



Submission to the Standing Committees on Economics  
inquiry into *Financial and Tax Practices of For-Profit Aged  
Care Providers*

June 2018

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*CPSA is a non-profit, non-party-political membership association founded in 1931 which serves pensioners of all ages, superannuants and low-income retirees. CPSA has 98 branches and affiliated organisations with a combined membership of over 25,000 people living throughout NSW. CPSA's aim is to improve the standard of living and well-being of its members and constituents. CPSA receives funding support from the NSW Government Departments of Family & Community Services and Health and the Australian Government Department of Social Service.*

CPSA is pleased to submit the following comments to assist the Standing Committees on Economics inquiry into the Financial and Tax Practices of For-Profit Aged Care Providers. CPSA's submission will address tax avoidance and minimisation strategies, the associated impacts on the quality of service delivery, value for money for government and the adequacy of accountability and probity mechanisms for the expenditure of taxpayer money.

## **Recommendations**

**Recommendation 1.1:** That the Australian Government addresses loopholes in the tax system that enable for-profit aged care providers to avoid and minimise tax.

**Recommendation 2.1:** That the Australian Government introduces mandatory minimum staff-to-resident ratios for all direct care roles to ensure that subsidies are spent on service delivery.

**Recommendation 2.2:** That mandatory staff-to-resident ratios specify the number of care recipients an RN, EN and PCA can reasonably be expected to care for at one time and the level of supervision required to do so.

**Recommendation 3.1:** That the provision of Australian Government funded residential aged care subsidies be made conditional on the delivery of quality care and proof that funding be directly spent on the care of residents.

**Recommendation 3.1:** That the provision of Australian Government funded residential aged care subsidies be tied to staff ratios.

**Recommendation 4.1:** That for-profit aged care companies are fully transparent and are held publicly accountable for how Australian Government funded aged care subsidies are spent.

**Recommendation 4.2:** That audited accounts of homes be acquitted against actual expenditure and made publicly available.

**Recommendation 4.3:** That a nationally consistent methodological approach to data collection and research on the financial status of the residential aged care sector be established to enable comparative understanding of provider performance.

## 1. Tax avoidance

In this submission CPSA draws on the recent report on Tax Avoidance By For-Profit Aged Care Companies.<sup>1</sup> The report found in the past year the six largest for-profit aged care companies operating in Australia were given over \$2.17 billion via government subsidies, representing 72 per cent of their total revenue of over \$3 billion. These companies also reported profits of \$210 million in 2016-2018. CPSA is concerned by the findings of this report and particularly the implications of the financial practices of for-profit aged care providers on the quality of care provided to residents.

**Recommendation 1.1:** That the Australian Government addresses loopholes in the tax system that enable for-profit aged care providers to avoid and minimise tax.

## 2. Impacts on quality of service delivery

The relationship between growing profits for aged care providers and declining quality of care needs to be thoroughly examined. The report reveals that the largest company researched, BUPA, had almost \$7.5 billion in total income in Australia in 2015-2016 but paid only \$105 million in tax on a taxable income of \$352 million. BUPA's Australian aged care business made over \$663 million in 2017 and over 70 per cent of this was from government funding. Funding from government and resident fees increased in 2017, but BUPA paid almost \$3 million less to their employees and suppliers.<sup>2</sup> This demonstrates a trend that for-profit aged care companies are compromising on providing quality care services and are instead choosing to direct their attention towards maximising profit.

