

What price quality in aged care? Findings from a national survey of more than 6500 income taxpayers

Public willingness to pay higher taxes is an important signal, but additional financial pillars are needed

Australia's aged care sector represents a multibillion dollar industry, predominantly funded publicly through income tax contributions. The Royal Commission into Aged Care Quality and Safety is currently placing an international spotlight on system shortfalls. Before the coronavirus disease 2019 (COVID-19) pandemic, the Australian Medical Association declared Australia's aged care system to be in crisis, joining with the Australian Nursing and Midwifery Federation in urging the government to immediately guarantee quality and safety.¹ COVID-19 has further magnified cracks in the system, having recently been described as one that "is rife with substandard care".²

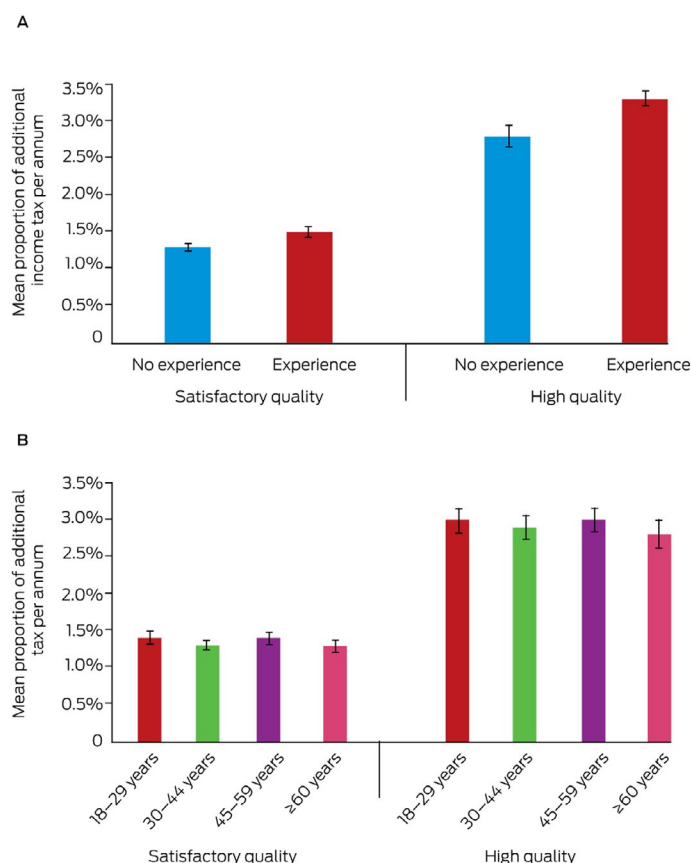
In 2017–2018, almost one million older Australians accessed home care services, and over 230 000 were permanently living in residential care at a cost to

government alone of over \$18 billion.³ These estimates are expected to increase exponentially in the coming decades.³ Evidence from Australia and internationally indicates the inextricable links between aged care and health systems, with the delivery of high quality aged care strongly associated with cost-effective containments in health system expenditures and improvements in older people's quality of life.^{4,5}

Coupled with the potential for sector-wide efficiency improvements,⁶ the introduction of a hypothecated aged care levy, financed from additional income tax contributions, has recently been highlighted in the United Kingdom⁷ and Australia⁸ as a potential new source to assist in funding quality improvements and meeting the spiralling costs of aged care.

