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Home ownership reduces the cost of home-based care among old adults

THE RISK OF PREMATURE ENTRY TO RESIDENTIAL CARE FOR OLDER ADULTS IS LINKED TO WHETHER THEY OCCUPY FLATS OR PUBLIC HOUSING. BY CONTRAST, HOME OWNERSHIP IS SIGNIFICANT IN LOWERING COSTS OF IN-HOME CARE.

KEY POINTS

- Consistent with international evidence, in Australia providing in-home care for older adults is found to be less costly than providing institutionalised *(residential)* care. It is not surprising therefore that public policy-makers have looked for ways to reduce premature entry to residential care by supporting people to remain in their own home.
- Tenure is also found to be a statistically significant factor in affecting costs of in-home care. In particular, the cost of providing in-home care is greater for those in public housing relative to those in home ownership. For instance, those in social housing flats were the most likely to enter residential care, while those in owner-occupied housing were the least likely to enter residential care.
- The majority of older people remain in the community throughout later life and may never enter residential care. The risks of entering residential care are increased by expected factors such as age, presence of medical conditions, and cognitive impairment. But risks are also increased by the type of house they reside in—in particular, whether the person is in a flat, especially flats in public housing.
- Because in-home care costs for home owners are relatively low, the current high rate of home ownership by older persons helps to facilitate the provision of cost-effective in-home care.

*This bulletin is based on research by **Associate Professor Catherine Bridge** and **Professor Peter Phibbs** of the AHURI UNSW-UWS Research Centre and **Professor Hal Kendig**, **Professor Mark Mathews** and **Mr Brian Cooper** of the AHURI Sydney Research Centre.*

The research examined the costs and benefits of providing in-home care to older people in contrast to residential care and evaluated the interrelationships between housing and care variables in determining the in-home care costs.

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BACKGROUND

In the context of an ageing population, governments are interested in how they should best address the care needs of people as they age—and how much it might cost. This study sought to identify whether there are links between the cost of providing care in a person's own home and the characteristics of the housing that older people occupy. It also sought to understand whether risks of entering residential care were linked to housing factors.

METHODOLOGY

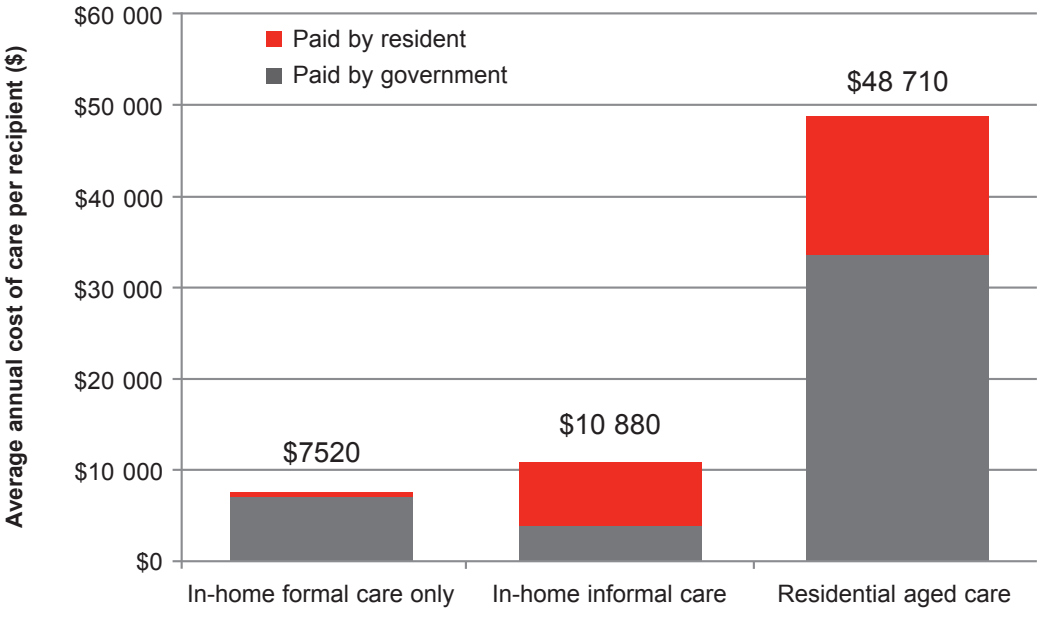
Two key data sources were analysed in this study. The costs of care were estimated using the 2003 Survey of Disability, Ageing and Carers (SDAC), and other relevant sources, and were then analysed using various statistical techniques used to understand whether there was a link with housing and other relevant variables. The risks of entering residential care were analysed using the Melbourne Longitudinal Studies on Healthy Ageing (MELSHA) surveys which analysed older people in 1994 and again in 2006.

KEY FINDINGS

Care costs government less when provided inside the home

Providing in-home formal or informal care for older adults is less costly for government than providing institutionalised care. This is because there is a substitution of unpaid informal care, and also no recurrent cost of accommodation. The average annual value of in-home formal care is approximately $7520 per year and in-home informal care is $10 880. In cases where both formal and informal costs are provided, they are only marginally higher ($11 370 per year). These are a fraction (between 15% and 23%) of the total annual costs faced when a person is in residential care ($48 710). As Figure 1 shows, because government bears a significant proportion of residential care costs (more than two-thirds), there are significant savings for government if they can help people stay in their own homes for longer.