The financial practices of for-profit aged care providers not only manifests in the avoidance of tax, but also in other cost cutting measures such as employing too few staff and staff with lower levels of qualifications. Staffing represents the highest cost of care for aged care providers, comprising around 60 per cent of total care expenses.<sup>3</sup> In 2003, 21 per cent of the direct care workforce was registered nurses (RNs) and 13.1 per cent was enrolled nurses (ENs). In 2016, this had decreased to 14.6 per cent and 10.2 per cent respectively. The proportion of personal care attendants (PCAs) increased from around 58 per cent in 2003 to represent over 70 per cent

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<sup>1</sup> Tax Justice Network, *Tax Avoidance By For-Profit Aged Care Companies: Profit Shifting On Public Funds*, commissioned by the Australian Nursing & Midwifery Federation (May 2018): accessed 28 May 2018, [https://www.globaltaxjustice.org/sites/default/files/ANMF\\_Tax\\_Avoidance\\_Full\\_Report.pdf](https://www.globaltaxjustice.org/sites/default/files/ANMF_Tax_Avoidance_Full_Report.pdf).

<sup>2</sup> Tax Justice Network, *Tax Avoidance By For-Profit Aged Care Companies*, 12.

<sup>3</sup> StewartBrown, 'Residential Care Report - June 2017', *Aged Care Financial Performance Survey* (2017): accessed 28 May 2018, [http://www.stewartbrown.com.au/images/documents/StewartBrown\\_-\\_ACFPS\\_Residential\\_Care\\_Report\\_June-2017.pdf](http://www.stewartbrown.com.au/images/documents/StewartBrown_-_ACFPS_Residential_Care_Report_June-2017.pdf), 12.

of direct care workers in 2016. PCAs continue to grow both numerically and as a proportion of the residential aged care workforce.<sup>4</sup>

Attempts to cut staffing costs is evidenced in the decrease of RNs and ENs employed in aged facilities, who receive higher wages, and the increase in personal care workers, who receive lower wages. In 2016, the gross median weekly wage reported by RNs was \$1,352 and by ENs it was between \$1,000 and \$1,050, compared to a median weekly wage of \$689 for PCAs.<sup>5</sup>

RNs as well as ENs practicing within the scope of their training provide specialised clinical and medical care to aged care recipients. RN's are senior, university trained professionals that administer medications, provide palliative care, change catheters and ensure that changes in residents conditions are picked up. The scope of practice of an EN and RN are different. An EN must work under the direct/indirect supervision of an RN at all times. ENs contribute to care planning but may not act independently, as the RN retains overall responsibility. While the majority of PCAs hold a tertiary level qualification<sup>6</sup>, their job is to provide basic personal care and support. The growing numbers of PCAs cannot replace the loss of RNs in aged care facilities, as medical and clinical care are out of PCA's scope of practice. Only RNs can provide the medical and clinical care that resident's need. CPSA is concerned about the impact of deskilling of the aged care workforce on the quality of care being delivered. As the skill mix of the aged care workforce is increasingly constrained to staff without the ability to provide clinical and medical care to residents, the safety and wellbeing of residents is compromised.

This is especially pertinent considering the increasingly complex and acute care needs of those entering residential aged care. The Australian Government's ageing in place policy has meant that people have increasingly been able to fulfil their desire to live independently for longer. This also means that those who enter residential aged care have increasingly complex and acute care needs. In 2004-2005, 62.9 per cent of people in residential care were classified as having high care needs<sup>7</sup> and in 2016 this had increased to 92 per cent of residents.<sup>8</sup> Providing quality care for people with complex needs takes more time and a broader range of skilled professionals.

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<sup>4</sup> Department of Health, 'The Aged Care Workforce, 2016', *National Aged Care Workforce Census and Survey* (2017): accessed 28 May 2018,

[https://agedcare.health.gov.au/sites/g/files/net1426/f/documents/03\\_2017/nacwcs\\_final\\_report\\_290317.pdf](https://agedcare.health.gov.au/sites/g/files/net1426/f/documents/03_2017/nacwcs_final_report_290317.pdf), 12.

<sup>5</sup> Department of Health, 'The Aged Care Workforce, 2016', 27.

<sup>6</sup> Department of Health, 'The Aged Care Workforce, 2016', 10.

