



COMMONWEALTH GRANTS COMMISSION

DISCUSSION PAPER CGC 2002/32

WELFARE

PART 1: AGED AND DISABLED SERVICES

Prepared for the Commission's Staff Conference
November 2002

SEPTEMBER 2002

CONTENTS

Introduction	1
1999 Review Assessment	1
2004 Review Assessment	1
General Issues	2
Scope of the Category	3
Assessment Structure	3
SPP Funding	6
Assessment Issues	7
Scale-affected Expenditure	8
Administrative Scale	8
Input Costs	8
Aged Services	8
Range of Factors	8
Measurement of Disabilities	11
Disability Services	18
Range of Factors	18
Measurement of Disabilities	18
Conclusions	23
Assessment Framework	23
Information to be Collected from States	23
Attachments	
A. 1999 Review — Assessment of Factors	25
B. State Service Provisions	28

INTRODUCTION

1. In the 1999 Review, the Aged and Disabled Services category included all expenses that were specifically designed to meet the needs of aged and disabled people. The category included expenses on home visiting and housekeeping services; delivered meals services; and services for the developmentally and intellectually disabled. It also covered expenses on residential institutions for elderly and physically and mentally disabled persons, day care centres and training centres for the disabled.

1999 Review Assessment

2. In the 1999 Review, the expenditure in this category was assessed in four components:

- (i) Scale-affected expenditure,
- (ii) Aged services,
- (iii) Disability services, and
- (iv) Isolation.

Separate assessments were undertaken for Aged Services and Disability Services in recognition of the different target populations for the services. The Aged Services component took account of needs associated with the people aged 60 and over, while Disability Services took account of needs associated with people under the age of 60.

3. The components weights and factors used for this category are shown in Table 1. User charges revenue for aged and disabled services was assessed on an EPC basis.

4. A brief description of the assessment of component factors for the 1999 Review is given in **Attachment A**.

5. The Specific Purpose Payments (SPP) associated with the Aged and Disabled category were Home and Community Care, and Disabilities Services, both of which were treated by inclusion.

2004 Review Assessment

6. Attachment B provides brief details of our understanding of the range of aged and disabled services provided by the States. We have concluded that there have been no major changes in States' services provision since the 1999 Review, except a reduced involvement in nursing home services. A new Commonwealth State Disability agreement is due to be finalised later this year. The terms of that agreement may have implications for the assessment in this category.

Table 1 ASSESSMENT STRUCTURE — AGED AND DISABLED WELFARE

Expenditure component	Component weight	Factors	Basis of calculation
	%		
Scale-affected expenditure	2.42	Input costs	General method with weights of 80% for wages, 2% for accommodation and 1% for electricity.
Aged services	62.49	Administrative scale	General method.
		Dispersion	General method.
		Input costs	General method with weights of 70% for wages, 2% for accommodation and 1% for electricity.
Disability services	35.00	Socio-demographic composition	Use weights derived from 1997 HACC data with differential weights for Aboriginality (a 15 year differential); an additional cost weight for Aboriginal people in remote locations (1.25) and a cost weight (1.5) for low English fluency.
		Dispersion	General method.
		Input costs	General method with weights of 70% for wages, 2% for accommodation and 1% for electricity.
		Socio-demographic composition	Usage weights derived from CSDA with additional weights for Aboriginality (combined use and cost weight of 2) and additional weight for indigenous people in remote locations (1.5) and a cost weight (1.25) for low English fluency.
Isolation	0.09	Cross-border	General method.
		Isolation	General method.

GENERAL ISSUES

7. This section deals with general issues raised by the States. In particular, it covers the scope of the category, the structure of the assessment and the treatment of SPP funding.

Scope of the Category

8. In Discussion Paper CGC 2001/12 *Scope and Structure of the Standard Budget*, the Commission proposed two changes to the definition of this category:

- (i) include nursing homes, previously a separate category; and
- (ii) include concessions for pensioners for local government rates; previously in the Other Concessions category.

9. ***Include nursing homes.*** The Commission said that the States' expenditure on nursing homes was relatively small and that demand disabilities relating to nursing homes and to other aged services were similar. Thus, they could be assessed together.

10. This would mean that needs relating to most residential and community based services for the aged would be assessed in the one category, recognising that there is a degree of substitutability. Needs relating only to the provision of nursing home type beds in public hospitals would be assessed in the Hospitals category. In that assessment, States are given the capacity to provide the same per capita services of nursing home type bed days at the standard cost, given the age-sex, income, location, and Indigenous characteristics of their populations.

11. The Northern Territory argued that amalgamation of the nursing home category would better reflect the way services are provided and administered by the States. It noted that the target population for nursing homes and aged care were the same and clients needs and service provision were also similar.

12. At this stage, the Commission intends to include State nursing home expenses in the Aged and Disabled services category.

13. ***Include concessions.*** The Commission proposed that assistance to pensioners for municipal rates which were previously in the Commission's Other Concessions category would be included in Aged and Disabled Services.

14. The ACT opposed the proposed change. It said that concessions were closely linked to services and disabilities associated with them should be assessed together with the service. No other State commented on this proposal.

15. It is the Commission's intention to include concessions for pensioners for council rates in the Aged and Disabled Services category. There does not appear to be any other service with which they could be logically assessed. Other pension concessions for electricity, transport and water and sewerage will be included in the relevant economic services categories.

Assessment Structure

16. States were generally satisfied with the assessment structure used in the 1999 Review. The only issue was whether nursing homes should be a separate component.

17. *Separate component for nursing homes.* The Northern Territory argued that there were substantial differences in the cost structures and associated disabilities of providing community-based and residential care services. States have a much bigger role in the provision of community-based care services. This means that States whose clients have a preference for community-based care face higher costs due to higher demand for a service that is more costly to State Governments. For these reasons, the Territory argued that the Commission should assess needs separately for these two services — a component for residential aged care and another for community-based age care.

18. *Discussion.* Table 2 shows combined expenditure on nursing homes and other aged and disabled services for each State. It shows that in 2000-01 nursing homes expenditure was about 7 per cent of the revised Aged and Disabled Services category. On a per person 65 years or over basis, States spent about \$100 per capita on nursing homes and \$900 per capita on other aged services.

Table 2 STATE EXPENDITURE ON AGED AND DISABLED SERVICES AND NURSING HOMES 2000-01 (\$m)

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Aged and disabled services	1308.3	840.8	229.4	299.9	261.8	80.1	32.6	17.4	3070.3
Nursing homes	73.5	63.4	26.9	38.6	33.8	6.7	0	2.0	244.9
Total	1381.8	904.2	256.3	338.5	295.6	86.9	32.6	19.4	3315.2
Nursing homes as a proportion of total expenditure (%)	5.3	7.0	10.5	11.4	11.4	7.8	0.0	10.2	7.4

Source: CGC, 2002 Update Report, Supporting Information Volume.

