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WHO PAYS: FINANCING SERVICES FOR OLDER PEOPLE

Australian National University

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A STATE PERSPECTIVE

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## ABSTRACT

The argument in this paper is that in Commonwealth/State relations the Commonwealth has the bulk of financial resources at its disposal and allocations to the States are fraught with technical and distributional issues. The States have a limited and shrinking tax base and alone are not likely to be able to fund major age care services. Nevertheless the State Governments are major providers and in addition have an interest in all services for aged people, whoever provides them - Commonwealth, State or local government, voluntary agencies or the commercial sector.

Given that the services which support elderly people cut across so many functional boundaries a strong case can be made for a more coherent and directed State role in planning, co-ordination and standard setting. While the Commonwealth has a major funding role it is not always able to link the range of services that make for a coherent support package for older people and thus if the Commonwealth is interested in bringing about an effective and suitably targetted services structure then it needs the States to play a major planning and brokerage role.

The paper discusses federal/state relations, identifies some State activities in aged care and discusses recent Commonwealth initiatives in the areas both of residential accommodation and Home and Community Care. It highlights the importance of joint planning and teases out the issues for State governments in developing workable contractual arrangements with the voluntary sector and in regulating the commercial sector where appropriate. It concludes with a call for a State Plan on Ageing to be developed in each State.

FEDERAL/STATE FINANCIAL RELATIONS

As we come increasingly to grips with our changing population profile, particularly the ramification of the documented mortality declines of the past decade or so, it is important to think about how resources are distributed to individuals and communities so that they might attain a certain standard of living and/or quality of life. This structure of benefits and their distribution is an intensely political predicament, for there is often great disagreement about why services might be provided, what sorts of services should be developed, who the recipients ought to be, what volume and mix of services ought to be provided, who should pay and how the system might be financed. Arguments about the financing of human services are long standing. There is the argument whether (and the extent to which) they should be provided through the family, the market, through non-government non-profit organisations, or through the public sector.

In reflecting on the social policy literature, two traditions manifest themselves in that literature. One tradition sees the objectives of social policy as a quest after social improvement, as an exercise in setting desirable social objectives and in organising the mechanisms of social change to achieve these objectives. It is an optimistic activity, hoping to build a consensus related to solving the gargantuan questions of the theory of benefits and their distribution.

The other tradition focuses on the concept of scarcity - on the premise that demands for services and allocations always exceed the capacity of the society to deliver. Two competing, and together unattainable, demands present themselves - demands for equality, and demands for efficiency. According to some, the central question in social policy is to arrange a trade-off between equality and efficiency. Any such trade-off certainly has an ideological component, but it also has a major structural component. Some would argue that the structural and the ideological are one and the same. Others would argue that this need not be so, but whatever position one takes, the resultant argument will inevitably be about federalism.

Federalism in Australia was built on a foundation of the States giving limited and carefully considered powers to the Commonwealth. In return for this slice of sovereignty, the States were to receive funds from the Commonwealth, and from the earliest days there have been mechanisms for transferring "surplus" Commonwealth funds to the States. In the beginning the surplus funds came from customs and excise duties and over time the distributions have varied both in method and rationality, and have usually been tempered by expediency. Matters of fiscal allocation have always been hotly debated, and regular and predictable confrontations at Premiers Conferences give this longstanding dispute contemporary currency.

Responsibility for community well-being is caught up in the politics of federalism which sees shifts, over time, in the balance between control and decision making at the centre, and control and decision making at the periphery. When translated into human service provision, issues of public finance are every bit as important as ideological issues relating to needs, rights, and shares. Expenditures by governments relate closely to perceptions and measures of need within the community generally, and within jurisdictional boundaries. Over time in Australia we have seen attempts to measure need and translate this into revenue grants. The process in recent years has been to identify need according to pre-determined factors, and allocate funds to the States on that basis. An area of controversy relates to whether expenditure patterns in the States should be as similar as possible, so as to bring about a national unity, or whether patterns should vary to reflect the essence of a federation.

In Australia the Commonwealth government collects about 80 per cent of Australian taxation revenue. Approximately one third of Commonwealth revenues go to the States according to complex formulae tempered both by rational measurement methods and political pragmatism. The States raise revenue through a variety of taxes and charges, though in both Commonwealth and State arenas the tax base is both concentrated and until recently, shrinking.

