



**CHANGE AND
TRANSFORMATION
IN AUSTRALIA'S
AGED CARE
SECTOR**

Change.
2020



INTRODUCTION

This document explores the changing landscape in Australia's Aged Care industry. Since the start of the Living Longer, Living Better initiative in 2012, the aged care industry has been transforming into a market-driven economy dictated by the consumers. These consumers comprise the ever-increasing aged population and their children, who now have the freedom to direct their funds to whichever service is most suitable and delivers the best customer experience. Competition is the future of aged care services and now is the time for businesses to consider the best way to change and transform their operations from a not-for-profit focus to a not-for-loss focus, so they can offer the best product and remain relevant.

TIMELINE OF AGED CARE

Pre-1997 – Aged care was a social effort provided by faith-based institutions, charities and community services.

1997 – The Aged Care Act 1997 was established by the Howard Government. The government would assume responsibility for allocating aged care recipients to approved aged care providers. Though the recipient received the funds, the provider was responsible for and had control of the funds, including any surplus or unused funds.

2007 – The system shows cracks as the government struggles to micro-manage every aspect of aged care. Reform becomes a political talking point.

2012 – The Labor Government initiates the ‘Living Longer, Living Better’ Reforms. The reforms involve a three-phase, 10-year plan to turn the Aged Care sector into a ‘consumer-directed’ industry in preparation for the aging population that is anticipated to reach between 6.2 million and 7.9 million over-65s by 2051.

Phase One

2012 – 2014: Deliver immediately required reforms while providing foundation for future changes.

2013 – New Home Care Packages, My Aged Care, Australian Aged Care Quality Agency, Aged Care Pricing Commission all established.

2014 – Removal of High and Low Care distinctions for residential care.

Phase Two

2014 – 2016: Develop choice for the consumer with improved access to services.

2015 – Mandatory delivery of home care packages to be delivered on a consumer directed care (CDC) basis to promote greater choice and flexibility of services.

Phase Three

2016 – 2022: In consultation with the aged care sector, create sustainability and affordability while encouraging investment well into the future.

2017 – In February, consumers begin receiving their home care packages directly, rather than funds being sent to an allocated provider.

COMPETITION IS THE FUTURE, AND THE FUTURE DEMANDS CHANGE

The aged care sector is an industry that is guaranteed to grow as the years progress. Population growth for +65-year-olds is expected to rise from the current 3.7 million to over 8.7 million by 2056 (AIHW 2017). In 2016, there were more than 2000 aged care service providers operating in Australia. For 2015-16, the federal government allocated \$15.06 billion in expenditure to aged care. Residential aged care took on the bulk of these funds, receiving \$11.3 billion with more than 230,000 consumers using these services (Aged Care Financing Authority 2017, 31).

Change2020 Founder and Director, Kerry Fewster, has been tracking the trends in the change and transformation sphere and acknowledges that aged care will be one of the key industries undergoing significant challenges in the near future.

Fewster sees that the shift in policy and legislation towards aged care is driving major operational changes for aged care business. Reforms to the National Disability Insurance Scheme (NDIS) and Aged Care Act 1997 have focused on a consumer directed care (CDC) policy, which has turned the aging population into a new market of customers with the flexibility and buying power to increase competition.

In conjunction, an attitude shift towards aging in society means mature citizens and their children are looking for higher standards of service, customer experience and overall living in state-of-the-art residential places and other options.

Fewster recognises that recent generations of older people are better off than ever before and have the capacity to demand the highest quality care from the highest quality service providers. The major changes towards market-driven aged care has already occurred throughout Phase One and Phase Two of the Living Longer, Living Better reforms. Residential care providers are required to be transparent with their pricing structure and services; the distinction between high and low residential care was removed; and improvements to Home Care and Support packages has increased the viability of independent aged living. Phase Three of these reforms is well underway, making it imperative for businesses to be agile, flexible and customer-centric as soon as possible.

CHALLENGES AND LEARNINGS

While the shifting landscape provides improved levels of care and experience for our aging population, it is those employed in the aged care industry who will be required to make significant adjustments, and this poses a challenge for leaders in the industry.

Many employees in aged care have a nursing background, who seek out this line of work for vocational and altruistic purposes; they are often attracted to the work as it is aligned with personal values and enables them to contribute to the broader community; they are caring people. As the industry changes around them, many team members will need the tools to navigate the new competitive landscape. Team members will be exposed to commercially-driven policies and procedures which may challenge the traditional not-for-profit service models, while also needing to deliver the highest quality care and service.

As the industry moves towards a not-for-loss paradigm team members will find themselves in a highly competitive, customer-centric sector which will focus on commercial realities and drivers. It is during this transition where leaders will be responsible for reassuring their team members of their commitment to excellent care, and that the highest performers, which offer high quality, innovative and competitive service, will be the leaders in a market-driven care sector.

Leaders in the aged care industry can learn from industries that have gone through similar changes, like Commercial Aviation, Child Care and, more recently, Energy. As they face unparalleled competition, we see businesses offering better and more comprehensive services – like in-flight entertainment, world-class menus and drinks, extracurricular activities and state-of-the-art resources.

Cultural change is not a quick and easy process. It will take time to embed a focus on not-for-loss rather than not-for-profit, and an acceptance that competition leads to a change in service expectations, while maintaining the core purpose of the sector – care. This requires committed leaders with diverse backgrounds; leaders who can innovate, drive and lead change, leaders who intrinsically understand that the only way to provide a sustainable and viable service is to change aspects of current work practices, policies and procedures; reinvigorate how service is delivered, build capability in all areas of the business, and embrace the opportunities which the changes present.

Additionally, a strong leadership team will need to be supported by internal resources that will ensure continuous innovation for future-proofing the business. With a focus on commerciality and competition, teams will become increasingly adaptable

to change by implementing a growth mindset that encourages adaptability and innovation.

Investing in your people to prepare for the ongoing changes in the industry is vital. Building a culture focused on innovation and creativity, working with diverse sectors to optimise opportunities that arise with change and developing a change-ready workforce with a focus on resilience are excellent tactics to future-proof your organisation.

Change2020 are experts in change management, culture and leadership development, and we offer bespoke services to suit the needs of your organisation and team. With extensive experience in the Aged Care change sphere, we can help you embrace ambiguity and use change to propel your business forward.

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Kerry has spent more than 20 years working with leading Australian and global businesses in the arena of organisational transformation, leadership development and cultural change.