<sup>7</sup> Commonwealth of Australia 'Report on the Operation of the Aged Care Act 1997 - 1 July 2004 to 30 June 2005' (2005): accessed 28 May 2018,

<http://webarchive.nla.gov.au/gov/20140802094453/http://www.health.gov.au/internet/publications/publishing.nsf/Content/ageing-reports-acarep-roaca04-05.htm>, 13.

<sup>8</sup> Australian Institute of Health and Welfare, 'People's care needs in aged care', GEN Aged Care Data, (2017): accessed 28 May 2018, <https://www.gen-agedcaredata.gov.au/Topics/Care-needs-in-aged-care>.

Not only is there is limited pool of skills within the aged care workforce, there is also numerically not enough staff, meaning care workers do not have enough time to properly care for residents. Overall, there has been a modest increase of 3.3 per cent in the number of full time equivalent employees in direct care roles between 2012 and 2016. However, the rate of increase in the residential full time equivalent direct care employees was smaller than the corresponding 4.6 per cent headcount increase. This suggests that there has been growth in part-time employment and an increase in the proportion of workers employed for fewer hours.<sup>9</sup>

Aged care workers have repeatedly reported that they are not able to spend the appropriate amount of time delivering quality care to residents. A study found that residents living in Australian nursing homes received an average of 2 hours and 50 minutes of direct care per day, but that at a minimum they required 4 hours and 18 minutes of care per day.<sup>10</sup> The shortage of care time staff are able to provide to residents has serious medical and physical implications for residents. A discussion paper released by the Department of Health estimated that the prevalence of pressure sores among aged care residents was between 26 per cent and 42 per cent.<sup>11</sup> Additionally a recent study estimated that there has been a 400% increase in premature deaths among nursing home residents since 2000.<sup>12</sup> There is clearly an inadequate skill mix and not enough staff employed to ensure quality of care and the safety of residents.

For-profit aged care companies' increasing profits demonstrate that they have the financial capacity to improve staffing to deliver safer and better care for residents. However, they are choosing to focus on maximising profit by cutting staff hours and constraining the skill mix of employees which has serious implications on the quality of care delivered.

**Recommendation 2.1:** That the Australian Government introduces mandatory minimum staff-to-resident ratios for all direct care roles to ensure that subsidies are spent on service delivery.

**Recommendation 2.2:** That mandatory staff-to-resident ratios specify the number of care recipients an RN, EN and PCA can reasonably be expected to care for at one time and the level of supervision required to do so.

### 3. Value for money for government

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<sup>9</sup> Department of Health, 'The Aged Care Workforce, 2016', 13.

<sup>10</sup> Willis, E. et al, *Meeting residents' care needs: A study of the requirement for nursing and personal care staff*, Australian Nursing and Midwifery Federation. (2016): accessed 28 May 2018, [http://www.anmf.org.au/documents/reports/National\\_Aged\\_Care\\_Staffing\\_Skills\\_Mix\\_Project\\_Report\\_2016.pdf](http://www.anmf.org.au/documents/reports/National_Aged_Care_Staffing_Skills_Mix_Project_Report_2016.pdf).

<sup>11</sup> Department of Health, 'Single Aged Care Quality Framework: Draft Aged Care Quality Standards Consultation Paper', (2017): accessed 28 May 2018, <https://consultations.health.gov.au/aged-care-access-and-quality-acaq/single-quality-framework-draft-standards/>, 22.

<sup>12</sup> Ibrahim, J. et al, 'Premature deaths of nursing home residents: an epidemiological analysis', *Medical Journal of Australia* 206, no. 10 (2017): 1-5.

For-profit aged care providers financial and tax practices that channel Australian Government subsidies into profits clearly do not provide value for money for the Government. Government aged care subsidies should be used for the purpose they are assigned for, that is caring for residents. Ring fenced funding and stricter monitoring needs to be put in place to ensure all Government funds are being used for this intended purpose. The report highlights that there are currently inadequate safeguards in place to ensure that the \$2.17 billion in Government subsidies given to for-profit providers is spent directly on care for residents.<sup>13</sup>

Whilst providers have the financial capacity to employ more nurses and carers, they are instead placing profits and shareholders before quality of care for residents. In this way, Government money is going to shareholders rather than into providing quality care for residents. As a result, there is not enough staff or an appropriate skill mix to provide adequate levels of care and aged care residents are subsequently forced to use other services such as hospitals.