TABLE 1  
SOUTH AUSTRALIA  
SOME AGED EXPENDITURES - 1984/85

	COMMONWEALTH \$M	STATE \$M	LOCAL/OTHER \$M
Pensions			
- Age )			
- Service )	772.1		
- Disability )			
Domiciliary Care		8.1	
DNCB	1.8		
Guardianship Board		.684	
Public Trustee		Not known	
Day Care	6.3		
Senior Citizens' Centres	.461	.64	.166
Welfare Officers	.251	.251	
Community Welfare Grants		.162	
Small Grants for Seniors		.150	
Paramedical Services	.945	.945	
R.D.N.S.	2.9	2.9	.636
Concessions -			
- vehicle registration)			
- licenses )		2.2	
- STA concessions (all pensions)		8.0	
- community buses		.1	
- electricity		2.6	
- council, water and sewerage rates			15.6
- telephone	2.7		
Home Assistance Scheme		.9	
Housing	2.6	26.1	
Meals On Wheels	.6		1.3
Services for aged suffering from mental and behavioural disorders		15.5	
Nursing Homes and Hostels	110.4	9.1	
Hospitals (State) (Age component)		200.0 (est)	
Services for Veterans	60.0 (est)		
Pensioner Dental Scheme		2.1	
S.A. Spectacle Scheme		1.5	
National Acoustic Laboratory	Not known		
Recreation	.14	.111	

the part of government, rather than a more structured and planned approach.

CURRENT COMMONWEALTH INITIATIVES IN AGEING - EFFECTS ON THE STATES

Over the last decade there have been numerous reports and criticisms of the residential care system in Australia which it appears, seems to have grown with no coherent direction. It has been argued that there has been too much emphasis on nursing home care and not enough on other forms of accommodation or on home support. The balance between funds given to residential as opposed to community care is grossly disproportionate and there is evidence that perhaps as many as 25% of admissions to nursing homes may not be warranted. The implication of this is that there are people in nursing homes who perhaps ought not be there, and there are people in the community who are unable to gain admission, while at the same time there are people in the community living at levels less than is optimal through lack of community support. Within the nursing homes, standards and quality of care are highly variable, staff activities have no coherence about them, and the rights of residents are not codified or protected in any way.

As well as an unequal distribution of residential beds across Australia there is, within the system, no real co-ordination or assessment, and as a result individuals' particular needs are not often addressed. Restructuring this system requires a great deal of planning, co-ordination, honing of service skills, changes in financial arrangements, and restructuring of industrial relations. Many of these issues have great ramifications for State government administrations.

The Commonwealth's most recent report, the Nursing Homes and Hostels Review, proposes a new strategy for residential programs based on assessment, provision of adequate community support, and appropriate planning mechanisms. Each of these areas involves States in some form of joint decision making and in some cases joint funding. The initiative to date has been almost entirely

with the Commonwealth and the States are now responding to these Commonwealth initiatives.

To take one example the issue of uniform standards and quality of care considerations is one which has caused funding, industrial, and political difficulties in South Australia.

It was mentioned earlier that the Grants Commission made the point that should any State wish to provide services at a standard different to that of other States then it should finance that service appropriately. After a carefully considered process the South Australian government devised regulations a couple of years ago specifying that nursing homes ought to provide a minimum of 17.9 hours of nursing care per resident per week. Operating on other guidelines other States (except Victoria which has 18) have considerably fewer hours per week specified (mean of 13.7 hours). The net effect of this is that the cost structure in nursing homes in Victoria and South Australia is considerably greater than that in other States.

In order to remedy what it saw as an inequitable situation the Commonwealth froze benefits in Victoria and South Australia, payable in participating and State government nursing homes (but not in deficit financed nursing homes) arguing that if the State had imposed regulations that were considerably in excess of those prevailing in other States then the State ought to pay the difference between what might be deemed an appropriate national level and that level which the State saw fit to impose. The result has been considerable hardship for residents and their families, tension on the part of nursing home proprietors, anguish on the part of the unions involved in delivering the services, and numerous representations to State members of parliament. As things now stand we simply do not have the data to know whether 18 hours or some number of hours in excess of that, or some number of hours less than 18 is the appropriate standard, and investigations will soon commence to determine what the standard ought to be.