Our team recently designed and conducted an Australia-wide survey commissioned by the Royal

1 Willingness to pay additional income tax to support quality improvements, by aged care experience through a close family member (A) and age group (B)



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2 Willingness to pay additional income tax to support quality improvements: descriptive statistics, by aged care experience through a close family member

Aged care quality	Aged care experience	Income group	No. of respondents	Additional income tax proportion		
				Mean (SD)	95% CI	Median (IQR)
Satisfactory	No	All income levels	2912	1.3% (1.1%)	1.2–1.3%	1.0% (0.5–1.5%)
		> \$40 000	400	1.3% (1.1%)	1.2–1.4%	1.0% (0.5–2.0%)
		\$40 000–\$79 999	771	1.3% (1.0%)	1.2–1.3%	1.0% (0.5–1.5%)
		\$80 000–\$124 999	797	1.3% (1.2%)	1.2–1.4%	1.0% (0.5–1.5%)
		≥ \$125 000	692	1.3% (1.2%)	1.2–1.4%	1.0% (0.5–1.5%)
		Income level not disclosed*	252	1.2% (1.0%)	1.1–1.3%	1.0% (0.5–1.5%)
	Yes	All income levels	1099	1.5% (1.2%)	1.4–1.6%	1.5% (1.0–2.0%)
		> \$40 000	162	1.6% (1.2%)	1.4–1.8%	1.5% (1.0–2.0%)
		\$40 000–\$79 999	274	1.5% (1.1%)	1.4–1.6%	1.5% (1.0–2.0%)
		\$80 000–\$124 999	329	1.4% (1.1%)	1.3–1.6%	1.0% (0.5–2.0%)
≥ \$125 000		279	1.5% (1.2%)	1.4–2.7%	1.0% (0.5–2.0%)	
	Income level not disclosed*	55	1.3% (1.0%)	1.0–1.6%	1.0% (0.5–1.5%)	
High	No	All income levels	2558	2.8% (2.3%)	2.7–2.8%	2.0% (1.0–4.0%)
		> \$40 000	346	2.9% (2.5%)	2.7–3.2%	2.5% (1.5–4.0%)
		\$40 000–\$79 999	682	2.7% (2.0%)	2.6–2.9%	2.5% (1.0–3.5%)
		\$80 000–\$124 999	710	2.9% (2.5%)	2.7–3.0%	2.0% (1.0–4.0%)
		≥ \$125 000	609	2.8% (2.4%)	2.6–3.0%	2.0% (1.0–4.0%)
		Income level not disclosed*	241	2.6% (2.1%)	2.3–2.8%	2.0% (1.0–3.5%)
	Yes	All income levels	1002	3.3% (2.4%)	3.1–3.4%	3.0% (1.5–4.5%)
		> \$40 000	146	3.5% (2.6%)	3.1–4.0%	3.5% (2.0–4.5%)
		\$40 000–\$79 999	247	3.4% (2.4%)	3.1–3.7%	3.0% (2.0–4.5%)
		\$80 000–\$124 999	304	3.2% (2.3%)	2.9–3.4%	3.0% (1.5–4.5%)
≥ \$125 000		253	3.3% (2.6%)	3.0–3.7%	3.0% (1.5–4.5%)	
	Income level not disclosed*	52	2.8% (2.2%)	2.2–3.4%	2.3% (1.0–4.0%)	

CI = confidence interval; IQR = interquartile range; SD = standard deviation. * Respondents who chose “prefer not to say” option for household income level categorisation survey question. ◆

Commission into Aged Care Quality and Safety. The survey sample included over 10 000 respondents sourced from an online panel and representative of the June 2018 Australian population (aged ≥ 18 years) by age, sex, state/territory and household income. The sample included over 6500 current income taxpayers not currently receiving aged care services and hence potential future recipients of aged care.⁹ Using stated preference contingent valuation methods (see the [Supporting Information](#) for further discussion of this approach), we found that 61% of current income taxpayers would be willing to pay an additional 1.4% income tax per year to ensure universal access to a satisfactory level of aged care, and 55% of current income taxpayers would be willing to pay an additional 3% income tax per year to achieve high quality aged care. Respondents with experience of aged care through a close family member were willing to pay more to guarantee universal access

to satisfactory or high quality care compared with those without experience ([Box 1](#) and [Box 2](#)). Similarly, younger people were also willing to pay slightly more than older people to ensure universal access to satisfactory or high quality care ([Box 3](#)).

