in community aged care pre-dates the current model by several decades. Councils have been providers of services and support to older residents since the conclusion of the second world war. The creation of the HACC Program in 1985 brought a variety of pre-existing funding and subsidy schemes under one administrative and funding framework, delivered in Victorian councils as one program with multiple service types. The delivery of this range of services was provided as part of a much broader engagement with older people in their local communities.

Councils were active participants in policy and service development and contributed significant drive to directions in community aged care planning, service development and delivery, as set by the State and Commonwealth Governments. Council involvement provided the program a community services planning base, links to broader council responsibilities and involvement with their local communities. This linked to their role in planning and delivering the physical environment for their communities, their statutory role in developing and executing Municipal Health and Wellbeing Plans, positive ageing strategies, and emergency management systems for vulnerable people. Councils also provided effective linkages, based on local orientation, co-operative relationships and continuity of personnel over time, between community aged care services and the other local social, recreational, and health maintaining services used by older people.

Victoria's service delivery over this time, occurred from a stable and integrated suite of agencies which delivered services aimed at keeping people well and safe in their homes and communities. It was underpinned by;

- A partnership approach – locally networked services that understood each other's roles and practices so that individuals received a coordinated response that was tailored to their needs.
- State wide service system design and resource allocation that produced a stable integrated and localised service delivery platform that was uniform across the State and anchored by councils, health services and community health centres as major providers of the most used services.
- Links between local community aged care service system planning and co-ordination with local government's legislated health and wellbeing planning role, planning for age friendly cities and positive ageing planning, plus support for activities to promote wellness and seniors' participation.
- Additional State and local government funding - including local government contribution to service planning, coordination, partnership development and service system facilitation, investment in infrastructure used for a range of service outcomes including meals production,social support and community transport.
- A wellness promoting approach to service delivery that began when people first make contact with the service system; a person centred approach to assessment and care planning that focussed on taking advantage of early opportunities to reduce people's risks and to maximise their capacity to continue to live at home.

- Fit for purpose assessment co-ordinated sub regional and local assessment services with capacity for using local knowledge and linkages.
- A qualified, well trained, established workforce on fair wages.

System Governance

In the 2014 Victorian DHS Background Paper *Retaining the Benefits of the Victorian HACC System*: a state of stable service delivery it was noted that "for the system to continue as it is currently configured, it requires a strong and locally connected system management approach providing policy leadership, providing resources for service system development and fostering a networked and partnership approach between funded organisations at local and regional levels." [1]

Nationally, local government has a legislative commitment to promote the health and wellbeing of all its residents including older people. In Victoria this commitment is informed by the *Local Government Act* 2020 and the *Public Health and Wellbeing Act* 2008.

Community aged care services in Victoria have historically been planned, funded and delivered through a successful partnership between the three spheres of government. Victorian local government's 70 year history of, and commitment to, the planning and provision of community aged care care programs, services and facilities in response to the specific needs of its ageing residents is further evidenced in its funding contribution estimated to augment Commonwealth funding of community aged care services by an estimated $200M per annum.

The *Statement of Intent* pursuant to the *Bilateral Agreement* between the Commonwealth and Victoria on Transitioning Responsibilities for Aged Care and Disability Services in Victoria (the Bilateral Agreement) recognised the mutual interest of Commonwealth State and local government in improving outcomes for older people and people with a disability and the need for these three tiers of government to work together to achieve these outcomes. The Statement recognised the significant role played by local government in the community aged care (then Home and Community Care or HACC) system and the role of Victorian local government in funding, developing, planning and delivering community aged care services for older and younger people as fundamental to the benefits of the Victorian system.

Service System and Market Management

Significant evidence before the Royal Commission has demonstrated the nature and extent of market failure, and consequently much needs to be done to maintain and protect public sector responsibility and oversight for aged care to ensure service quality and user safety.

Implementation of an aged care reform with marketisation as its fundamental objective has already evidenced a number of unintended consequences, which are intensifying in impact and effect across our communities of older persons and their carers as time and further change progresses.

[1] Victorian Department of Health Ageing and Aged Care Branch, 2014

These impacts include;

- Fracturing the 'value-add' that public sector services offer through integration and coordination of responses in a service system which is based on collaboration.
- Reducing the sustainability of services and the continuity of service delivery.
- Decreasing the sense of community connectedness and social cohesion.
- Discouraging volunteering and philanthropy.
- 'Mission drift' from those most in need.
- Reducing geographic coverage and accessibility to services.
- Limiting services offered.