The points to note from this exercise are that the State, within its powers and acting in good faith, set what it saw as minimum nursing standards for nursing homes. As these standards were

higher than those prevailing in other States the Commonwealth government felt that a situation that was not equitable was being developed. The State government found itself particularly squeezed. On the one hand any unilateral diminution of standards would be seen to be professionally and politically unpalatable, yet from a financial point of view the State government has no capacity to pay the difference between the Commonwealth funding levels and those that would be required should the Commonwealth fund at the existing average level. Furthermore any such contribution by the State to individuals to enable them to pay nursing home fees would amount to a form of income maintenance, and the State is simply not geared up to do the appropriate income and assets testing that would be necessary, and furthermore there would be great debate whether as a matter of principle the State ought to enter into an income maintenance arrangement.

The solution then lies in the long term rather than in the short term. As mentioned, work is commencing to develop uniform national staffing standards for nursing homes. The long term solution lies in restructuring of the residential care system (a move already foreshadowed in the most recent reports), comprehensive assessment, and the sorting out of the industrial issues of who should provide what within our residential care system.

This highlights interesting questions of philosophy, direction setting, administration, and funding. It is a situation in which pressure increasingly is being directed at State politicians and State administrators while the State has very little capacity to initiate or to respond. There are however joint initiatives in restructuring the assessment system, in developing joint inspections of facilities, and in those planning mechanisms that emanate from the Federal/State co-ordinating committees on nursing homes.

The Nursing Homes and Hostels Review is based on a set of principles which are likely to be endorsed by the various State governments. Indeed it would be a peculiar State government that did not endorse the principles. State governments would certainly believe that elderly people should be supported in accommodation that is appropriate to their needs, that unnecessary and

inappropriate institutionalisation must be avoided, that skilful and comprehensive assessment should be mandatory prior to residential admission, that needs based planning should be backed by suitable planning and inspection mechanisms to guide and regulate residential developments, that there must be agreement between the Commonwealth and the States on appropriate care standards, and that elderly and disabled people should be encouraged to remain as long as possible in their own homes, supported by home care services. This last point gets into the next major issue of concern to the State governments, and that is the Home and Community Care program (HACC).

Home care services are centrally crucial in any development of community care. An ideal home care service can be described as one that is efficient, flexible, accountable, comprehensive, acceptable, accessible, co-ordinated and equitably allocated. Satisfying these criteria is not a simple task and will certainly test to the utmost, our planning and implementation skills.

HACC is one mechanism trying to address the awesomely convoluted conglomeration of alternatives to residential services, and of course its planning and implementation has major ramifications for State governments. Changes in residential care arrangements will put downward pressure on home care services, and many people who previously would have been supported in institutions by Commonwealth funded programs will now be supported at home by jointly funded programs. The Commonwealth has created a range of residential programs from which it wants partially to retreat. It makes good sense to strengthen home care programs. It makes even better sense to achieve closer linkages between residential and community care.

In order to achieve the very reasonable objectives and principles, the States, hard pressed financially, will have to pay half the costs. It would seem to me that there is a lot of negotiation yet to take place.

Around the States we are hearing proposals for new and inventive extensions to services. There are proposals for out of hours and seven day services in home help, expansions in district nursing,

and a broader approach in delivered meals. There are proposals to increase the utilisation of resources in senior citizens' centres. There are proposals for more day care, for more equitable distribution of existing services, for an increase in respite services, and for more appropriate transport services. A lot of this hinges on better planning mechanisms, better co-ordinating mechanisms and satisfactory monitoring procedures.

The HACC program is gathering momentum in South Australia with the most recent round of expenditure approvals announced on June 7. The momentum which is now gathering reflects the planning mechanisms in place. A consultative regional needs based planning system is being developed and this will replace submission based funding. Early in 1985 the S.A. government established a task force to set priorities for new HACC funding. The priorities set by the task force and endorsed by the government were Respite Care, Co-ordination, Home Help and Personal Care, and Transport. Funds have been allocated according to these priorities. Over the next few years we would anticipate an expansion of activities in these areas as well as continuation, perhaps with better co-ordination, of the existing traditional home care services presently operating.

