From:
To: Community Affairs, Committee (SEN)
Subject: Submission
Date: Monday, 22 April 2013 2:32:19 PM

Dear Committee,

I am writing to request that far more information be provided on these bills before they are even considered by Parliament.

I have previously written to The Minister, and Independents on this matter. I did not get an answer for Wilke, and then received almost identical responses from Butler, Oakshott and Windsor suggesting these had all been fobbed off to the department for a standard response. I only hope your committee actually investigates this and hold both the Minister and Department to account, as while they may have a budget to balance, they have absolutlely no idea of the issues facing small rural aged care services. Get out of Canberra and actually visit some. Please you guys, do something.

As a small rural health provider I am alarmed by the actions taken by this Government.

This started with funding.

The double action of the October introduction of "Protecting Residents Savings" with jail penalties for trading cash negative when bonds are held, combined with the recent decision to reduce the ACFI funding and not grant any increases from 1 July now guarantees that in the near term many small rural aged care services will trade cash negative and be forced to close.

The current Government came to power in 2007. Since 2008 the funding increases in the ACFI model have compounded to equal 5.7% (average of 1.7%). All aged care service providers have an EBA in place. This compounds to wage increases since 2007 to 14.75% against funding allocations of 5.7%. This has been brutal on the industry, forcing a reduction in services to minimum levels. Most rural aged care service providers are now operating on wafer thin margins.

If this was bad enough, the Government blew their budget and so announced there would be zero increases at 30 June 2012 compounding the cost / wages to revenue gap even further.

Then consider the Productivity Commission report, and as per usual the Government has cherry picked a few of the options without an integrated approach. One of the major points was the declaration that there would not be any bailouts for providers. Options were presented as to the future, which may be fine in cities, but are not realistic in small rural communities. There are not any provisions allowed for transition for the new model. Vertical integration and other models are quite simply not available in many rural communities.

While the Government has indicated a 15 year plan, the details of this have not been released and it appears to be a knee jerk every budget, and this does not allow any forward planning for the future.

Now take the Workforce compact supplement as part of this policy which were immediately

issued by the ANF for enterprise details even though funding mechanisms had not be announced. This was then withdrawn on Friday as a monumental departmental mistake. How many other mistakes have been made?

The funding for the new plan about to go before Parliament has a number of calculations and factors which may be suitable for cities, but again are not realistic for rural communities. The talk of sustainability and returns pick an average house price in excess of $400,000. What about the smaller towns? Violet town has an average of around $100,00 for house prices. Other small rural communities have averages very low and you can check for yourselves the average house price in your area – even major growth corridors like Albury Wodonga have an average house price of around the $250,000 mark. In effect this means that the cost of construction and sustainability in non capital makes aged care non viable in anywhere but capital cities. The Government also needs to explain why the Productivity Commission recommendation on RAD was reversed by the current release and legislation.

Disallowance of retentions on new residents again may work in the cities, but in small rurals where the bonds are a small fraction of city bonds due to significantly lower assets, the removal of retentions will eliminate most, if not all of the cash surplus. There are very few aged care services in rural Australia working on an operating surplus, and the majority are only working on a cash surplus, with the removal of retentions eliminating most if not all of the cash surplus – again the result is jail or closure.

Quite simply, funding does not match the true cost of care in rural Australia.

If the Government claims that the current models as determined by the Department creat a viable industry , then please provide the industry with the calculations so that we can then structure our organisations to match the funding being provided.

The other critical factor is that the Government is moving towards care in the home. This is not a debate about the merits of this strategy, but about the allocation of the packages. In small rural areas the CACP and HACC packages should be allocated to the aged care service provider to assist with:

- Sustainability
- Knowledge if the residents, family, and appropriate care.

In Yackandandah we are aware of 10 packages held in Chiltern, while the majority of the beds in the Shires if Indigo and Alpine are held by services based in Shepparton (at least 2 hours by car) or Geelong (at least 4 hours by car). The whole care in the home (CACP) needs to be pulled apart and put back together again with residential services having first choice of packages in their region.

Sorry this is brief and a bit disjointed, but I have also included some points about the small rural aged care providers which are not applicable to your city centric based modelling. If small rural health services fold, who is going to look after the locals as they age, and small rurals are much more than just a home for their senior citizens. In general, small rural aged care services:

- Tend to have slightly higher overheads than the larger service providers as they are stand alone services unable to pool resources.
- Are not for profit and still struggle

Generate a trading loss, but a cash surplus – uncertainty for the long term as future asset maintenance and asset replacement as depreciation is not being covered.

- Have poor public transport access.
- Tend to be the major employer in their location.
- Tend to be the economic heart for the community.
- Tend to be the community focus for health services.
- Tend to be smaller than the most viable economic model due to demand. Yackandandah started at 30 beds in 1996, added 12 beds in 2002, added 10 beds in 2005, added 15 beds in 2008. Bed additions were due to a combination of demand and critical mass. The addition of further beds is no longer viable with demand softening, a surge in new beds in the region, and the allocation of large numbers of CACP packages. Yackandandah is considered large by rural standards where bed numbers are often between 12 and 20.
- Resident who leave (pass away) tend to be high, high care, and these are replaced by low, low care residents with greatly reduced ACFI funding and associated income reductions. The replacement of a single resident can change the funding by $4,000 per month or $48,000 per annum.
- Residents tend to enter as low care with ACFI funding increasing as they become more frail.
- Residents tend to have longer stays.
- Are shunned for program funding by State and Commonwealth Governments as this funding generally is established through public service providers.
- Do not have access to the additional top up funding through extra services due to the nature of small towns and lower income and asset levels.
- Funding for services tend to have 1 or 2 margin reductions by other services before the funding reaches the service. An example being TCP where only $180 or less per day is paid to the SRRIS while over $250 per day is funded to the lead agency.
- Do not have direct access to HACC. HACC is generally provided by the Local Government in Victoria.
- CACP packages are often provided by service providers from outside of the region. In the case of Yackandandah, the major service providers appear to be based in regions 2 hours or 4 hours away.
- Home care in rural areas can create a prisoner in the home and the creation of social isolation.

You have the chance to make a difference.

Chris Smith
General Manager