Current policy drivers need to extend beyond the delivery of consumer choice through marketisation to incorporate consumer identified priorities if it is to achieve the end objectives of the aged care reform. These include; service quality, the scope for individual agency and participation in decision-making, an integrated and easily negotiable service system, and service models that are locally referenced, that actively address disadvantage and identify changing social needs, as well as build community cohesion and community capacity[2].

The MAV participated in a Roundtable discussion with Commissioners and key stakeholders regarding the aged care service system in Sydney in February 2019, and provided a detailed submission addressing service system issues which was presented at a hearing of the Royal Commission in Adelaide. (Statement of Clare Lynette Hargreaves, Manager Social Policy, Municipal Association of Victoria, 14 March 2019). These are discussed in further in the following section.

3 System governance, service planning and the allocation of roles and responsibilities

3.1 System Governance

Michael Fine [3] in using Australia as a case study argued that;

> *"aged care is increasingly the site of ongoing struggle over governance on a number of fronts. In particular, at the level of the overall systems that provide care there are tensions between the need to ensure adequate public oversight and the pressures for a more atomised and decentralised governance by the market. In regard to how service providers operate, tensions are evident as larger commercially-focused bodies, both privately owned and non-profit, increasingly take over space historically occupied by government and small locally based non-profit providers.*"

[2] H Dickinson, 2017
[3] M Fine, 2018

Beginning with the Productivity Commission report and recommendations in 2011 and transformed into the 2012 policy paper *Living Longer Living Stronger* the introduction of a period of transformational change was foreshadowed by the Federal Government introducing policy, systems, funding and structural change that were further consolidated through the subsequent Harper Competition Review and the Aged Care Roadmap. With an intention to put "choice at the heart of human service delivery" by "establishing a consumer driven market based sustainable aged care system" the goal of government was to give more choice and control to service users, increase the range of providers and increase competition between them resulting in improved care outcomes. The reformation of the established aged care system introduced attributes including the emergence of the "consumer" to replace the "client", "citizen" or "patient", the introduction of individualised funding, higher consumer co-contribution, lower barriers for entry of new aged care providers, places to be allocated to users rather than providers and deregulation of aged care[4].

The centralised government process of allocating funding to providers based on a capacity to provide assistance and deliver quality outcomes is being progressively replaced by a system operating on individualised and marketised basis. This has already had a significant impact on the service system and the security for a number of service providers, particularly small, locally based and specialist cohort community aged care providers[5]. This treatment of social governance matters in purely economic terms has failed to acknowledge that the contribution of social services "goes way beyond what economists might measure and they have to be governed appropriately… Social policy and social governance are disciplined fields of knowledge every bit as rigorous as economics."[6]

The MAV recognises the importance of the role that government plays in articulating and governing in the public interest. The deep and successful history of trilateral partnership in Victoria, confirmed through formal agreements acknowledging the role, responsibility and contribution of Commonwealth, State and local government provides a blueprint for jurisdictional arrangements that enabled the effective planning, development and funding of programs and services that delivered timely, placed based and innovative solutions to established emerging and unmet need while maintaining transparent accountability and a strategic line of sight and opportunity for the outcomes delivered nationally across aged care.

The Bilateral Agreement (2016), as referenced earlier in this submission, set out the roles and responsibilities for the Commonwealth and Victoria and recognised that "local government's longstanding role in planning, development, funding and delivery of community aged care services for older people and younger people has ensured that these services are provided on an equitable basis to eligible people across Victoria." It further acknowledged the longstanding and robust partnership Victoria had with local government to deliver community aged care services effectively and equitably across the State and recognised the role of local government as fundamental to the benefits of Victoria's aged care service system.

[4] M Fine, 2018
[5] Ibid
[6] P Smyth, 2016

The role of local government in system governance is embedded in its legislated responsibilities.The Victorian *Local Government Act* 2020 locates responsibility to provide equitable and appropriate services and facilities for the community. Local government also has responsibilities to protect, improve and promote the public health and wellbeing of its residents, under the *Public Health and Wellbeing Act* 2008. In exercising these responsibilities local government in Victoria has provided a significant and co-operative stewardship role that has directly and effectively contributed to a service system grounded in partnership and sector co-operation that informs planning co-ordination and delivery of aged care services relevant to the local needs, placed based priorities and future population and demographic requirements. Local government facilitation and leadership supports the interaction and intersection of health, community, residential and private service providers systems and networks.