However it all pans out, governments, especially State governments, will be unable to meet all the demands from the community or even deal with all of the legitimate claims placed before them. HACC must not be seen as a panacea because it will only be able to meet part of the need. Services will be met through other sources by the informal activities of families, by the voluntary non-profit sector, and by the private for-profit sector.

While it would be tedious to state again that to expect families to provide professional like services to elderly relatives is to misunderstand modern division of labour principles, the reality is that a great deal of tending is done by families and furthermore State governments provide some meagre, though usually inadequate, backup service to these families. What we are seeing is a great deal of HACC activity being despatched to the voluntary sector and we are also seeing a growth in entrepreneurial profit making activities in the private sector. State governments have not demonstrated in the past that they have a sufficient grasp of the

complex issues involved, nor sufficient experience in regulating these activities to ensure the best outcomes. These activities however are high on some State government agendas as we work towards the inevitable and necessary partnership of the various sectors in providing comprehensive co-ordinated services for older people.

STATE GOVERNMENT RELATIONS WITH VOLUNTARY AND PRIVATE SECTOR PROVIDERS

In view of the growing level of participation of the non-government sector within the HACC arrangements, it is worthwhile examining the funding mechanisms that currently operate and the implications of such funding arrangements and their accountability and autonomy. In a study conducted in 1982, Wendy Silver and I managed to identify every dollar that passed from one State Government to non-government agencies in the health and welfare fields. We distinguished those methods that support agencies and those that support some or all of the services of an agency.

The methods that support agencies involve the transfer of an amount of funds to the agency on the basis that the agency will decide what services those funds will support. These methods may differentiate between capital or recurrent purposes but the essential feature is that the direction and nature of the services that the funds support is decided by the recipient agency. Therefore both the development of welfare service policy and its implementation rests with the funded agencies.

The methods that support services of agencies involve the transfer of an amount of funds to the agency to assist with the provision of some specified service that it provides. The services funded may represent all the services of that agency or only a part of its service. These methods place the responsibility for decision making about the direction and nature of funded services in the hands of the funding body. Although agencies are still free to provide any other services from their own resources, evidence suggests that they tend to arrange their service delivery

priorities to attract the maximum amount of funds. In effect then the use by Governments of funding methods that support services rather than agencies, means that Government will have responsibility for making policy decisions about services, and agencies may participate in implementing those policies by accepting available funds.

The overwhelming proportion of State Government funds (95% in this study) went to supporting agencies while only 5 percent went to supporting services. The funding system is one with which traditional (and usually large) organisations feel comfortable. They are able to arrange their services and utilise the political process to attract and continue to receive large amounts of government funds. For the governments which provide those funds the system seems neither to guarantee quality and co-ordinated services, nor to contribute to their ability to attain their social policy goals.

However any major departure would involve the State governments in major costs, first in developing and having on tap on a consultancy basis, considerable service delivery expertise, and second in developing and utilising greater monitoring and evaluative mechanisms to ensure an appropriate and effective flow of funds.

On the basis of this distribution however, one should not jump to the conclusion that NGWOs are neither responsible nor accountable to government. At times, funds are provided with strings attached and at times continue only to the extent that certain conditions are met. And of course it is convenient for governments to fund NGWOs. Public authorities fund non-government organisations to provide certain services which government has neither the inclination nor perhaps the capacity to provide.

What the State governments need, especially with the broadening of HACC, but also for general edification, is a coherent set of principles and guidelines to structure relations with NGWOs.

The distinction between public and private in many service situations is illusory. In some cases governments enter into contractual arrangements with voluntary or profit making bodies,

sometimes to guarantee levels of profit, as happens in the private nursing home sector, and sometimes to bring about the most effective service delivery system. We have heard a lot lately about privatisation, and there are two concepts which are described by the term: an ideological concept which suggests that users should pay for services; and an operational concept relating to delivery methods, which suggests that services can be better developed and delivered if non-government welfare organisations (NGWOs) are more involved.

With regard to the user-pays arguments, issues of selectivity are prominent. Provision to those who are not the neediest is decried, and it is argued that resources will be able to be spread more widely if those who can afford to do so are asked to pay for services. This is not a strong argument, for very few people presently in receipt of statutory services would be able to, or would have the inclination to purchase them in a market situation. Disability cuts across the class spectrum and selectivity is not appropriate, for although some elderly disabled people may be asset rich, many have very little income to spare, and immediate disposal of assets to pay for services is likely to compound the difficulties. Not all old people in big houses are rich, though those who are rich often purchase caring services on a commercial basis.

