

19th April 2013

Submission

To the Senate Committee on the Provision of Aged Care Services.

LHI Retirement Services (LHI) is a not-for-profit retirement service provider caring for over a thousand older South Australians.

Established in 1957, LHI Retirement Services is now one of South Australia's most successful providers of quality retirement living with two retirement villages, Glynde and Hope Valley.

Each LHI village offers new and innovative care services. These include on-site Independent Living Care, Assisted Living Care, Community Aged Care Packages, Low Dependency, High Dependency and Special Care. This ensures that village residents are able to remain part of their community regardless of care needs. The care options translate into a unique and special feature of LHI villages. When health status requires our residents to consider the higher levels of residential care, they are able to remain in their own village 'Aged Care Facility', surrounded by friends and neighbours.

LHI is very concerned that:

- The proposed LLLB processes clearly add significant costs (in some cases over 200%) to the charges that future recipients of care will be required to pay. These figures have not been made clear to the public.
- The government has significantly reduced funding over recent years by not indexing payments to true costs which has severely impacted on providers.
- The government has failed to implement the main Productivity Commission recommendations.
- The government has not been honest in its portrayal of the cost to employers of the Workforce Compact to the aged care workforce (LHI will receive \$140,000 from government in the first year but will be required to contribute a further \$240,000 from its own resources. This would result in staff reductions and poorer services to residents.
- Recognised and standard terminology is being completely changed under LLLB particularly regarding financial requirements, which will be very difficult for older people to understand.
- Further administration and reporting requirements are to be introduced under the Aged Care website including Quality Indicators that will include regular surveys of current residents, requiring significant time and cost commitments. Quality indicators are already available from the Accreditation Agency process already in place.

In addition LHI supports the submission by the Lutheran Aged Care Provider Network (copied below).

LHI is willing to appear at any Senate hearing if required.

T. B. Gray
Chief Executive Officer
(On behalf of the Residents, Staff, Board and community of LHI Retirement Services)

Facility Providers are concerned that the Department of Health and Ageing is reducing income through the ACFI review process, changing the ACFI rules and applying a severe-claw back process to meet the government's budget estimations. It must be remembered that there were no increases in the Commonwealth Own Payment Outlays (COPO) indexation for 2012/13 and early estimates for 2013/14 is an increase of 1.5%, while general operating costs are increasing at a rate of 3.5% to 10% p.a., which includes the changed Workcover premium in SA (+25%), electricity charges (+20%), council rates (+15%), pay indexation increases (+4.5%), etc.

LACRN has amongst its membership some small country locations that are struggling with the current legislative requirements, accreditation, certification and Fair Work Australia. If the proposed legislation is not enacted with these concerns clearly in the Senator's minds, these facilities will not survive in the long term. Housing markets in country areas have been depressed for some time and accommodation bonds and deposits are therefore at the lower end of the scale, ensuring that significant refurbishment and replacement of facilities is 'only a dream'.

In an effort to highlight some fine tuning of the legislation, LACRN recommends the following points for consideration and action to enable changes to the legislation to recognise that the survival of the aged care facilities is an important for the future of our communities.

General Issues

- *Residential Accommodation Deposits (formerly Accommodation Bonds) are the most important capital base for the future viability and development of aged care facilities. The proposed periodic payments system must not undermine the capital base of organisations and threaten future aged care developments, particularly in the smaller rural and remote section of the industry. A significant growth factor for residential care services is expected to continue into the future and the capital base must be secure to ensure replacement and additional developments are viable for the care of the elderly.*
- *The removal of the distinction between High and Low care is supported, along with the option for Residential Accommodation Deposits for all residents. However, there are concerns about the necessity to absorb additional costs in the supply of products and services to residents that were not applicable to low care residents as well as staffing issues around drug distribution to residents.*
- *The higher consumer co-contributions for care services, means-testing and residential accommodation deposits all require significant increases in consumer payments targeted to reduce the government's costs of caring for elderly people.*

The level of complexity for user-pay contributions for care provision will cause immense concern to prospective residents and their families who will not understand the difference between care costs, accommodation costs and service costs. The changes to current terminology (RAD's etc) will also increase confusion.

- *There are technological barriers to accessing the Gateway, along with financial barriers and general uncertainty, which will all conspire to delay the elderly establishing contact with service providers. A significant gap has been identified in this process for prospective CALD residents because of the use of a call centre and website as the first points of contact to access care services.*

As the Gateway has not been subject to copyright, an additional element of confusion is expected for consumers and providers as other organisations use similar terminology for their businesses.

- *The complexity of the proposed changes raises expectations amongst the public that the aged care providers will be able to assist people to understand the new system, but there is no additional funding provided to ensure that organisations can provide this service. Facilities will need to be involved with the education of prospective residents and their families and, should the Gateway be under resourced, the costs associated with this educational process will be an extra cost.*
- *The development of the 'My Aged Care Website' proposals include quality indicators, which may be considered 'normal business practices' in other industries, but are an additional impost on aged care providers at a time of significant uncertainty and significant change. There is little additional funding from government or residents to cover the additional costs associated with these changes.*
- *Security of tenure principles will remain in place, but consideration will need to be given to 'ageing in place' with acknowledgement of the need for ageing within the facility to ensure the most appropriate accommodation is available for residents at all times.*

Other Specific Issues

ACFI (Section 25.4)

It is proposed that a provider can be suspended from undertaking ACFI appraisals if there have been two incorrect appraisals submitted. An educative approach would be preferable to assist staff to undertake ACFI appraisals rather than the proposed punitive approach. The educative rather than punitive approach will assist smaller country rural and remote facilities to use the ACFI process appropriately and accurately, and reduce the number of facilities that will otherwise have to cease operating. An appeals process is also required for ACFI to enable providers to obtain an independent assessment of any disputed audit. The government claw-back processes establishes an environment of fear and under-claiming for the staff undertaking the ACFI reviews. Suspension will drive good staff out of the industry, which would be a disaster when given the current and future need for experienced skilled staff in aged care.