FIGURE 1: COSTS OF IN-HOME CARE ARE CHEAPER THAN INSTITUTIONAL CARE



Source: Survey of Disability, Ageing and Carers (SDAC) 2003

Costs of in-home care are lower for home owners

Tenure type was statistically correlated to home-based care cost predictions and lower average costs of providing in-home care appear to be linked for those owning or purchasing a house compared to both public tenants and private renters. This was the case whether the person receives formal care, informal care or a mixture of both. Further, dwelling type was also significantly associated with support type, for instance, relatively high numbers of older single people residing in units. It might be assumed that public and private unit dwellers have a greater need for care because they more typically live alone. Nevertheless, living in private rental accommodation was strongly associated with receiving no support—possibly because only the most healthy can manage within this less secure tenure type.

Many older people remain in the community permanently and this appears to be linked to the type of dwelling and tenure

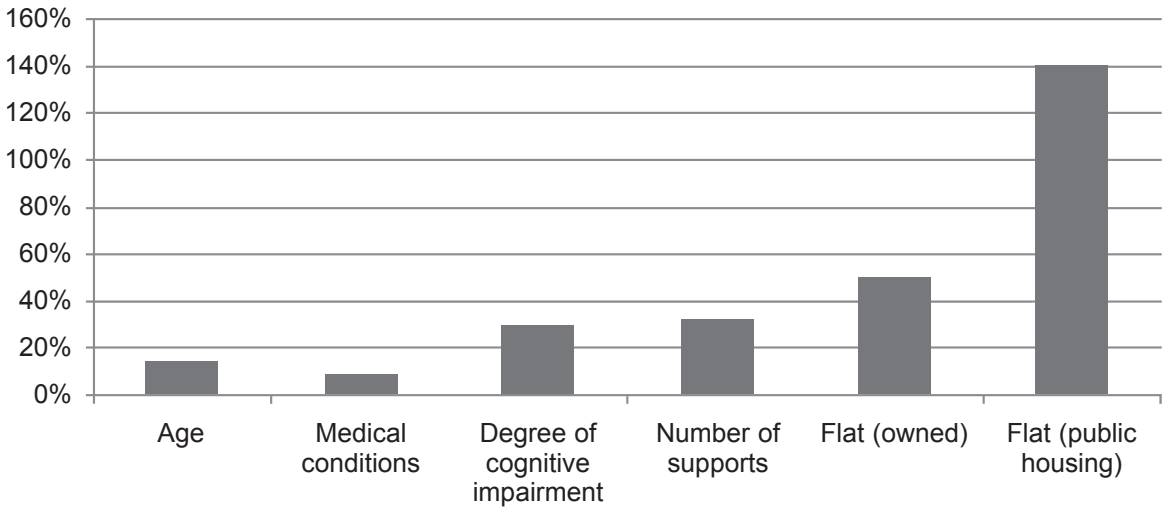
The Melbourne Longitudinal Studies on Healthy Ageing (MELSHA) analysis showed that even though respondents averaged 75 years of age in 1994, 42 per cent of those with known outcomes were still living in the community in 2006. Among the 50 per cent of respondents who died, only 33 per cent were known to have entered residential care. This suggests that most people will never enter residential care.

The risk of requiring residential care is linked with factors such as the age of the householder, and whether they have existing medical conditions or cognitive impairment. However, it is also linked to the type of housing they live in. For example, the risks of requiring residential care are higher if the person lives in a flat—and much higher for those in public housing flats. It may be that downsizing or reduced income may be correlated with disability and/or unmet care need, but this does suggest that dwelling and tenure factors are important in predicting entry to residential care. By contrast, those in houses—especially home owners—seem less likely to enter residential care.

POLICY IMPLICATIONS

Home-based care, which is strongly preferred by older adults, is cost-effective for government. These results suggest that these relatively low costs are, to a large extent, reliant on high rates of home-ownership since costs are lower for this group. Currently, nearly 80 per cent of individuals and couples aged 65 years and older living in private households in Australia own their homes outright. This provides older people with a secure home base in which they might age-in-place. For

FIGURE 2: RISK FACTORS FOR ADMISSION TO RESIDENTIAL CARE
(INCREASED RISK OF ADMISSION COMPARED TO THOSE NOT HAVING THAT FACTOR)



Source: MELSHA survey

many of these people, they may not require residential care at all. To the extent that this high rate of home ownership does not continue for future cohorts, this may have implications for future burdens on the residential care sector and overall costs of in-home care.

For home-based care to continue to be a cost effective solution, policy-makers need to:

- Improve financial mechanisms and protective regulations to increase home ownership and security of tenure, as home ownership provides a secure base for in-home care.
- Give consideration to how older people in public or rental housing receive economic and social support in order to lower their risk of premature entry to residential care.
- Support regulations that promote home maintenance, modifications, and accessible design features that can reduce the likelihood of injury to care recipients and care givers and increase the likelihood that the occupant can remain in the home and so take advantage of in-home care.
- Address shortcomings in rental tenures that might increase risks of entry to residential care, such as lack of security of tenure which can create obstacles in implementing home modifications and adaptations.
- Improve minimum dwelling quality and amenity standards for private as well as public housing, as many older people can afford housing that may be poor in condition and quality, increasing the risk of illness and injury and, accordingly, the risk of institutionalisation.
- Expand support for informal carers whose unpaid care is critical to the success of in-home care (such as through home and community care, community aged care packages, and extended aged care at home).

FURTHER INFORMATION

This bulletin is based on AHURI project 60313, *The costs and benefits of using private housing as the 'home base' for care for older people*.

Reports from this project can be found on the AHURI website: www.ahuri.edu.au or by contacting the AHURI National Office on +61 3 9660 2300.

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