The current operational argument has two components. First it is held that services provided by government are likely to be excessively rigid and bureaucratic, and devolution to less monolithic units is therefore desirable. Second, at the present time it is easier for a government department to obtain funds for the purchase of services than it is to arrange for additional public sector staff. This combined situation has led to serious consideration by most governments for service contracting.

The alleged advantages to government of contracting out are that it ends up cheaper on the public purse; that the service delivered is more flexibly delivered than would be the case with statutory delivery and thus, because agencies know their clients better than do statutory bodies, the quality and effectiveness of the service will be better; that there is scope for service innovation and specialisation and that management skills are improved all around.

The alleged disadvantages of such contracting are that agencies can become over-dependent, lose their autonomy, and nevertheless not be particularly accountable for their services; that proliferation of service providers will lead to service fragmentation and lessen the possibility for the formulation of coherent social policy; that contracting has all the possibilities for easy misuse by political considerations.

The success of the buyer-seller relationship depends upon the ability to design, administer and enforce contracts. This is particularly so in conditions which lack any clear theories, practices or expectations. Contracting and funding non-government organisations, both profit making and non-profit making poses numerous dilemmas for State governments. In some fields it seems easier to allow entrepreneurs to make their moves, remembering that health and welfare services are not consumer commodities that can be bought and sold in a market situation like used cars or soap powders. Consequently, it is easier for the State governments to develop regulatory mechanisms to protect the interests of consumers while entrepreneurs take the risks, provide the service, and reap the rewards. One major case in point here is the development of resident funded retirement villages.

About 14 per cent of the 10,000 independent living units for older people in metropolitan Adelaide are "resident funded". As of July 1, 1987 their regulation will be a State responsibility.

The two main issues of concern relate to protection of consumers, on the one hand to protect them against misleading advertisements or promotions (especially in relation to the level of care to be offered in the villages) and on the other to ensure security of tenure for the village as a whole. Although there is no major funding incurred, the move involves the development of legislation in the States and appropriate protective and enforcement mechanisms, all of which add to the personnel costs of State governments.

As the changes taking place in residential accommodation and better assessment procedures will lead to people with some disabilities living in the community, many of them in independent living units,

there is bound to be an increase in demand for HACC services for such residents. We might expect to see care packages developed for resident funded complexes which provide for alternatives to statutory or HACC supported services, concentrating instead on either those with the capacity to pay for services, or those able to insure, in a service market against costs of home care services purchased in the open market.

The possibilities are very wide and the potential response by State governments are also broad, ranging from careful regulatory activity, through to planner and contract letter, to service provider.

### CONCLUSION

The State governments have limited capacity to initiate on a grand scale, or even to increase their roles in the provision of some major services. However their activities are of great importance in that they are able to work across a broad spectrum to bring together services which are presented via different functional arrangements. To be able to bring together services in health, housing and transport for example, is something that appears to be beyond the ability of the Commonwealth, especially at the point of delivery. Through their knowledge of local services and networks, through their own servicing and financing infrastructure, and through control over a substantial (but always insufficient) range of resources, the States are in an ideal position to play a major brokerage role.

It would make a lot of sense for each State to develop a State Plan on Ageing, and include in that plan a realistic catalogue of services to be provided for older people, a set of target groups and an implementation strategy. By having the responsibility of directing the system, coherence and control can be assumed, and if financial limits are prescribed by the Commonwealth, then the States at least will know the boundaries and will, through negotiation and various political tactics attempt if appropriate, to alter those boundaries.

With State finances most parlous, and with Premiers Conferences bringing little joy, it makes no sense for the States to develop wish lists. What is more appropriate is to harness existing resources, and (in conjunction with the Commonwealth), plan for their efficient, equitable and effective allocation.