19. Table 3 shows the proportion of total nursing home beds which are in institutions owned by State governments. It shows that, across Australia, State governments are responsible for about 7 per cent of nursing home services, but that there is considerable variation between States.

20. Table 4 shows the composition of the assessments undertaken for the separate categories in the last Review. It shows that the relevant population assigned to the Nursing Homes category was similar to that assigned to the Aged Services component of the category.

Table 3 STATE INVOLVEMENT IN NURSING HOMES, 2000 and 2001

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
2000									
Total places	49 901	34 688	25 613	11 891	13 503	3 795	1 484	362	141 237
State-owned places	1668	5695	1753	197	398	116	nil	nil	9827
State-owned places as a proportion of total (%)	3.3	16.4	6.8	1.7	2.9	3.1	nil	nil	7.0
2001									
Total places	50 094	34 829	25 804	12 071	13 518	3 825	1 510	362	142 013
State-owned places	1 742	5 829	1 745	197	875	84	nil	nil	10 472
State-owned places as a proportion of total (%)	3.5	16.7	6.8	1.6	6.5	2.2	nil	nil	7.4

Source: Productivity Commission Reports on Government Services 2001 and 2002, Supporting Tables 12A.7.

Table 4 DISABILITIES AND BASIS OF CALCULATION OF NURSING HOMES AND AGED SERVICES

Components	Nursing Homes	Aged services
Common disabilities	Dispersion and Input costs	Dispersion and Input costs
Basis of calculation	General method	General method
Specific disabilities	Socio-demographic composition	Socio-demographic composition
Basis of calculation	Based on the Non-Indigenous population aged 70 and over and on the Indigenous population aged 55 and over.	Based on the Non-Indigenous population aged 60 and over and on the Indigenous population aged 55 and over with age specific use weights and cost weights for Aboriginal people in remote locations and for people with low English fluency.

21. Given that client characteristics and disabilities associated with these two services are very similar, it is feasible to assess nursing homes and aged services within one expenditure component. Based on the standard pattern of use of State run nursing homes and the cost differential between residential and community based services it will be possible to integrate demand for nursing home services into the present socio-demographic composition factor.

22. Staff intend to recommend to the Commission that nursing homes and aged services be assessed as a single component.

SPP Funding

23. ***Commonwealth Nursing Home Payments.*** Victoria argued that Commonwealth payments to nursing homes should be equalised using the total numbers of residents in all nursing homes. It said that this approach would ensure that the impact of the shortfall in nursing homes beds due to Commonwealth funding arrangements would be included in the assessment. Victoria said that this treatment would be consistent with the Commission's treatment of Non-Government Education.

24. The main implication of Victoria's proposal is that all Commonwealth funding for nursing homes (including the vast bulk of these funds which are paid direct to the non-government providers of nursing homes) would be brought within the scope of equalisation and disabilities assessed for the demand and cost of all nursing home services including those which are privately provided. For completeness, revenue derived from patient fees would also need to be brought into this assessment.

25. There are important distinctions between nursing homes and education. The provision of nursing home services is an area where the Commonwealth has assumed primary responsibility. Its payments are to individual patients in the first instance and then to the institutions. The States provide some services and receive a patient contributions and the Commonwealth patient contribution. As can be seen from Table 4 above, most States have a minor role in funding Nursing Homes.

26. Schools Education is a clear State responsibility to which the Commonwealth contributes some assistance. The Schools Education assessment includes enrolments in non-government schools because:

- the provision of schools services is a State government responsibility, and the States have regulatory control over the non-government providers;
- all States make per student grants to non-government schools;
- the different propensities of State populations to use non-government schools are not influenced by differences in State government policies; and
- the differential levels of State expenditure on government schools are affected by the propensity of their populations to use non-government schools.

27. State governments do not have primary responsibility for the provision of nursing home services – these services are generally provided by private and community organisations with Commonwealth assistance. A more useful model for considering how the Commission should treat the States' residual role for nursing homes is the way the Commission presently assesses States' needs to provide primary health care services (GP-type services). These services are largely provided by the private sector and subsidised by Commonwealth patient subsidies — Medicare benefits. The States provide varying levels of these services through hospitals and community health centres and it has been

sometimes argued, in parallel with Victoria's argument here, that Commonwealth Medicare benefit payments should be treated by inclusion and that disabilities should be assessed for the provision of all primary health care services.

28. For primary health care, the Commission takes the view that where the private sector (bolstered by Commonwealth patient contributions) has the capacity to provide this service, any differences in State levels of services are due to policy choice and the Australian average level of per capita provision is an adequate measure of need for each State. Where the private sector clearly lacks capacity, in remote areas, the Commission assesses specific disabilities to adjust the Australian average levels of provision.

29. Applying this model to the provision of nursing home services means that it is not necessary to treat the Commonwealth payments to nursing home residents by inclusion. The key question is whether there are areas or categories of resident for which the private sector, with Commonwealth assistance, cannot provide adequate service. If these areas or categories of residents can be identified, specific disabilities should be assessed. The present assessment does not include any disabilities of this type.

30. Staff intend to recommend to the Commission that Commonwealth nursing home payments not be treated by inclusion and that a specific disability be introduced into the assessment for Aged Services if it is shown that the non-government sector lacks the capacity to provide nursing home services which the States then provide.

31. *Assistance for the Psycho-Geriatric Units.* The ACT argued that Psycho-Geriatric Unit SPP funding should be treated by inclusion. The ACT said this was necessary because the distribution of this SPP impacts on States' total financial assistance requirements.

32. Our understanding is that assistance for the Psycho-Geriatric Units is an element of the Commonwealth payment for Aged Care Assessment. This payment is treated by inclusion.

ASSESSMENT ISSUES

33. This section sets out the assessment issues to be resolved for each component. The discussion for each component is in two broad parts – the range of factors required and how each factor should be measured. For the common factors, the paper simply records any issues raised by the States. These issues will be addressed in separate discussion papers on each common factor.

SCALE-AFFECTED EXPENDITURE

34. In the 1999 Review, the factors assessed in the scale-affected expenditure component were input costs and administrative scale.

Input Costs

35. Consistent with its general approach Tasmania opposed the continued assessment of Input cost disability for this category. It provided data that supported its contention that there were no significant wage differentials between the States.

36. Issues related to this factor will be discussed in the discussion paper CGC 2002/20 *Input Costs*.

Administrative Scale

37. Tasmania supported the continued assessment of an administrative scale factor for this category. However, it considered that the existing component was understated. It argued that it suffered disadvantage in relation to the use of modern telecommunication infrastructure, such as video conferencing and telehealth. and that its costs of providing and operating these facilities in rural areas were high.