At present, 4% of Australia’s income tax contributions are allocated to aged care.⁹ Modelling by the Royal Commission into Aged Care Quality and Safety indicates that a doubling of this expenditure base may be required in the short to medium term to meet the needs of Australia’s rising numbers of older people, coupled with the need to implement substantial improvements in the quality and safety of aged care.⁸ An additional issue to consider for income tax contributions as an integral component of aged care financing is the ratio of the working population compared with our older population. This ratio is continuously declining from 101 people of working

3 Willingness to pay additional income tax to support quality improvements: descriptive statistics, by age group

Aged care quality	Age	Income group	No. of respondents	Additional income tax proportion		
				Mean (SD)	95% CI	Median (IQR)
Satisfactory	18–29 years	All income levels	991	1.4% (1.1%)	1.3–1.5%	1.0% (0.5–2.0%)
		> \$40 000	222	1.5% (1.2%)	1.3–1.6%	1.0% (0.5–2.0%)
		\$40 000–\$79 999	280	1.4% (1.1%)	1.3–1.6%	1.0% (0.5–2.0%)
		\$80 000–\$124 999	235	1.3% (0.9%)	1.2–1.4%	1.0% (0.5–1.5%)
		≥ \$125 000	179	1.4% (1.3%)	1.2–1.6%	1.0% (0.5–2.0%)
		Income level not disclosed*	75	1.4% (1.1%)	1.1–1.6%	1.0% (0.5–2.0%)
	30–44 years	All income levels	1336	1.3% (1.1%)	1.3–1.4%	1.0% (0.5–2.0%)
		> \$40 000	120	1.4% (1.0%)	1.3–1.6%	1.5% (0.5–2.0%)
		\$40 000–\$79 999	305	1.3% (0.9%)	1.2–1.4%	1.0% (0.5–2.0%)
		\$80 000–\$124 999	447	1.4% (1.3%)	1.3–1.5%	1.0% (0.5–2.0%)
		≥ \$125 000	373	1.3% (1.1%)	1.2–1.4%	1.0% (0.5–1.0%)
		Income level not disclosed*	91	1.0% (0.5%)	0.8–1.1%	1.0% (0.5–1.0%)
	45–59 years	All income levels	1063	1.4% (1.2%)	1.3–1.5%	1.0% (0.5–2.0%)
		> \$40 000	134	1.4% (1.3%)	1.2–1.7%	1.0% (0.5–2.0%)
		\$40 000–\$79 999	254	1.4% (1.2%)	1.3–1.5%	1.0% (0.5–2.0%)
		\$80 000–\$124 999	280	1.4% (1.1%)	1.2–1.5%	1.0% (0.5–2.0%)
		≥ \$125 000	308	1.4% (1.2%)	1.2–1.5%	1.0% (0.5–2.0%)
		Income level not disclosed*	87	1.3% (1.4%)	1.2–1.6%	1.0% (0.5–2.0%)
	≥ 60 years	All income levels	621	1.3% (1.0%)	1.2–1.4%	1.0% (0.5–1.5%)
		> \$40 000	86	1.2% (0.7%)	1.0–1.3%	1.0% (0.5–1.5%)
\$40 000–\$79 999		206	1.2% (0.8%)	1.1–1.3%	1.0% (0.5–1.5%)	
\$80 000–\$124 999		164	1.3% (1.0%)	1.2–1.5%	1.0% (0.5–2.0%)	
≥ \$125 000		111	1.4% (1.5%)	1.1–1.7%	1.0% (0.5–2.0%)	
Income level not disclosed*		54	1.3% (0.8%)	1.1–1.5%	1.0% (0.5–1.5%)	
High	18–29 years	All income levels	939	3.0% (2.4%)	2.8–3.1%	2.5% (1.5–4.0%)
		> \$40 000	218	3.2% (2.5%)	2.8–3.5%	2.5% (1.5–4.5%)
		\$40 000–\$79 999	260	3.0% (2.4%)	2.7–3.3%	2.5% (1.5–4.0%)
		\$80 000–\$124 999	224	2.7% (2.0%)	2.4–3.0%	2.3% (1.0–3.5%)
		≥ \$125 000	165	3.1% (2.6%)	2.7–3.5%	2.5% (1.0–4.0%)
		Income level not disclosed*	72	2.8% (2.4%)	2.3–3.4%	2.3% (1.0–4.0%)
	30–44 years	All income levels	1202	2.9% (2.4%)	2.8–3.0%	2.5% (1.0–4.0%)
		> \$40 000	105	3.2% (2.5%)	2.7–3.7%	3.0% (1.5–4.0%)
		\$40 000–\$79 999	272	2.9% (2.1%)	2.7–3.2%	2.5% (1.5–4.0%)
		\$80 000–\$124 999	410	3.1% (2.7%)	2.8–3.3%	2.5% (1.5–4.0%)
		≥ \$125 000	328	2.8% (2.3%)	2.5–3.1%	2.0% (1.0–4.0%)
		Income level not disclosed*	87	2.1% (1.4%)	1.8–2.4%	1.5% (1.0–3.0%)

