



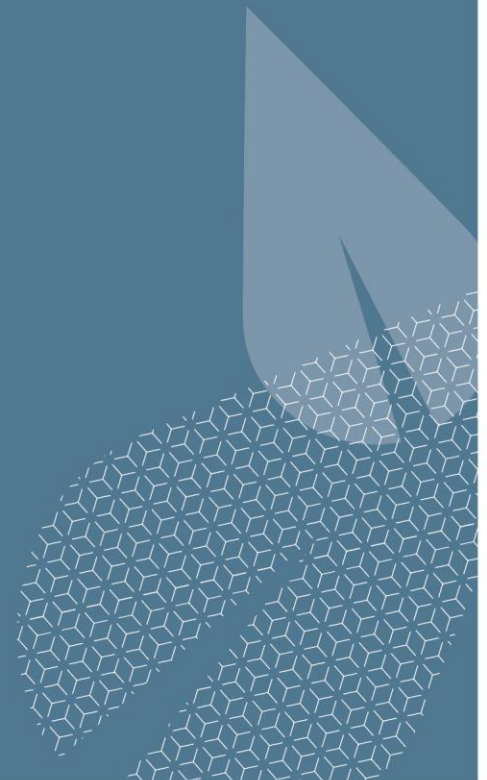
# **Community Affairs Legislation Committee - Aged Care Amendment (Implementing Care Reform) Bill 2022**

## **Inquiry Submission**

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Anglicare Sydney

12 August 2022





## EXECUTIVE SUMMARY

Anglicare Sydney is a significant provider of both residential aged care and community aged care services across Greater Sydney and the Illawarra. This is reflected in our long history of such service provision and a strong commitment to supporting over 2,100 members in our community, in 23 facilities who experience frailty and the need for ongoing and sometimes intensive care. Our facilities range in size from small homes with 40 bed capacity to our largest with 238 beds giving us a helpful perspective of the varying impact of the new reforms based on home size.

In more than 70 years of providing residential aged care services Anglicare Sydney has been guided by a commitment to quality service provision both clinically and holistically, underpinned by principles of dignity and choice, hope and compassion supported by highly trained and caring staff.

### **Anglicare Sydney supports the Aged Care Amendment (Implementing Care Reform) Bill 2022 (Aged Care Amendment Bill 2022).**

We look forward to working with government in the implementation of the full suite of Aged Care reforms in this Bill and in the recently passed *Aged Care and Other Legislation Amendment (Royal Commission Response) Act 2022* ("Royal Commission Response Legislation") to further support our residents and clients.

We believe that the *Aged Care Amendment (Implementing Care Reform) Bill 2022* is correctly focussed on keeping residents and clients healthy, safe and informed and Anglicare Sydney supports the direction the Government is taking with this legislation. However, while the Bill is an important step in reforming the current aged care system we would like to comment on the three core issues:

1. Workforce availability, especially for Registered Nurses
2. Transparency
3. Implementing the cap on home care administration fees

## **1. WORKFORCE AVAILABILITY - REGISTERED NURSES**

Anglicare Sydney has long implemented a policy of an RN on every site for every shift across its homes and supports the inclusion of this requirement at a national level. The very important role that Registered Nurses play in the residential aged care setting is acknowledged. Apart from oversight of multiple medications they undertake specialist wound care and nursing procedures, minimise unnecessary transfers to hospitals, provide palliative care and support and mentor and educate the rest of the nursing team in their care. While they are critical to operations, they are also becoming increasingly difficult to recruit.

Australia's aged care workforce is under pressure. Research from the Australian Aged Care Collaboration and Anglicare Australia has shown that wages for aged care workers haven't kept up with living costs, with workers across the sector being priced out of their own communities. It also found that many workers are leaving aged care altogether.

The 2021 CEDA report estimated that there would be a shortfall of 110,000 aged care workers by 2030 and the sector would need at least 17,000 more direct aged care workers each year to meet



basic standards of care.<sup>1</sup> In June 2022 CEDA updated this shortfall from 17,000 to 35,000 as a result of circumstances driven by the pandemic.<sup>2</sup> The reasons for this ongoing shortfall are numerous including: demographic changes, reduced migration, low wages, poor career progression, inconsistent working hours, working in COVID environments generating burn out and staff attrition and negative perceptions of aged care as an employment option, particularly for younger people. This has been further exacerbated by the very low levels of unemployment which provides incentives for staff to reconsider their current careers in aged care. The attrition rate is concerning, estimated to be 65,000 workers a year.<sup>3</sup>

Accordingly, Anglicare Sydney acknowledges and supports the Government's action to give aged care workers a funded pay rise through its submission to the Fair Work Commission on the 9 August. We recognise the significant work, skill and expertise provided by our staff in the residential aged care setting and the need for such wage incentives to be able to recruit more effectively as well as retain existing staff. The COVID pandemic has undoubtedly adversely impacted both recruitment and retention in relation to the aged care workforce; this initiative by the Federal Government will go some way to improve the current situation in relation to recruitment.