AGED SERVICES

Range of Factors

38. In the 1999 Review, the factors assessed for this component were dispersion, input costs and socio-demographic composition.

39. The States argued for the inclusion of *service delivery scale* and *economic environment* factors, and the removal of the *input cost* factor.

40. *Service delivery scale.* Tasmania argued that the current method did not reflect the costs faced by States in delivering services in rural centres and smaller facilities. Tasmania stated that a large proportion of its population lived in rural and small centres that require individual service provision, but where most services were out of the reach of the clients. As a result, the services were provided from centralised or larger population centres, leading to additional costs when States delivered services to rural and smaller centres.

41. Tasmania also argued that the Commonwealth provided residential care services only to elderly people living in communities where the aged population was in excess of 400 people. It said it was required to subsidise Commonwealth funded activities for the smaller facilities in rural and remote areas. The smaller facilities were expensive to run and most of them were managed by the State in conjunction with the local health service

or funded by the State on a deficit-funding basis. Tasmania did not provide any data on how much more it was costing to provide services in smaller facilities.

42. Tasmania considered that State funded aged care services required a weight of 0.9 for aged people living in communities in excess of 400 and a weight of 1 for aged people living in communities with less than 400 elderly people to reflect the higher demand for State funded aged care services.

43. **Discussion.** To the extent that it costs more to provide services to rural and remote locations due to the effects of distance (communication and travel), this disability is taken into account in the dispersion factor. Whether diseconomies of small scale should be assessed for the provision of services to people in remote areas depends on how services are provided in most States (the standard policy).

44. The present assessment assumes that States arrange the provision of these services to achieve economies of scale. We seek information from all States on their provision policies. If State responses show that service delivery scale disabilities are present when standard policies apply, and that they are of sufficient magnitude to satisfy the materiality test, staff will recommend inclusion of this factor in the assessment.

45. Regarding Tasmania's point about the restricted provision of Commonwealth funded residential aged care services, our examination of funding data shows that the distribution of Commonwealth funded residential aged care services within Tasmania is not too dissimilar to the distribution of its population by location (see Table 5).

Table 5 RESIDENTIAL AGED CARE SERVICES IN TASMANIA, JUNE 2001

Locality	Proportion of people aged 70 and over	Proportion of residential aged care places with 80 % high care	Proportion of residential aged care places with 80 % low care	Proportion of mixed residential aged care places with less than 80 % high care & more than 20 % low care
City and other metropolitan areas	41.7	43.4	19.5	58.4
Rural areas	57.8	56.4	79.5	40.7
Remote areas	0.6	0.2	1.1	0.9
All areas	100.0	100.0	100.0	100.0

Source: Productivity Commission Report on Government Services 2002, Table 12A 3, 12A 4, 12A 5 and 12A 6.

46. **Economic environment.** The ACT argued that it faced a shortage of high dependency aged care facilities with a proportionately larger number of nursing home type patients being cared for through the hospital system. This has placed additional cost burdens on the Territory budget. The ACT asked that the Commission assess an economic environment factor to reflect the supply side constraints placed on aged care services.

47. The Northern Territory argued that it experienced additional costs in the form of capital subsidies which it paid because residential care facilities operated by non-government organisations in the Territory were not able to operate solely on Commonwealth

subsidies and patient contributions. This is because there was a higher number of small facilities and above average proportions of high care and concessional clients relative to other States. It claimed that the assessments needed to include a cost adjustment for high care needs, concessional clients and small facilities.

48. *Discussion.* It can be seen from Table 6 that the ACT has a lower number of nursing home places but more hostel and Community Aged Care packages (CACP) than the Australian average. This does not support the ACT's view that it is disadvantaged by the level of provision of Commonwealth funded residential services for the aged. Whether the level of nursing home type patients in ACT hospitals is a disability is an issue for the Hospital assessment¹.

Table 6 NUMBER OF RESIDENTIAL AGED CARE PLACES AND CAC PACKAGES (PER 1000 PEOPLE AGED 70 YEARS AND OVER)

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
2000									
Nursing Homes	48.5	39.3	42.5	41.8	46.1	47.3	35.3	61.1	44.2
Hostel/low care residential	35.8	40.9	46.6	44.5	40.4	36.8	48.8	46.9	40.3
Community Care packages	10.7	10.4	11.0	11.2	10.3	12.9	17.5	49.0	10.9
Total	95.0	90.7	100.1	97.4	96.8	97.0	101.5	157.0	95.4
2001									
Nursing Homes	47.6	38.8	42.8	41.9	44.6	47.5	34.4	61.5	43.6
Hostel/low care residential	35.1	39.7	45.0	43.9	40.6	35.8	48.2	48.3	39.4
Community Care packages	14.2	14.0	13.6	14.6	14.5	14.6	18.4	77.7	14.3
Total	96.8	92.4	101.4	100.3	99.6	97.9	101.0	187.5	97.3

Source: Taken from Northern Territory submission for 2004 Review, p 138.

49. Regarding the Northern Territory's argument, we need additional information about the extent and magnitude of its supplementary payments, and detail about similar arrangements in other jurisdictions.

50. *Summary:* Pending further investigation of service delivery scale and economic environment factors, staff propose that the factors to be included in the 2004 Review assessment for the aged services component should be:

- Input costs
- Dispersion; and
- Socio-demographic composition

¹ In looking at this issue, it will be necessary to consider whether States have above or below average numbers in their public hospitals, the reasons for this (is it policy or need driven) and whether, in so doing, they incur a cost advantage or disadvantage. (For example, is it more expensive for States to provide nursing home type beds in public hospitals than it is to provide additional nursing home beds in nursing homes? Would small rural hospitals close without such patients?)

Measurement of Disabilities

51. ***Input costs.*** See the discussion of this factor under the scale-affected expenditure component above.

52. ***Dispersion.*** Western Australia and Tasmania strongly supported the continued assessment of a dispersion factor for aged services. However, Tasmania suggested that the factor should be measured in terms of travel time rather than distance.

53. ***Socio-demographic composition.*** The issues raised by the States regarding the socio-demographic composition factor were:

- (i) selection of the relevant age at which Indigenous people require aged care services;
- (ii) the need to revise the weight used for remote and distinct Indigenous communities;
- (iii) the need to revise the weight used for people from Culturally and Linguistically Diverse (CALD) sub-groups;
- (iv) the need for the introduction of a weight for persons living alone; and
- (v) the need to revise the weight for the low income sub-group.

54. ***Indigenous age definition.*** The Northern Territory argued that Indigenous people reach a level of frailty at a lower age than non-Indigenous Australians. It said that setting the threshold for access to aged care services for the Indigenous population at age 50 would more accurately reflect the poorer health status and lower life expectancy of the Indigenous population. It said that this adjustment would be consistent with Commonwealth policy regarding access to aged care services.

