



THE ELDERLY CAN PAY FOR NURSING HOMES

Candidates for aged care can sell the family home to share the cost

GARY JOHNS



IN the long run we are all dead, but in old age who should pay for our care?

This is the hard question avoided by the Intergenerational Report recently released by the Treasurer. And you can bet your bottom dollar it will also be the question avoided when the Prime Minister announces his long-awaited "structural reform of the health system" (whatever that means) in the lead-up to the election later this year.

The Intergenerational Report was so limp-wristed that only one of the policies listed as dealing with ageing — delayed access to the pension — actually addressed the issue. The rest of the policies reported on spending on school buildings to buffer tradies from the global financial crisis, water policies to address the drought and energy policies to address global warming.

None had anything to do with the aged. Yet these were trotted out in the report as if they addressed one of the most important policy questions facing Australia: who pays for aged care.

It is not as if the government lacks advice in the area.

The 2004 Hogan review of pricing arrangements in residential aged care and the National Health and Hospitals Reform Commission last year made similar recommendations: good old-

fashioned user pays, also known as accommodation bonds.

Accommodation bonds for nursing homes have been political death since 1997, when then prime minister John Howard sniffed the wrath of sons and daughters waving goodbye to their inheritance.

Following a scare campaign by Labor, Howard baulked, and in an interview with Ray Martin on the Nine Network's *A Current Affair* announced that high-care residents would not be required to pay an accommodation bond under most circumstances but would pay an accommodation charge set by the government.

Not a great deal has changed since then, except that there has been a veritable landslide of frail aged needing access to nursing homes. A 2008 survey of the sector suggests 120,000 new beds will be required in the next five years at a cost of \$21 billion. Who will pay?

Warren Hogan understood that the main problem faced by the industry was a shortage of capital to fund new investment.

When elderly people enter hostels or sheltered housing, they can be asked to lodge an accommodation bond, which can be paid as a lump sum or regular periodic payments, usually financed by the sale of their home.

The service provider uses this money to offset borrowing costs incurred in developing the facility. When the resident dies or leaves the facility, the bond is repaid, less an amount that represents some of the costs incurred. As Hogan pointed out, this system of accommodation bonds is not available to high-care providers of nursing home places. A key recommendation of the Hogan report was that it should be extended to this sector. It would help relieve the capital shortage in the high-care end of the industry.

Many of the people needing beds in high-care nursing homes are sitting on a substantial asset: their home. Once they enter a high-care facility, they can sell the

asset (assuming there is no partner requiring the home) and pay a bond without causing hardship.

This enables consumers to make some contribution towards the cost of their accommodation, but avoids penalising those who have built up assets in the course of their lives by returning the bulk of the asset to those who will inherit when they die.

Taxpayers are relieved of some of the capital costs in providing them with the nursing home accommodation they need.

It seems that bonds for nursing home accommodation are peculiarly vulnerable to the scare that the aged will lose their home and the inheritors will not inherit.

The belief in the industry is that the offspring of the elderly regard nursing homes as hospitals and believe that they should be paid for through Medicare. Hostels, however, are viewed as more a change of residence and the aged and their offspring seem to accept that it is reasonable to sell one's home to move into a hostel.

The desire for reform is somewhat ecumenical within the industry. Catholic Health Australia has argued for some time that the artificial distinction between high care and low care has reached its use-by date and limits choices for consumers. Lynn Arnold, chief executive of Anglicare SA and former Labor premier of South Australia, notes the growing trend of people wishing to enter nursing homes later in their lives than previously, perhaps delaying or forgoing the need for some nursing home accommodation, but not diminishing the need for accommodation capital.

This year more than most there will be much talk of reform but almost none about who pays. Let us hope the government proposes the Hogan agenda and the Coalition swears off a scare campaign. None of us is getting any younger.

Gary Johns was a minister in the Keating Labor government.