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Aged care quality	Age	Income group	No. of respondents	Additional income tax proportion		
				Mean (SD)	95% CI	Median (IQR)
	45–59 years	All income levels	934	3.0% (2.5%)	2.8–3.1%	2.5% (1.5–4.0%)
		> \$40 000	108	3.2% (2.8%)	2.6–3.7%	2.8% (1.5–4.0%)
		\$40 000–\$79 999	227	3.0% (2.3%)	2.7–3.3%	2.5% (1.0–4.0%)
		\$80 000–\$124 999	242	3.0% (2.4%)	2.7–3.3%	2.5% (1.5–4.0%)
		≥ \$125 000	275	3.0% (2.5%)	2.7–3.3%	2.5% (1.5–4.0%)
		Income level not disclosed*	82	2.8% (2.7%)	2.2–3.4%	2.0% (1.0–4.0%)
	≥ 60 years	All income levels	515	2.8% (2.0%)	2.6–2.9%	2.5% (1.5–4.0%)
		> \$40 000	61	2.7% (1.7%)	2.2–3.1%	2.0% (1.5–3.5%)
		\$40 000–\$79 999	170	2.6% (1.8%)	2.3–2.8%	2.3% (1.0–3.0%)
		\$80 000–\$124 999	138	3.0% (1.9%)	2.6–3.3%	2.5% (1.5–4.0%)
		≥ \$125 000	94	2.9% (2.7%)	2.3–3.4%	2.0% (1.0–4.0%)
		Income level not disclosed*	52	2.8% (1.7%)	2.3–3.2%	2.5% (1.5–4.0%)

CI = confidence interval; IQR = interquartile range; SD = standard deviation. * Respondents who chose “prefer not to say” option for household income level categorisation survey question. ◆

age for every person aged 85 years or older in 1978 to 33 in 2018. By 2058, it is predicted that there will only be 15 people of working age for every person aged 85 years or older.⁸ It is therefore clear that there will be an increasing need for additional pillars of financial support beyond the current system, comprising income tax contributions as the major financial pillar supplemented by means-tested personal co-contributions and voluntary self-funded contributions for extra services or supports.

Other countries, including Germany and Japan, that are often highlighted as providing high quality aged care have compulsory social insurance schemes whereby contributions are made to a dedicated, pooled fund to finance the costs of aged care for members of society at the time of need.¹⁰ Other potential pillars of financial support include taxing superannuation earnings above a certain threshold, and private insurance.⁸

The current crisis facing aged care clearly demonstrates an urgent need for a national

conversation. As a society, we need to take collective responsibility, building upon the foundations laid by our Australia-wide survey to carefully consider all options for ensuring the quality, safety and sustainability of Australia’s aged care system for all Australians in need, now and into the future.

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Supporting Information

Additional Supporting Information is included with the online version of this article.