55. ***Discussion.*** It is well recognised that Indigenous people's life expectancy and health status are much poorer and thus Indigenous people are more likely to need aged care services at an earlier ages. As Deeble and his colleagues noted 'Aboriginal and Torres Strait Islander people have the poorest health of any sub-population. Average life expectancy of Australian Indigenous people at birth is estimated to be 20 years lower than that of their non-Indigenous counterparts'².

56. Tables 7 and 8 indicate that the Indigenous population has a lower life expectancy and Indigenous people use HACC services at a younger age, with 22 per cent of Indigenous users being under 50 years in comparison to 10 per cent of non-Indigenous people. The Commonwealth recognises the differences between the two population groups in this regard and uses population estimates for people aged 50 years and over when planning aged care for Indigenous people — the comparable age for non-Indigenous people is 70 years and over³.

² AIHW, Expenditure on health services for Aboriginal and Torres Strait Islander people, 1998-99.

³ AIHW, The Health and Welfare of Australians Aboriginal and Torres Strait Islander peoples, 2001.

Table 7 INDIGENOUS AND NON-INDIGENOUS AUSTRALIANS, 2001

Age	Indigenous			Non-Indigenous		
	Male	Female	Persons	Male	Female	Persons
	%	%	%	%	%	%
>40	80.5	79.0	80.0	57.3	55.2	56.0
40-59	15.4	16.0	15.8	27.0	26.8	27.0
60-69	3.0	3.4	2.8	8.0	8.0	8.0
70 and over	1.1	1.6	1.6	7.7	10.0	9.0
All ages ('000)	201.0	208.0	410.0	86864.0	8907.5	17591.5

Source: ABS Census 2001.

Table 8 USERS OF HACC SERVICES, 1997-98 (a)

Age group (years)	Indigenous clients		Non-Indigenous clients	Rate ratio
	%		%	
Less than 50	21.5		9.9	2.2:1
50-70	42.9		15.4	2.8:1
70 and over	35.6		74.6	0.5:1

(a) Unknown responses have been distributed pro rata.

Source: Productivity Commission, *Report on Government Services 2000, Vol III*, 2000, Table 11a.39, p1013.

57. Given the Indigenous people's greater use of aged care services at younger ages, staff intend to recommend to the Commission that the target population for aged care services should include Indigenous people aged 50 and over.

58. **Indigenous weight for remote areas.** The Northern Territory argued for an increase from 1.25 to 2 for the weight for remote Indigenous people. It stated that Indigenous people in the remote areas were mostly high care clients so that the unit cost of providing services to this group was higher.

59. **Discussion.** In the 1999 Review, an additional cost weight was applied for Indigenous people living in remote areas because of the higher cost of providing services to Indigenous people following a traditional or semi-traditional life style.

60. Table 9 shows the use of aged care services in 1999-2000 by Indigenous people. It shows that in 1999-2000 Indigenous people aged over 50 were 2.3 per cent of the total aged population while Indigenous people comprised 2.2 per cent of HACC clients. Overall, Indigenous people are not using HACC services at a greater rate than their population share.

Table 9 INDIGENOUS CLIENTS AS A PROPORTION OF TOTAL RESIDENTIAL CARE AND HACC CLIENTS, 1999-2000

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	%	%	%	%	%	%	%	%	%
Indigenous people aged 50 and over as a proportion of target population	1.9	0.6	3.5	3.8	1.4	3.3	1.0	63.6	2.3
Indigenous people as a proportion of total residential care	0.4	0.2	1.2	1.8	0.7	0.2	0.2	53.3	0.7
Indigenous people as a proportion of HACC clients	2.5	0.6	2.2	2.9	1.8	0.7	0.3	47.9	2.2

Source: CGC, Indigenous Funding Report, 2001, p 143

61. Table 10 contains HACC estimated per capita expenditure on Indigenous and non-Indigenous clients in 1998-99. It shows that, compared with the non-Indigenous population, Indigenous clients cost more to service. Based on these data, an average cost weight of 1.15 for Indigenous people would be appropriate. In the last review an additional cost weight was applied only to Indigenous people in remote areas.

Table 10 ESTIMATED EXPENDITURE ON HACC SERVICES, 1998-99

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Total HACC expenditure (\$'000)	270.1	243.0	141.3	83.5	75.7	24.7	11.5	5.5	855.3
Expenditure per Indigenous person over 50 years (\$)	491.6	441.0	743.6	338.2	410.0	434.1	104.1		493.0
Expenditure per non-Indigenous person over 70 years (\$)	303.0	400.0	352.0	419.0	323.0	343.0	352.0	544.0	350.0

Source: Productivity Commission, *Report on Government Services 2000*, Productivity Commission, Canberra, 2001, Tables 12A.30 and 12A.14.

62. Based on HACC cost data, staff intend to recommend to the Commission that a small cost weight be applied to all Indigenous people. Staff will investigate further the need for an additional cost weight for Indigenous people in remote areas.

63. **CALD weight.** New South Wales proposed that a user weight for Culturally and Linguistically Diverse (CALD) background people should be increased to 2 from 1.5. New South Wales stated that people of CALD background were a target group for the HACC program — it is a national policy priority to increase participation of such people in HACC services and currently they are under represented as users of the program. New South Wales pointed out that responding to this national policy priority required specialist services which were expensive to develop and deliver – so the weighting for CALD background people should be increased.

64. Victoria argued that current weighting for people who speak a language other than English was not appropriate. It said that in Victoria low English fluency people were high users of case management services and of services which provided additional support

for clients with multiple and complex needs. For these services, Victoria said that people of non-English speaking origin had a use rate of about twice their population share.

65. Tasmania opposed the current weight for persons with low English fluency and proposed discounting the weight for economies of scale that occurred when services were provided to large low English fluency groups. In support of its view, Tasmania stated that the costs of delivering services were greater in smaller communities where it was difficult to find people with appropriate knowledge or skills to provide assistance to people from different cultural and language background.

66. **Discussion.** As stated in Discussion Paper CGC 2002/21, *Socio-Demographic Composition*, the Commission accepts that States can experience differences in demand and unit cost in providing services:

- (i) to population groups with low English fluency — because of the need for interpreters and the extra time taken in providing the service;
- (ii) to culturally diverse populations because
 - developing culturally appropriate services and ensuring access to them as well as to mainstream services costs more per client than the standard service; and
 - special programs are needed to deal with the alienation experienced by some CALD groups, for example, to manage disruptive behaviour in schools or deal with gang-based crime.

The issues are which of these influences are relevant to the services provided under this category and how are these influences to be measured.