There is significant relationship between high levels of RN staffing, more RN time per resident per day and decreased hospitalisation rates for residential aged care residents.<sup>14</sup> In facilities lacking enough staff, staff must weigh up the importance of one resident's acute or sub-acute care versus routine care for all other resident's. Having enough staff enables workers to care for sicker patients to minimise hospitalisations, whilst also attending to the routine needs of other residents.<sup>15</sup> The ANMF National Aged Care Survey found that 53% of aged care workers interviewed indicated that residents were being transferred to hospital for care that should be able to be provided at the facility if appropriately qualified staff were available.<sup>16</sup> Aged care facilities with appropriate staff on site should be able to manage minor medical issues effectively within the facility rather than residents being placed in hospitals due to a lack of staff or lack of skills amongst the workforce. Due to a lack of qualified staff in aged care facilities, residents face unnecessary hospitalisations and costs of care are shifted from for-profit aged care providers to state government funded public hospitals.

**Recommendation 3.1:** That the provision of Australian Government funded residential aged care subsidies be made conditional on the delivery of quality care and proof that funding be directly spent on the care of residents.

**Recommendation 3.1:** That the provision of Australian Government funded residential aged care subsidies be tied to staff ratios.

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<sup>13</sup> Tax Justice Network, Tax Avoidance By For-Profit Aged Care Companies.

<sup>14</sup> Research cited in Australian Nursing and Midwifery Federation, Flinders University and University of South Australia. *National Aged Care Staffing and Skills Mix Project Report 2016* (2016): accessed 31 May 2018, [http://www.anmf.org.au/documents/reports/National\\_Aged\\_Care\\_Staffing\\_Skills\\_Mix\\_Project\\_Report\\_2016.pdf](http://www.anmf.org.au/documents/reports/National_Aged_Care_Staffing_Skills_Mix_Project_Report_2016.pdf), 18.

<sup>15</sup> O'Neill, BJ, Reid-Searl, K, Dwyer, T and Parkinson, L, 'The deteriorating resident in residential aged care: A focus group Study', *Collegian* 24 (2017): 566.

<sup>16</sup> Australian Nursing And Midwifery Association, *ANMF National Aged Care Survey*, Final Report (July 2016): accessed 7 June 2018, [http://www.anmf.org.au/documents/ANMF\\_National\\_Aged\\_Care\\_Survey\\_Report.pdf](http://www.anmf.org.au/documents/ANMF_National_Aged_Care_Survey_Report.pdf), 14.

#### **4. The adequacy of accountability and probity mechanisms for the expenditure of taxpayer money**

CPSA is concerned with the findings of the report that detail the difficulties of obtaining a complete picture of the extent to which subsidised aged care companies are avoiding paying or minimising tax. The report highlighted that Australian law is not currently strong enough to ensure that for-profit aged care companies' financial records and accounting practices are publicly available and fully transparent.<sup>17</sup> For-profit companies that receive Australian Government subsidies must be held to a higher standard of transparency and public accountability to ensure that they fulfil their tax obligations and provide quality care to residents.

**Recommendation 4.1:** That for-profit aged care companies are fully transparent and are held publicly accountable for how Australian Government funded aged care subsidies are spent.

**Recommendation 4.2:** That audited accounts of homes be acquitted against actual expenditure and made publicly available.

**Recommendation 4.3:** That a nationally consistent methodological approach to data collection and research on the financial status of the residential aged care sector be established to enable comparative understanding of provider performance.

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<sup>17</sup> Tax Justice Network, *Tax Avoidance By For-Profit Aged Care Companies*, 6