This co-operation, active at a strategic and operational level is critical to the progress and success of service system design, sector planning and effective and efficient responses to current, emerging and unmet need. The role of local government in providing reliable and contemporary demographic and service data, research and engagement is relied upon for a detailed understanding of local service need and demand and population health insights. The capacity for local government to inform and support the development of the service system over many decades and to accommodate the constant policy shifts and other adjustments to accommodate new directions has confirmed its invaluable role as a knowledge source and in building and maintaining a complex and complicated aged care system.[7]

The MAV proposes that the successful design and delivery of any system is dependent on the planning, resourcing and oversight of such, to ensure the design concepts can be implemented and that people do not fall through the gaps, including those who are vulnerable and disadvantaged. System oversight also ensures that the current and future needs of the community are being considered in order to create a responsive, holistic and integrated system. To confirm the role of local government and the other spheres in system governance, the MAV recommends the following in designing system governance:

- Continue and strengthen an intergovernmental Commonwealth / State / local approach to the planning and codesign of community aged care.
- Establish a National Partnership Agreement on community aged care supported by Bilateral Agreements with each jurisdiction - building on the strengths of each system.
- Negotiate a formal role with councils in planning, co-design and stewardship on behalf of their communities/citizens (public sector stewardship) and fund the role on an ongoing basis.
- Embrace the subsidiarity principle – that a central authority (C/W) should have a subsidiary function and perform only those tasks which cannot be performed at the local level.
- Design primary care type services to be devolved, place-based and bottom-up, with easily accessible advice to local people.
- Plan supply and demand on a demographic basis with local input and advice from State and local government.

[7] H Dickinson, 2018

3.2 Sevice Planning and Management versus Marketisation

> *"Marketization has been promoted by its advocates as an almost magical solution to the funding and organisational problems facing contemporary government and as a means of ensuring efficient production and delivery of care services. Critics and those disadvantaged by market conditions, however, point to the problems that arise when services that are dependent on human relationships become commodified. When commercial providers seek to maximise benefits to themselves or their shareholders this is typically achieved by the exploitation of others – in this case consumers, care workers, other staff and funders. Markets growth also comes at the cost of what it displaces or replaces, setting up opposition from a wide range of social groups with diverse interests."* [8]

The MAV believes that the conflicting relationship between markets and the care and caring roles are, and will continue to be, difficult to reconcile. The tension between a market model that stresses the value of competition and self-interest and the definition of care primarily based on concern for the wellbeing of others, requiring personal engagement, empathy and grounded in interpersonal relationships requires careful management. The fundamental dynamic of aged care is changing as the market share of larger profit driven providers grows. Researchers (and current feedback to the Royal Commission) suggest that this results in processes that reduce standards and regulations over time and that this, perhaps unintended outcome, is detrimental to government and consumers.[9]

The aspiration of the aged care reform agenda, to establish "a consumer driven market based sustainable aged care system" is reliant on the application of consumer theory to human services.[10] A significant limitation, already requiring considerable effort and resource allocation, is the capacity of people seeking out aged care options to have access to information and support to assist them to make informed decisions about what they need, when and how to access such. The idea of consumer choice and control is a stated foundation for the restructuring of aged care but remains a significant and complex barrier to access for many older people and their carers.

The OECD in 1998 noted that, it is clear that, historically, markets have not been able to provide affordable good quality care for the bulk of those who needed intensive ongoing personal support in old age (OECD 1998a, 1998b, 2006).

Two further effects of marketisation that mirror those earlier periods are that some people who need services will no longer receive them, and the power of the already powerful and affluent is enhanced. A significant access issue for many consumers is 'availability', not simply 'affordability', therefore it is important that consideration is given to what supports and services are available to meet the needs of the consumer.[11] If there is a 'thin market' where some services or supports are either non- existent or

[8] M Fine, 2018
[9] Ibid
[10] Ibid
[11] Ibid

not enough to meet the needs of the community, elderly people are forced to either go without or to wait for unreasonable periods of time for support, which puts them at risk of entering residential care prematurely. As such, a steward is needed to oversee the service system / market and ensure there are no gaps and/or people are not falling through the cracks.