67. The present assessment of costs associated with persons with non-English speaking background is limited to the cost effects of low English fluency. The weight of 1.5 was based on the estimated additional cost of interpreting and related services compared to the unit cost of aged care services. It was applied to persons aged 60 and over who speak a language other than English at home and who do not speak English well or do not speak English at all.

68. Given the one-to-one nature of many of the services provided under aged care services, it is readily understood that interpreting and translating services are necessary for persons with low fluency in English. The extent to which aged persons from this background receive the wider and more complex set of government services referred to by New South Wales is not yet clear. We seek further information from all States on the additional services provided to aged persons from this sub-population.

69. If it is established that a wider range of services is provided, then a possible alternative basis for measuring the associated costs is to apply an appropriate weight to a broader group of people. The Department of Immigration and Indigenous Affairs (DIMIA)

has a classification which allocates countries into ‘English Proficiency Groups’ using 1996 Census data on the relative English Proficiency (EP) of its recent arrivals to Australia⁴. The EP classification system (EP 1 to EP 4) was intended to group migrants with similar service costs disabilities associated with cultural differences and language proficiency. As a result, each classification group reflects the pattern of cost they may incur. For example, migrants who came from higher classification groups (EP 1 or 2) are more likely to have lower transactional costs for translators and be better able to negotiate Australian service provisions, than people classified to the other two groups.

70. The EP classification may to allow a more comprehensive measurement of the costs resulting from language and cultural differences because it enables a more precise cross-classification of the population using Census data. For example, this classification would enable further distinctions to be made between countries of origin if there was evidence that different costs or use were associated with a subset of countries in any of the EP groups. One drawback of this measure is that it does not encompass people born in Australia who exhibit language and cultural differences, such as Indigenous people.

71. Table 11 displays the number and proportion of people from non-English speaking countries aged 70 and over. This is a different group to those with low fluency in English, used in the last review.

Table 11 POPULATION FROM NON-ENGLISH SPEAKING COUNTRIES (‘000), JUNE 2001^(a) AGED 70 YEARS AND MORE

States	NSW	Victoria	Qld	WA	SA	Tas	ACT	NT	Aust
All Australians	609.2	447.5	296.1	144.8	161.7	46.2	18.3	4.1	1727.8
People from non-English speaking countries	113.2	108.1	31.6	29.2	30.2	3.5	4.6	0.9	321.4
Proportion of total population	18.6	24.2	10.7	20.2	18.7	7.6	25.1	22.0	18.0

(a) ABS Population Projection by SLA 1999-2019

Source: Productivity Commission, Report on Government Services 2002, Table 12A.2

72. The comparisons in Tables 11 and 12 show that the use rate of aged care services by non-English speaking background people is below average. The current weight may be overstating the cost disabilities attributable to them.

⁴ AIHW Disability Support services provided under the Commonwealth/State Disability Agreement.

Table 12 USE OF AGED CARE SERVICES — NON-ENGLISH SPEAKING BACKGROUND PEOPLE, JUNE 2001

States	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	%	%	%	%	%	%	%	%	%
Non-English speaking people as a proportion of									
total population	18.6	24.2	10.7	20.2	18.7	7.6	25.1	22.0	18.0
Nursing homes residents	13.2	17.3	7.0	14.9	13.1	4.0	16.9	10.4	12.9
Hostels residents	9.6	13.0	5.6	10.8	8.3	3.6	14.2	8.1	8.7
HACC users	14.0	13.8	8.8	19.1	16.8	8.2	21.8	8.3	13.6

Source: Productivity Commission Report 2002, Table 12A.11 and 12A.14 .

73. Preliminary conclusions are that:

- (i) The current cost weight of 1.5 applied to low fluency people should be retained to reflect the additional cost associated with interpreter or other facilities. If, after investigation, this is the major cost associated with NESB people using aged services, it should continue to be applied only to the numbers of people with low English fluency, including Indigenous Australians. If other additional costs are established, then the broader EP classification might be the appropriate basis for measurement of the disability. The costs of providing translator services to Indigenous Australians would need to be recognised separately.
- (ii) Based on the lower level of use of aged care services by persons from a non-English speaking background, it is not appropriate to apply the average rates for the total population to this sub-population.

74. **Weight for low-income status and persons living alone.** New South Wales and Tasmania considered that elderly people of low-income status have a greater demand for government operated aged care services. New South Wales recommended a use weight of 2 be applied to low-income status as an additional element of the socio-demographic composition factor for aged care services.

75. New South Wales also advocated the inclusion of a combined use/cost weight of 2 for persons over 70 years of age living alone, to account for the higher cost of, and greater demand for, services for this group.

76. **Discussion.** Income is an important indicator of the well-being of the aged. However, data show that there is a strong correlation between low income and lone person status. The ABS social report on 'older people' noted that in 1996-97 of all persons aged 65 and over 28 per cent were living alone. Of these, 67 per cent had an average gross weekly

income of less than \$225 — government pensions and benefits were the principal sources of income for more than 81 per cent of lone persons aged 65 and over⁵.

77. Including measures of both low income and lone person status would risk significant double counting.

78. Staff consider that lone person status is a stronger indicator of demand for aged care services than low income status. Table 13 shows the income units of persons aged 65 and over.

Table 13 GROSS WEEKLY INCOME^(a) PERSONS AGED 65 AND OVER, 1996-97

Gross weekly income	Couple unit (%)	One-person unit (%)	Total (%) ^(b)
Less than \$ 224	5.8	66.5	39.4
\$ 225 – 299	24.6	18.4	21.1
\$ 300 and over	69.7	15.2	39.5
Total	100.0	100.0	100.0

(a) Income units are defined as a single person or as a group of people within a household whose command over income is shared.

(b) Includes couples with dependants and lone person income units.

Source: ABS, Older People, Australia: a Social Report, 4109.0, 1999, P 78.

79. Table 14 shows persons who lived alone as a proportion of residential aged service and as a proportion of HACC users.

Table 14 LONE PERSONS^(a) AS A PROPORTION OF TOTAL USERS OF RESIDENTIAL AGED CARE AND HACC SERVICES

States	NSW	Victoria	Qld	WA	SA	Tas	ACT	NT	Australia
	%	%	%	%	%	%	%	%	%
Residential aged care ^(b)	42.3	37.6	38.7	41.1	41.9	48.7	43.1	21.2	40.5
HACC users ^(c)	53.3	53.3	47.9	57.6	42.0	54.2	51.8	48.2	51.8

(a) Living arrangement refers to the arrangements current at the time of application for a package.

(b) Obtained from AIHW, Statistical Review of Residential Aged Care in Australia 2000-01,

(c) Obtained from Community Care Statistics, 1995-96 HACC (there are no more recent data for HACC).