Explanatory Memorandum (Page 29 Item 6)

A new Quality agency is proposed along with a significant change process to be undertaken to understand the new requirements and processes for residential aged care and home support services. Establishing a new Quality Agency is unnecessary.

The significant confusion and cost of changing the current system could be avoided by amending the current accreditation system to achieve the required outcomes. The Administrative Appeals Tribunal will have a role in the reconsideration of accreditation and review of decisions, along with opportunities for providers to seek review by the Tribunal. This is expected to be beneficial to providers in having an appeals process which will enable challenges to be initiated for inappropriate decisions.

Explanatory Memorandum (Page 33 – Section 95B-11)

The role of the Price Commissioner is to approve extra service fees and accommodation payments that are higher than the amounts determined by the Minister. The delegation of the Price Commissioner's functions (all or in part) is proposed to be given to an employee within the Department of Health and Ageing. We consider this to be a 'conflict of interest' as the position would not be independent of the department.

Explanatory Memorandum (Pages 50/51/52)

The proposal of a new dementia supplement is supported but the self-funding of the supplement by imposing an ACFI reduction of 30 cents per day per resident on providers is unfair and removes funding from those whose care needs have already been assessed as warranting the funding.

The amount of 30 cents per day does not meet the extra care needs of a wandering and confused resident and is an insult to service providers.

Explanatory Memorandum (Page 52 section 44-5)

The Workforce supplement is listed as a 'primary supplement' in the legislation with the Minister being able to determine by legislative instrument the detail of the supplement.

It must be recognised that the Workforce Compact process adds significant complexity of the industrial relations processes within an aged care facility, which is avoidable. The normal annual wage increases based on CPI will be announced shortly by Fair Work Australia, but aged care facilities must pay a minimum of 2.75% or the higher FWA rate if more than 2.75%.

In addition the employer must pay an additional 1.5% in the first year to 3% for Carers and other staff through an Enterprise Agreement.

Many facilities do not have an Enterprise Agreement with staff who are covered under the Aged Care Award 2010. Carers, Hospitality, Laundry and Maintenance workers all have differing needs which will make negotiating an EA extremely complex and become divisive amongst the various groups.

While most facilities will have an Enterprise Agreement with the Nursing groups, Enrolled Nurses are to be paid 2.5% in the first year to 8.5% above award rates in their enterprise agreements and RN's 4% to 12.6% above award rates, again this will cause disputes and disharmony between two professional groups who have existing rates of pay that already recognise their professional status.

The Workforce Compact will be a huge cost impost for facilities given that the current COPO indexation was zero and estimated to be 1.5% for 2013/14. What income stream is available to fund these additional costs, plus on-costs, and what opportunities are there to increase income in a tightly regulated environment? One LACRN member has estimated that the additional cost to them of the Compact will be a an additional

\$240,000 per year on top of the government funding of \$140,000. Based on the above information this could only be achieved by a significant reduction in staffing (equivalent to 8 full-time staff). Another member reports the increases will cost a minimum of \$116,000 in the first year and up to \$272,000 p.a. by the fourth year. This proposal alone threatens the whole aged care system, which would appear to be the real objective of government. LACRN urges the Senate to commission a full independent review of the assumptions upon which the Compact calculations were based.

The additional non-direct wage conditions associated with the Workforce Supplement eligibility is a significant industrial relations issue for facilities and must be removed so that there is a clear separation of wage and non-direct wage issues. The additional non-direct wage costs include:

- Enhanced training and education opportunities,*
- Improved career structures, career development, and workforce planning,*
- Review part-time hours*
- Casual staff conversion to part-time*
- Workload management*
- Work health and safety*
- Disciplinary matters.*

Though non-direct wage items, all of the above add significant unfunded costs to the facilities operations and these enhanced conditions add another layer of administrative responsibility and costs.

These matters are also covered by Accreditation requirements, conditional adjustment payments, industrial awards, Fair Work Australia and work health and safety legislation and add another level of cost and compliance to providers that is not necessary. The above must be deleted from the requirements for eligibility for the Workforce Supplement.

LACRN would recommend that to avoid these increases in compliance costs to achieve eligibility for the Workforce Supplement, the Aged Care Award could be increased to meet the proposed wage rates and that the Government then provide the necessary funding.

The Workforce Compact is obviously a campaign to shift the cost increase associated with the pay and conditions for low paid workers onto the aged care providers with only a token supplement from government, while intending to create the impression that the government is providing all of the funding for the increases.

Explanatory Memorandum (Page 100 – Items 170 & 171)

Section 66-1 specifies that sanctions may be imposed on an approved provider that has not complied with their responsibilities, relating to accommodation payments, repayment of refundable deposits and other matters be introduced. The imposition of sanctions should follow an educational process to assist providers in this process to ensure that appropriate processes are maintained.

Explanatory Memorandum (Page 106 Items 222/223)

The proposed unrestricted 'right of entry' by Union officials at any time is totally rejected by LACRN members. Facilities are operational 24/7 and the majority of time, due to funding constraints, operates with minimum staff levels. Any visits outside of normal

business hours will result in residents being put at risk due to staff being taken away from their normal duties. Emergency situations and genuine concerns about the welfare of a resident aside, there is little justification for an unrestricted 'right of entry' into resident's homes. Any concerns about an approved provider's claims for payment or investigation of any concerns can reasonably be done within normal working hours.

Lutheran Aged Care Residential Network Members

April 2013