Three types of conclusions can be drawn. First, within the context of scarcity, centrifugal forces seem to operate in government. Those Ministers and departments concerned with economic management and development and wealth production tend to fly in one direction. Those concerned with physical infrastructure development in another, and those with human services in another. Within each group there are numerous subdivisions, only one of which concerns supporting elderly people. These centrifugal trends are evident at both Commonwealth and State levels and thus any social justice role, especially one which focuses on some of the most powerless people in our society, some of our elderly people, has to compete with other demands. Consequently those of us in the States need good theory, good operational principles and impeccable data. Within our federal system there are no unambiguous planning and delivery roles and this is where State Plans on Ageing would be helpful, plans outlining in social justice terms where our services are at and where they are going.

The role of the States is crucial and self-evident. The Commonwealth is less likely to be able to deliver effectively as the scale of operation allows it to deal mostly with broad principles. These are most necessary but must be blended with a more local touch. The States then can bring together activities on either side - those of the Commonwealth, and by careful regulation and the development of contracted arrangements, those of the private for-profit sector and voluntary agencies.

Second, the States are best suited to identifying need within their jurisdiction, planning to meet future need, initiating new processes and responding to local ideas and circumstances. It would make good sense for the States to take on an unambiguous planning and managerial role in organising services for elderly people. While the Commonwealth provides the bulk of the funds it is somewhat removed from the level of delivery and should more

appropriately develop principles of equity and effectiveness. In most areas the States should work jointly with the Commonwealth in making decisions, but the ability of the States to harmonise numerous functions and services puts them into a stronger co-ordinating and brokering role.

The brokerage role is played when the State governments link funders, service providers and consumers. This can be done by reference to a State Plan on Ageing, backed up with procedures for letting service contracts, targetting services, and ensuring accountability from service providing agencies. Joint decision making with the Commonwealth plus a co-ordinating and brokerage role will go towards equity and service coherence for older people.

Third, by developing a State Plan which includes mechanisms for regulating non-government and commercial service providers, State governments can ensure maximum consumer orientation and maximum sensitivity towards consumers. Through Offices such as mine, States can develop strong consultative arrangements with older people and be highly responsive to expressed and felt need.

Consumer satisfaction is of the utmost importance, and it raises questions of accountability. Criteria of accountability in service situations have seldom been spelt out. Is the provider accountable to the consumer, or accountable up the line to higher policy makers? In regular market transactions the provider is accountable to the consumer, but in situations where contracting is in operation the accountability is to the public funding body. State governments can tread the fine line to ensure that consumer integrity is maximised and service provision is optimised.

Social policy, as the great theorist Richard Titmuss pointed out, is basically about choices between conflicting political objectives and goals, and how they are formulated, about what constitutes the good society, and that part of a good society which culturally distinguishes between the needs and aspirations of social beings, in contrast to the needs and aspirations of economic beings. Today's key policy issue is that of how to distribute limited resources, whereas a decade ago issues of resource redistribution were prominent.

Many of the fiscal difficulties associated with broadening social expenditure relate to two factors, the increasing concentration of tax powers within the hands of the Commonwealth, and the narrow tax base, especially the narrow definition of income. Not only does the Commonwealth find the revenue limited, but so too do the States. The consequences of Commonwealth fiscal control for the States are important. Will the States be expected to pick up any shortfall? Do the States have either the capacity or the willingness?

Notwithstanding a limited tax base, other considerations come to the fore when looking at issues of State financing. One notable phenomenon is that carrying a service system may be quite divorced from the policy making process. In our federal situation resources are unequally distributed as are decision making powers. The Commonwealth can make unilateral decisions that have significant cost impacts on States, yet the reverse is not the case. We in the States cannot make unilateral policy decisions which pass service costs onto the Commonwealth.

Which level of government ought to play planning and delivery roles in relation to elderly people? How much of a role should the Commonwealth play - and how much should be left to (or initiated by) state and local government? What are the intrinsic capabilities of each level of government? What resources do they, or should they have? How sensitive to local problems can a centralised administrative structure be? These are both ideological and operational questions about the desirable functions of the various levels of government, tempered heavily by value stances on the extent of government's role in aged care services.

It was during the Whitlam years that the federal government tried, for the first time, to become heavily involved in developing and administering service programmes and in going well beyond the traditional cheque-writing role. Now we're going a step further - we are seeing a stronger planning and policy role, but a weaker funding role and this will be a crucial area of focus as we look at who pays, who ought to pay, who ought to pay how much to ensure that our older citizens live comfortably, live well, and have top quality support in our mixed economy of health and welfare.