80. In the 1999 Review, the lone person weight was measured by reference to Census data on aged people with single incomes. The current weight will be reviewed based on the income level of the lone person, by using the up to date Census data, later in the year.

81. Staff intend to recommend to the Commission that a weight for single persons be continued in the assessment but that a weight for low income not be included.

⁵ ABS Older people, Australia: a Social Report, 4109.0, 1999, p 78-85, Table 4.6 & 4.7.

DISABILITY SERVICES

Range of Factors

82. In the 1999 Review, the factors assessed for this component were dispersion, input cost, cross border and socio-demographic composition.

83. **States views.** The States argued for the inclusion of the *service delivery scale* factor and the removal of the *input costs* factor for this component.

84. **Service delivery scale.** Tasmania made the same argument set out above under the aged services component regarding the additional costs attached to delivering services in rural centres and smaller facilities.

85. **Discussion.** To the extent that it costs more to provide services in rural and remote locations due to the effects of distance (communication and travel) this disability is taken into account in the dispersion factor. Whether diseconomies of small scale should be assessed for the provision of services to people in remote areas depends on how services are provided in most States. We intend to further investigate the States' standard policy provisions to test the assumption in the present assessment that States arrange the provision of these services so that they achieve the same economies of scale.

86. **Summary:** Pending further information regarding services delivery scale, staff intend to recommend to the Commission that the factors to be assessed for 2004 Review should be:

- Input costs;
- Dispersion;
- Socio-demographic composition; and,
- Cross border.

Measurement of Disabilities

87. **Input costs.** See the discussion of this factor under the scale-affected expenditure component above.

88. **Dispersion.** Tasmania considered that the dispersion factor should be measured on a travel time basis rather than distance for the same reason it indicated for aged care services.

89. **Cross border.** The ACT supported the continued assessment of a cross border factor for disability service component. However, the ACT claimed that the definition of the ACT region (based on LGA) was too narrowly defined. The ACT proposed that the current method be replaced by a modified general method of assessment based on separations from the ACT hospital system for regional New South Wales residents for 1995-96 and 1999-2000.

90. ***Socio-demographic composition*** . The issues raised by the States regarding the socio-demographic composition factor for disability services were:

- (i) the need for a revised weight for Indigenous people;
- (ii) the need to revise the weight used for the people from Culturally and Linguistically Diverse (CALD) sub-groups;
- (iii) the need for the introduction of a weight for single parent families;
- (iv) the need for the introduction of a weight for low-income families; and
- (v) CSDA data underestimates the Northern Territory's user rates for disability services.

91. ***Indigenous weights***. Victoria stated that the assessment of the Disability Services component overstated the prevalence of disabilities amongst Indigenous people. It said that for disability related services the rate of use for Indigenous people was similar to that for non-Indigenous people. It proposed that the Indigenous weight be reduced from 2 to 1.03 based on National Disability Services Data. It stated that there was no evidence to support higher costs when providing this service to Indigenous people.

92. Tasmania supported the current weighting applied to the Indigenous population in recognition of the higher costs of delivering services to this section of the population. However, Tasmania did not provide any data to support its view.

93. ***Discussion***. In the 1999 Review, a weight of 2 was applied to Indigenous people based on evidence of higher prevalence of disabilities amongst these people. This weight was based on CSDA data. It was consistent with the weight included in the funding formula for the 1998 CSDA. The National Data still show that Indigenous people had a higher prevalence of disabilities, particularly physical disabilities when compared to the general population⁶.

94. The Productivity Commission report showed little difference in the rate of use between Indigenous and non-Indigenous people of accommodation support services. However other data taken from the CSDA Collection indicated that Indigenous people are represented amongst users of disability support services to a greater extent than their population share.

⁶ AIHW, Disability Support Services 2001, National data on services provided under the Commonwealth/State Disability Agreement , p 36.

Table 15 USE OF CSDA ACCOMMODATION SUPPORT SERVICES, BY INDIGENOUS STATUS

States		NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Indigenous people using services per 1000 Indigenous population	1999	1.2	1.5	1.0	3.0	1.5	1.2	0.3	1.2	1.4
	2000	1.2	1.2	0.7	1.0	1.7	1.8	0.9	1.1	1.1
	2001	1.2	2.3	0.9	1.2	1.8	0.7	1.1	1.1	1.2
All people using services per 1000 total population	1999	1.0	1.4	0.7	1.3	1.5	1.4	1.0	0.7	1.1
	2000	1.0	1.4	0.7	1.2	1.5	1.8	1.0	0.6	1.1
	2001	1.0	1.4	1.0	1.2	1.4	1.7	1.0	0.6	1.2

Source: Productivity Commission Report 2002, Table 13A.16

Table 16 INDIGENOUS PEOPLE AS A PROPORTION OF TOTAL USERS OF DISABILITY SUPPORT SERVICES ON A SNAPSHOT DAY 2001

All Services	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	%	%	%	%	%	%	%	%	%
Indigenous population age 0-64 (%) 2001 Census	2.2	0.6	3.6	3.6	1.9	4.0	1.3	27.3	2.5
Users of State funded services	3.1	1.6	4.1	4.5	2.1	1.8	1.8	52.7	3.0
Users of Commonwealth funded services	1.8	0.4	3.0	2.4	1.6	2.8	0.8	31.7	2.0

Source: AIHW: Disability Support Services 2001: National data on services provided under the CSDA agreement.

95. Table 17 shows that accommodation support, respite care and community support service programs had more Indigenous clients relative to their population share of 2.5 per cent.

Table 17 INDIGENOUS CLIENTS AS A PROPORTION OF TOTAL CLIENTS BY SERVICE TYPE ON A SNAPSHOT DAY 2001

Per cent	Accommodation support	Community support	Community access	Respite care	All service
Indigenous clients	2.8	3.7	2.0	5.3	2.8

Source: AIHW: Disability Support Services 2001: National data on services provided under the CSDA agreement Table 3.14.

96. Table 18 shows the State shares of the Indigenous population. It also shows the total population of each State with disabilities and varying degrees of severity. It suggests that there is a much higher proportion of disabled people with profound disabilities in the Territory.

Table 18 CSDA ACCOMMODATION SUPPORT SERVICES BY SEVERITY OF CORE ACTIVITY RESTRICTION 2001 (PER CENT)

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Indigenous population age 0-64 (%) 2001 Census	2.2	0.6	3.6	3.6	1.9	4.0	1.3	27.3	2.5
Severity of handicap (a)									
Moderate to no	4.7	8.5	5.1	0.4	6.2	5.6	16.1	4.3	5.8
Severe	41.8	47.0	48.8	47.5	40.3	48.7	50.0	28.4	45.0
Profound	53.5	44.4	46.1	52.2	53.5	50.0	33.9	67.2	49.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

(a) *Profound* refers to a continual need for support in one or more areas, *severe* refers to occasional or frequent need for support in one or more areas and *moderate* refers to needing no support in any of the areas.