The market's maturity and availability differ widely depending on the region and municipality, and therefore consideration of demand and demographics is imperative in distribution of funds and resources to municipalities. Thin markets may exist or emerge due to lack of funding associated with:

- Delivering an appropriate service for particular cohorts (for instance it may be more expensive to 'service' people from an Aboriginal and Torres Strait Islander background due to the need for specialized/trained workforce, or more expensive to deliver services to rural/remote parts of a municipality due to distance/transport costs).
- A particular service activity that is inherently expensive to deliver - such as community based social support (due to travel/transport expenses), delivered meals and/or home maintenance services.

These services require an increase in funding, with consideration of increasing the unit cost for services that target consumers with higher needs, and/or providing block funding with a focus on individual or community outcomes rather than focusing on service hours as an output or measure. In communities with high disadvantage where consumers cannot afford services, consumer directed care is not appropriate as the onus is on providers to collect fees to remain financially viable/sustainable, which can be either extremely difficult or impossible.

Local government, as a tier of government, located and embedded in communities and with a 70 year history of planning developing funding and delivering programs services and broad responses to the needs of older residents, continues to be best placed to understand the needs of vulnerable and disadvantaged communities and to develop solutions, including ensuring equity of access, to all residents. The MAV has previously proposed options to enhance the design of the system to include diverse groups and the needs of those living in rural locations including:

- Using a lens of vulnerability/disadvantage of cohorts identified in the *Aged Care Act* 1997 against the different types of access issues/barriers that might exist for them;
- Provision of a suite of options to recognise diverse needs;
- Funding that recognises higher costs to deliver to certain cohorts or locations – including the development of incentives to ensure timely and quality access;
- Block funding with an outcome focus, rather than a transactional funding with measures against service hours;
- In addition to rural municipalities, recognise that there are areas within metropolitan and regional municipalities that may be deemed rural/remote.

The MAV recommends that the Commonwelath continue a program allocation and funding model supported by development of Agreements with each jurisdiction working with the State and local government in the planning and allocation of community aged care services.

The need for consistency of approach is critical and would incorporate the following attributes as determined by international research as:

- trusting relationships between commissioners, and how these are built up over time by continuity of staff;
- clarity over responsibilities and legal frameworks, particularly in the context of any shared or pooled financial arrangements;
- importance of co-terminosity between organisational geographical boundaries; and
- the development of clear structures, information systems and communications between stakeholders.

The MAV recommends that a range of fundamental service design features are retained and reinstated to support the management of the community aged care market, to ensure access and quality of service provision, to address barriers to access for disadvantaged and vulnerable individuals and communities and to encourage a mix of service providers and service solutions continue to be available. These include;

- Retain block funding on a price/volume basis to support population based service planning and delivery, which ensures differing and variable needs of residents are met within a funding envelope ensuring appropriate access for all older people and a capacity for demand management.
- Continue Commonwealth and State/Territory investment in local government to support councils to act as effective public sector stewards at the local level.
- Plan services on a demographic and geographic basis with place based responsibility for meeting the needs of the older population of that community (in contrast to providing individualized services to selected individuals, with no responsibility for others who miss out).
- Create a new funding stream for service coordination. Local government is and will always be the first point of contact for its residents.

4 Recommendations

In conclusion, the MAV proposes that the national CHSP be retained post June 2022 and be managed under joint governance arrangements with the jurisdications. In addition, that the service system realise the value that local government can bring in contributing local knowledge, public oversight and impartial interest to community aged care system governance and service planning.

Key reccomendations for system governance and planning for consideration by the Commonwealth:

1. Establish a National Partnership Agreement on community aged care to strenghten public sector oversight and planning of the service system for older people, and that this is managed through retention of a program funding model, rather than moving to further 'marketisation'.

2. Continue block funding as the ongoing financial allocation mechanism as the most appropriate and efficient way to deliver large volumes of low-level services to clients with lower levels of need in community aged care (as currently provided through the Commonwealth Home Support Program - CHSP).

3. Within the national program approach, enable development of agreements with each jurisdiction to work jointly with the State/Territory and local government in the planning and allocation of community aged care services, to ensure ensure effective place based responses to current, emerging and unmet needs for older people.

4. Support local government to contribute through the development of inter-governmental arrangements that recognises local government as a legitimate and important partner in the planning and public oversight of the community aged care system in partnership with the other spheres of government.

5. Renew the Victorian tripartite agreement on community aged care with the State of Victoria and Victorian local government for joint oversight of system governance and service planning and allocation for community aged care funding, and that local government and the MAV contribute planning, data, advice and local knowledge to inform and support these roles.

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