However, our own internal forecasting has indicated that we will need to increase our workforce in order to ensure the standards will be met, in particular in relation to RN's where there is a significant shortfall across the sector.

One particular challenge the Government can address, potentially through the upcoming Jobs Summit, is the supply of Registered Nurses. While overseas trained nurses, particularly from locations such as the Philippines and India, are well trained and willing to relocate to Australia, current visa conditions restrict our ability as a provider to recruit these nurses in metropolitan areas. We recognise that international sourcing is only one avenue and that long-term workforce programs to increase domestic supply will be critical, international sourcing allows rapid response to the increased demand for RNs that this legislation will require.

Providers will also need some assurance that while the Commonwealth will cover the proposed wage increases that it will also guarantee that case mix dollars will also be adjusted to purchase the additional RN hours required – assuming more RN's can be recruited. This will remain a significant challenge in the sector and may hamper the ability of many to meet the new standards.

### Recommendations:

1. Government support for increasing supply of registered nurses, including through increasing the number of, and relaxing the conditions on, visas available to overseas trained nurses to allow more RNs to work in metropolitan aged care facilities
2. If the proposed increase in staff wages is approved by the Fair Work Commission, the AN-ACC price will need to reflect this accordingly

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<sup>1</sup> CEDA (2021) *Duty of Care: Meeting the Aged Care Workforce Challenge*, sighted at [Aged-Care-Workforce-2021-FINAL.pdf \(ceda.com.au\)](#) p4

<sup>2</sup> CEDA (2022) *Australias Aged care Crisis Escalates – Staff shortage Doubles* sighted at [CEDA - Australia's aged care crisis escalates - staff shortage doubles](#)

<sup>3</sup> Ibid

## 2. TRANSPARENCY

Anglicare Sydney already reports to the Australian Charities and Not-for-profit Commission, and we therefore welcome the new transparency requirements of the Aged Care Amendment Bill 2022). Transparency can only assist Australian taxpayers to understand the true financial status of the sector and the need for government funding.

## 3. IMPLEMENTING A CAP ON HOME CARE ADMINISTRATION FEES

Anglicare Sydney agrees that egregious home care administration fees are unacceptable, and reform is necessary. However, if the quality of home care is to also be improved, as it must be, then the new administration fee must be set at a level to permit providers to implement necessary new IT systems and to professionalise the provision of care. We recognise that there are some providers who have exploited the system in the past to charge unconscionably high administration fees. Providers such as Anglicare have set our administration fees to cover the implementation of new IT systems, quality oversight, ongoing investment in recruitment, training and service improvement. The design of any cap must appropriately reward and incentivise prudent investment in improving care while at the same time preventing unscrupulous providers from diverting funds from client need.

Professional care will mean clients will experience coordinated and better care, with greater accountability and oversight. These changes will be expensive. The sector will not be able to meet either regulator nor clients expectations if these changes do not occur.

**Recommendation:** caps set on home care fees must take into account the costs required to implement new IT systems and raise the professionalism of care. Further any cap should be regularly reviewed to ensure it is not driving unintended consequences but rather is driving material improvements in care.

## OTHER ISSUES

As the issues addressed in this legislation interact profoundly with those in the recently passed *Royal Commission Response Legislation*, we wish to take this opportunity to raise several other major issues:

- a) Financial Viability
- b) Care minute allocation
- c) Transitioning across to the new funding system
- d) Star ratings

### a. Financial Viability

Implementing necessary aged care reforms without a focus on financial viability will undermine the reforms and threaten clients' care. Recent warnings by Stewart Brown indicate that for the nine months leading up to March 2022 residential aged care is now at a critical financial sustainability position.<sup>4</sup> It highlighted the average operating results for all homes was \$12.85 per bed per day

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<sup>4</sup> StewartBrown (2022), *Aged care Sector Report*, sighted at [StewartBrown - Aged Care Financial Performance Survey Sector Report \(March 2022\).pdf](#), p1



with occupancy being a major concern and aggregate operating losses for the last 5 years totalling \$3.56b. They even speculated that residential aged care has now reached a 'fiscal cliff'.

<sup>5</sup> We highlight a number of transitional issues relating to AN-ACC and broader funding requirements below.

**Recommendation:** While the suggested reforms are an excellent first step in upgrading the quality of care for residents – what is required is an ongoing funding reform in the aged care sector to ensure that providers will be financially viable to meet the new standards of patient care.

## **b. Care minute allocation**

Care minute allocation raises two key issues for providers – one relating to definition of the term and the other relating to variability across facilities. The new care minute case mix allocation which includes RN's is based on the new AN-ACC assessment. Residents are assessed and then assigned a case mix of funding with the prerequisite number of care minutes for each resident. This may vary by resident need but the whole facility needs to ensure that on average the required minutes of care per resident/per day is met including the required hours of RN time. The shadow assessments by AN-ACC on which this is based are meant to be completed prior to the new system coming online on 1 October 2022.