Source: ABS census 2001. Report on Government services 2002, table 13A.14(B).

97. We note the Northern Territory's point that the use of disability services by Indigenous people in the Territory is underestimated in the data used to estimate CSDA usage. Under this method, the use rate is obtained primarily by using an urban-based sample. If CSDA data are used to derive weights, we will consider whether adjustments need to be made for the less urbanised States.

98. Our preliminary conclusion is that the use weights for Indigenous people should be lower than at present, although it is possible that a cost weight should also be added if our further investigations show that disabilities which require more support services are more prevalent in the Indigenous population than in the population at large.

99. **CALD weight.** Tasmania does not support the current weighting for low English fluency. Tasmania proposed that a discounting should be applied for economies of scale associated with serving larger low English fluency groups. On the other hand, Victoria provided evidence of additional costs involved in providing services to the population with low English fluency. These additional costs were mainly incurred by the States in delivering culturally appropriate services to the ethnic community — as part of Ethnic Service Development Programs.

100. **Discussion.** In the 1999 Review, a cost weight was applied to people who spoke a language other than English at home and who did not speak English well or did not speak English at all because of the extra time taken for consultations and for interpreter services.

101. Table 19 indicates that people of non-English speaking origin are under-represented (compared to their population share) amongst users of disability support services. This raises the issue of whether it is appropriate to continue applying the use rates derived from the total population to this sub-population.

Table 19 CSDA ACCOMMODATION SUPPORT SERVICES, BY NON-ENGLISH SPEAKING ORIGIN

States		NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
NESB people using services per 1000 NESB origin	1999	0.1	0.2	0.2	0.5	0.4	0.4	0.4	0.2	0.2
	2000	0.2	0.2	0.3	0.2	0.4	0.4	0.6	0.2	0.4
	2001	0.2	0.2	0.3	0.3	0.4	0.4	0.6	0.2	0.4
All people using services per 1000 total population	1999	1.1	1.4	0.9	1.4	1.6	1.6	1.6	1.0	0.7
	2000	1.1	1.4	0.8	1.0	1.6	1.6	1.6	1.0	0.6
	2001	1.1	1.5	1.1	1.1	1.5	1.5	1.5	0.9	0.6

Source: Productivity Commission report Table 13A.17 (A)

102. The issues for disability services are similar to those discussed for aged services. Our preliminary conclusions are that the current weight of 1.25 applied to people with low English fluency should be retained to reflect the additional cost associated with interpreter or other facilities and that there is a case for reducing the use rates applied to people of non-English speaking origin.

103. We seek information from the States about the range of ancillary services specifically provided for disabled people of non-English speaking origin and of the additional costs involved. If additional costs are found when standard policies are applied, we will investigate whether it would be better to base the assessment on the EP classification rather than a low English fluency classification.

104. *A weight for low income and single parent families.* New South Wales proposed that an additional weight be applied to low income status as a component of the weight for disability services as disabled people on low incomes have a greater demand for State services.

105. New South Wales also said that a use weight of 2 should be applied for single parents caring for disabled dependents, because single parents can have difficulty carrying the burden of care alone and so place extra demand on government provided services.

106. *Discussion.* Table 21 shows that more than 60 per cent of households with sole parent status have gross weekly income less than \$500, (less than \$ 26 000 a year).

Table 20 ONE PARENT INCOME UNIT ^(a) 1999- 2000

Gross weekly income	Number ('000)	Percent
Less than 300	122.9	23.5
300-500	195.9	37.5
500 +	203.6	39.0
Total	522.4	100.0
Principal source of income	Percent	
Wages and salaries	39.0	
Government pension and allowances	54.4	
Other	6.0	
Total	100.0	
Number of dependent children	percent	
One child	52.2	
Two or more	47.8	
Total	100.0	

Source: ABS: Income Distribution, 1999, 6523.0 p25

107. Including both lone parent status and low income status would involve double counting because there appears to be a strong relationship between income and lone parent status. A choice will need to be made. Including sole parent status would also capture the strong demand from low income families.

108. At this stage data are not available to cross tabulate the two factors. Information can be obtained from Centrelink on the differential use of services by lone parent families. The extent to which the assessment is possible depends on the possibility of matching the Centrelink data to ABS Census data.

109. Our preliminary conclusion is that a use weight should be included for lone parent status if appropriate data are available.

CONCLUSIONS

Assessment Framework

110. A summary of the assessment proposed for the 2004 Review is shown in Table 21. The component weights shown in the table are indicative.

Information to be Collected from States

111. Areas in which additional information from the States would assist the assessment include:

- (i) how aged and disabled services are provided to rural and small centres?
- (ii) the bases on which States subsidise non-government nursing homes and the value of this assistance in 2001-02?
- (iii) any special programs provided to meet the specific needs of CALD groups, and the associated costs (total and per client)?
- (iv) any evidence that the costs of providing services vary according to the size of the groups with similar language and cultural background?

Table 21 AGED AND DISABLED WELFARE — PROPOSED ASSESSMENT, 2004 REVIEW

Expenditure component	Component weight	Factors	Basis of calculation
	%		
Scale-affected expenditure	2.0	Input costs	General method.
		Administrative scale	General method.
Aged services	65.0	Dispersion	General method.
		Input costs	General method.
		Socio-demographic composition	Based on the application of use rates derived from national data to the Non-Indigenous population aged 60 and over and to the Indigenous population aged 50 and over with an additional use weight for single people. Cost weights are proposed for Aboriginal people in remote locations and for low English fluency.
Disability services	32.0	Dispersion	General method.
		Input costs	General method.
		Socio-demographic composition	Based on the application of use rates derived from national data to the Non-Indigenous population aged 0-59 and to the Indigenous population aged 0-49 with an additional use weight for single parent families with disabled dependents.
		Cross-border	General method.
Isolation	0.1	Isolation	General method.

1999 REVIEW — ASSESSMENT OF FACTORS

Scale-Affected expenditure

1. The scale-affected expenditure component had administrative scale and input costs factors applied to it.

2. ***Administrative Scale.*** The administrative scale factor accounted for differences in per capita costs of providing central office functions and whole of State services. In the 1999 Review, the administrative scale factor was assessed by the general method. In the 2002 Update, the scale-affected expenditure for this category was assessed as \$5.2 million, of which \$2.3 million was considered as fixed cost and \$2.9 million as variable cost. This represented a scale-affected expenditure proportion of 2.42 per cent of total category expenses. The same administrative scale factors and expenses proportion were used for all five years of the assessment period. The factors and expenditure component were unchanged for subsequent updates.

