



Australian Government

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Cobden District Health

Living Longer. Living Better.



**Cobden District Health Services Submission  
For and on behalf of  
SOUTH WEST AGED CARE ALLIANCE**

**1<sup>st</sup> May, 2013**



**SOUTH WEST AGED CARE ALLIANCE**  
**LIVING LONGER LIVING BETTER**  
**SENATE INQUIRY PRESENTATION**  
**1<sup>ST</sup> May 2013**

On behalf of the South West Alliance, we wish to thank the Senate Committee for giving us the opportunity to appear before this Committee and to outline our concerns directly to you.

We acknowledge that Aged care is not the only industry undergoing change or requiring an injection of funds to support all that has to happen. We also realise we are not going to get 100% of what we are asking for.

However, the Committee must ensure whatever decisions are made, we are viable, we are sustainable, we are allocated adequate funding and we are able to help those that need our help in a manner that is dignified and appropriate for their needs.

We would make the point from the very outset that we all agree there needs to be changes made to the industry and we are excited about the outcomes of the Productivity Commissions Report. However, we all feel this has been an opportunity lost and we have received a cherry picked approach to the report.

The Alliance is made up of six (6) facilities located in the South West of Victoria and covers the towns of Camperdown, Casterton, Cobden, Hamilton, Horsham and Mortlake. Collectively we employ 453 employees, inject \$13.8m of salaries into the economy on an annual basis and pump a further \$6.7m through the purchases of local goods and services. It is a significant contribution to the individual towns and the South West local economy.

The Alliance members in most cases are either the largest or the second largest employers in their respective towns. This would generally be the case in most small rural towns across Australia where an aged care facility is located. This makes it imperative we maintain a strong and viable aged care sector.

Any changes made by the committee or the government MUST and I stress the word MUST, be for the betterment of the industry and lead to improved care for the resident. They should not be a cost saving exercise that is only designed to improve the bottom line of the federal government's budget. Sadly, this has been the case in the past twelve months eg withdrawal of inflation indexation in the previous two years of only 1.7% and 1.9%.

Rural facilities by and large are there for the community and the community does take ownership of the facility. Operating in a rural area does present its challenges with susceptibility to the variances of rural economies. It is against this back drop that we raise the following concerns;

The Workforce Compact.

Whilst there is a need to increase the wages of workers within the aged care sector, the Workforce Compact is a poorly designed mechanism to do this. It is short term and does not provide for sustainable wage increases. The Compact is to run for four years and there is no indication or plan for beyond the four years. Affordability of increased On Costs will not result from productivity gains such as decreasing staff turnover. Our staff turnovers are already below the median ratio.

We have already suffered a number of cuts to funding (ie ACFI, indexation etc) and yet we have a plan that is trying to increase wages and no plan to support the wage increases in the long term. On

average, the past three years' wage increases have been approximately 3%pa or 9%. Funding increases have been in the order of 1.7%pa or 5.1% for the same three years. Pumping up wages without real and indexed funding is a recipe fraught with danger.

The only way to provide sustainable wage increases is to provide the real funds required and recognise the true cost of care. This has been sadly lacking in this debate and one that is critical to the whole notion of sustained wage increases over the long term.

#### Bond Retentions.

The withdrawal of bond retentions, for new residents, as part of the changes, will place added pressure on facility budgets. Small rural stand alone facilities do operate on skinny margins and the bond retentions add significantly to their operating accounts. Their withdrawal would affect their income stream.

Bonds are not that large in rural areas. The average bond in the South West of Victoria would be approximately \$80k - \$100k. With a falling interest rate over the past two years, the interest returned to facilities has decreased and hence more reliance on the retentions themselves as a means of propping up decreasing income/capital raising streams.

As an example, 2010/11, a bond of \$100k would have returned \$6,000 on an interest rate of 6%, plus retention of \$3,816, a total of \$9,816pa. The same \$100k bond returns \$4,230 on an interest rate of 4.2%, plus a yearly retention of \$3,876, a total of \$8,106. This results in a decrease of \$1,710pa, per resident. Depending on the number of residents, this can be a significant loss of income.

Bond retentions have to stay.

#### Accommodation Pricing.

This is a particular area of concern and one that has the potential to inflict considerable pain on rural based small Not-for-profit (or as I say, not for loss) facilities. This ideology driven thought that average house prices around Australia are around \$450k is flawed. The average house prices across the South West of Victoria would sit in the \$125k - \$250k price range. City based facilities and some of the larger provincial towns do generate \$450k average house prices. As an Alliance, we are nowhere near those amounts and to base our business models on those assumptions, would be short sighted.

Most rural based facilities do not have a range of rooms that offer varying levels of accommodation. Pricing of rooms at different levels would be difficult to manage as you admit residents based on most urgent need versus income classification. Pricing of individual rooms, setting and advertising accommodation fees in a rural community has to cater for the differing needs of all the community members who may need to enter aged care. If you set the accommodation fees high, it turns people away, if you set them low, people with assets will not fairly contribute.

#### Defining the changes to The Principles

Currently, there has been little or no information regarding alterations to existing principles or introduction of new Principles. As the bulk of the changes will be contained in the Principles, it is extremely important there is ample time for the industry to properly digest and make comment on the principle documents before the Committee's report and the Bill is recommended to proceed in Parliament. To do so would be irresponsible, short sighted and not acting in the best interest of the industry or more importantly in the best interest of those members of our community who will need the services of an aged care facility in the future.

### Long Term View

In summary, the Long term view is that there is much at stake with the proposed changes and as an Alliance we have several concerns as we have outlined. The changes that are being proposed are not being accepted as a whole as originally outlined in the Productivity Commissions Report and it is incumbent on all the stakeholders to ensure the industry as a whole benefits from the changes and not only a segment of the industry.

THANK YOU

On behalf of the South West Aged Care Alliance

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