There is currently a very broad definition as to what can constitute 'care minutes'. While this is generally considered to be face to face personal care, each provider is left to determine how much of staff work time can be considered as part of the 'care minutes' allocation as well as who is deemed to deliver direct care. Undoubtedly some providers will be more liberal in this definition while others may be stricter, which will create some variability of standard across the sector. For example, while classroom style training is not part of the current definition there is some question in relation to the inclusion of allied health. Additionally, the current limited definitions do not factor in holistic care (such as emotional, spiritual or mental care) and thus exclude key roles within the aged care system.

The second issue related to variability across facilities. Internal forecasting within the Anglicare Sydney portfolio of homes has indicated that one of our larger homes, under the new system would see a considerable lift in funding from \$169.85 per resident per day (prpd) to \$242.18. However, for a much smaller home of 59 residents there will be a fall in funding from \$199.37 prpd under the current ACFI system to \$196.43 prpd under AN-ACC which means this site will get less funding and require more staff to meet the case minute allocation. However, an even smaller 50 bed facility already exceeds its care minute allocation but will see a lift in funding. There appears to be some issues of consistency in the application of the new model, at least in these local examples – dependent on the individual context of the home. This highlights the significant way in which the care funding system drives the staffing structure of a home.

Across all our homes we currently estimate that while one home will lose funding there will be funding lifts ranging from \$1.89 increase prpd of up to \$72.33 for the remainder of our homes (an average of \$26.51 prpd) but it is still to be determined whether this will be sufficient funding to purchase the additional care time allocation required.

There also appears to be some consistency issues in relation to residents. Staff have noted that under ACFI care has been deemed low for some residents but they have returned high AN-ACC

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<sup>5</sup> Ibid p2



scores while others that have been deemed high care are previously are now returning low AN-ACC scores.

**Recommendation:** In the implementation phase of the new standards government needs to be aware of care minute definition and variability across sites and be flexible with providers, ensuring that patient outcomes are not negatively impacted.

### c. Transitioning across to a new system

Previous changes to the aged care system have allowed for a grandfathering approach to enable providers time to understand more fully the changes and manage the impact. While there has been some provision to assist smaller providers with the financial costs involved in the process larger providers may find the short transition time a challenge. Currently Anglicare Sydney is intensively focussed on modelling and forecasting in order to ensure we meet the care minute allocation standard by 1 October – but this requires some additional supports from consultancies and increased internal support costs in terms of new financial and workforce modelling. There is insufficient time to determine the overall impact both on profitability per site and for the whole service offering with just 6 weeks left to ensure the standards are going to be met.

It should be noted that providers will have to implement new systems for the monitoring and tracking of care minutes to ensure the standard is being consistently met – possibly using rostering tools. This is a logistics issue which will also come at a financial cost to most providers. There may also be issues with a three-monthly reporting system especially when the resident cohort changes and the care minute allocation may be subject to lags.

**Recommendation:** Confirmation is required to determine whether a provider is required to achieve the care minute allocation based on the previous quarter's average care minutes, even though the current resident case mix, and thus care minutes, may have changed.

### d. Star rating

The Star Ratings system will commence in December 2022, where 22% of the provider's rating is based on care minutes. This provides very little time for providers to understand the system and be able to respond accordingly.

**Recommendation:** Anglicare would recommend deferring the implementation of Star Rating until care minutes become mandatory. If introduced earlier, it may provide an incorrect rating as providers are still trying to understand and deliver the new requirements.

## CONCLUSION

Anglicare Sydney supports the aged care reforms set out in the Aged Care Amendment (Implementing Care Reform) Bill 2022 which will improve the quality of life and enhance the wellbeing of aged care residents and home care clients. Undoubtedly the reforms suggested in the new legislation will go a long way to achieve those aims. Key to this however is the issue that Stewart Brown has highlighted, the ongoing financial viability of a large proportion of aged care providers. If the new funding system does not provide short term transitional support to cover the costs of the necessary system changes and ensure that funding increases are closely aligned to wages costs then those viability challenges for the sector will continue and intensify putting residents and clients at risk

Additionally, there are some underlying issues for providers to ensure the new system can be seamlessly and effectively implemented. As outlined in this submission these issues include clarity around the definition of care minute allocation, consistency across sites, the short time frames for



transitioning combined with the inherent underlying costs involved further time to respond to the Star rating system, access to a sufficient supply of labour in order to be able to meet the new standards and the need to ensure future financial viability of the sector which is currently facing significant challenges.

Anglicare Sydney appreciates the opportunity to make a submission to the current Senate Inquiry and partner with government in the implementation of such reforms. We are available to give evidence if required.

***Simon Miller***

***Chief Executive Officer***

***12 August 2022***