3. ***Input Costs.*** During the 1999 Review and subsequent updates, the input costs factor took account of differences in costs associated with wages and salaries input costs, accommodation input costs and electricity input costs. For this category, the estimated proportion of expenditure the disabilities apply to were: wage and salaries — 80 per cent; accommodation — 2 per cent and electricity — 1 per cent.

Aged Services

4. In the 1999 Review, the factors assessed for this component were: dispersion, input costs and socio-demographic composition.

5. ***Dispersion.*** This factor took account of the additional costs associated with the provision of government services to dispersed populations. The dispersion factor thus reflected the combined differences in State expenditure relating to telecommunication, freight, travel and other costs relating to providing services to dispersed localities. This factor was assessed using the general methods adopted in the 1999 Review.

6. ***Input costs.*** The input costs factors applied to the aged services component of the category used a cost weight of 70 per cent for the wages and salaries component, 2 per cent for accommodation and 1 per cent for electricity.

7. ***Socio-demographic composition.*** The socio-demographic composition factor took account of differences in the socio-demographic composition of States' population. The relevant population for this expenditure component was defined as the population aged 60 and over with age ranges 60-64, 65-69, 70-74, 75-79, 80-84 and 85 years plus. Data were derived from Home and Community Care Client data for 1997. Weights were applied for low English fluency, single people, Indigeneity and for people living in remote locations.

- A weight of 1.5 was applied for low English fluency aged 60 and over for the additional cost associated with interpreters and additional time taken to provide services.
- A weight of 1.5 was applied for aged people who lived alone — measured by reference to Census data on aged people with single income.
- The use weights for Indigenous people were based on those for non-Indigenous people who were 15 years older, all Indigenous people aged 70 and over were assumed to have use rates equivalent to non-Indigenous people aged 85 and over.
- A cost weight of 1.25 was applied to all Indigenous population in remote areas because of the higher service provision costs in remote locations.

Disability services

8. In the 1999 Review, the factors assessed for this component were dispersion, input costs, cross border and socio-demographic composition.

9. ***Dispersion.*** The factor was assessed in the 1999 Review using the same method as the dispersion factor in the aged services.

10. ***Input costs.*** This factor was assessed in the 1999 Review using the same method as the input costs factor in the aged services.

11. ***Cross border.*** The cross-border factor aimed to compensate the ACT for the cost incurred in providing services to New South Wales residents. The additional relevant population for the ACT was estimated as 25 per cent of the populations aged 0 to 59 in Queanbeyan, Yass, Yarrowlumla and Gunning local government areas, and 10 per cent in the remaining LGAs of the south-east region of New South Wales (Bega Valley, Bombala, Boorowa, Cooma-Monaro, Crookwell, Eurobodalla, Goulburn, Harden, Mulwaree, Snowy River, Tallaganda and Young).

12. ***Socio-demographic composition.*** The socio-demographic composition factor took account of differences in the composition of States' populations. The relevant population for this expenditure component was defined as the population aged under 60 years with age ranges of 0-4, 5-14, 15-24, 25-44 and 45-59. For the relevant age ranges, use rates were derived from the Commonwealth State Disability Agreement (CSDA) client data for 1996. Additional weights were applied for low English fluency, Indigeneity and the cost of servicing different groups of Indigenous people.

- A weight of 1.25 was applied to all age ranges for people who spoke a language other than English and who did not speak English well or did not speak English at all (people who spoke English as a second language at home and spoke it fluently were given no additional allowances).
- A weight of 2 was applied to indigenous people because of the higher prevalence of disabilities amongst indigenous people.

- A weight of 1.5 was applied to all Indigenous people in remote locations because of higher service provision costs in remote locations.

Isolation

13. The isolation factor was calculated as an additive common factor. The assessment of isolation allows for the additional costs some States incur because of their remoteness from other States and other sources of supply. The Commission assessed additional expenditure arising from labour related costs, freight costs, airfares, travel allowances, professional infrastructure costs, and other travel related subsidies. The isolation factor and category component weights were calculated using a general method.

STATE SERVICE PROVISIONS

Aged Care Services

1. Aged care services provide assistance to aged people who are frail or suffering some incapacity — through residential and community care services.
2. Residential aged care provides two levels of aged care facilities:
 - *Nursing Homes or high level care* — which mainly care for frail older people who require 24 hour nursing care and substantial assistance with personal care.
 - *Hostel or low level care* — which generally care for less frail older people providing a wide range of accommodation, personal care and occasional nursing services.
3. The Commonwealth provides the majority of annual funding for residential age care. States provide top up funding for public sector beds.
4. Community based care aims to prevent premature entry into residential care and to maintain older people in the community through the provision of support services. There are three programs concerned with home and community care. The largest program is Home and Community Care (HACC), which includes Community Options Projects (COPS)⁷. The Commonwealth and States jointly fund HACC to provide a broad range of service options, including home help, transport, meals on wheels, centre day care and respite services. Within HACC, COPS provides case managed packages for more highly dependent individuals.
5. There have been no major changes in the provision of aged care services by the States since the last Review, except for a reduced involvement in nursing homes.

Disability Services

6. Services for the disabled operate within the framework of the Commonwealth State Disability Agreement (CSDA), to which all States are signatories. The services are largely provided under the CSDA which provides the framework for the provision of specialist disability services to those aged less than 65 years with a severe or profound disability requiring ongoing support. Some services for the disabled are also provided under HACC.

⁷ Which is called Linkages in Victoria.

7. A brief outline of the responsibilities of the Commonwealth and State government under the 1998 CSDA is given below.

Table B1 RESPONSIBILITIES UNDER THE COMMONWEALTH/STATE DISABILITY AGREEMENT (CSDA) 1998

Commonwealth responsibility	State responsibility	Joint Commonwealth/ State responsibility
Open employment — provides employment services to people with a disability in obtaining and or retaining paid employment in another organisation.	Accommodation support services — provides people with a disability with accommodation (group homes, hostels and large institutions) and support to maintain accommodation (attendant care and in-home support).	Advocacy services and research and developments.
Supported employment services — supports or employs people with a disability within the same organisation.	Community access services — helps people with a disability to develop or maintain the personal skills and self-confidence necessary to enhance their independence in the community.	
Open and Supported employment — provides both open and supported employment assistance.	Respite-care services — support (for limited periods) people with a disability living in the community, and their families and carers.	
	Community support — helps people with a disability to integrate and participate in the community. It includes information/referral services, recreation and holiday programs, case management, brokerage, early intervention therapy, print disability services, mutual support/self help groups and other therapy services.	

Source: Productivity Commission Report on Government Services, Vol 2, 2002, p 687.

8. The 1998 agreement was due to expire in June 2002 but has been extended until the end of October 2002. When the details of the new agreement become available we will need to consider implications for the 2004 Review assessments.