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Submission to the House of Representatives Standing Committee on Ageing

Inquiry into long-term strategies to address the ageing of the Australian population over the next 40 years

13 November 2003

Executive summary

An innovative proposal meeting long term policy objectives for regional aged care services

This is an innovative proposal as it approaches Government with a public, private and community-based model which represents both a solution and a sound investment. It is clinically sound and represents an example of best practice in aged care service delivery in regional Australia that avoids the diseconomies of producing higher rates of illness and immobility. It is commercially feasible and cost effective in that it will be able to permit substantial cost reductions in per bed building costs.

It directly addresses the problems of aged care funding in regional Australia over the long term. It represents a solution reflecting local regional needs and conditions based on a local understanding of the history, needs and future directions of regional Australia. It builds on existing services and commercial operations and does not compromise on excellence of care for older people including marginalised ageing concession holders.

It is predicated on a mission and ability to provide comparable high quality aged care services as in metropolitan Australia in an environment where this would otherwise not be possible. It provides new opportunities for accessible services and collaboration across a broader care and support spectrum than just aged care.

It addresses the Government's acknowledgement that a different capital funding mechanism is needed for aged care in regional Australia. It promotes wholesale regional viability. It represents strong and cohesive public policy both in itself and in that it can theoretically be replicated nationally across regional Australia. It represents taxpayer savings over time. It steps outside the traditional paradigm of one-off aged care capital funding grants. And it offers a sustainable solution where there is currently no sustainable solution.

Proposed solution for regional aged care capital funding

CHCS proposes a model for the operation of first-class residential aged care facilities across regional Australia that proposes that joint ventures form between currently operating aged care facilities, shire councils and reputable aged care service providers in partnership with potential financiers, builders and utility providers.

The core principles of the model include:

- An ability to upgrade currently operating community operated residential aged care facilities in regional towns to address the complex needs of frail older people;
- A mission to continue to serve regional Australia over the long term;
- Optimal working conditions for expert staff attracted and retained in regional aged care;
- Guaranteed ownership of facilities through a sustainable corporate governance structure retained by local communities, delivering services to local people;
- Federal Government involvement as a partner providing one off funding for infrastructure not able to be wholly met through commercial means despite efficiencies through strong commercial practices;
- An essential focal point in regional towns for complementary and increasingly prevalent community based aged care services; and

- A potential focal point for other innovative service combinations including local multi-disciplinary and allied health services.

We are asking the Government to consider this proposal as a potential policy solution for the provision of rural and regional aged care services in Australia over the long term. In the short term we are asking the Government to financially support an initial pilot of the model in central NSW to test it and to provide the opportunity to develop evidence-based authentication of it for the Government's potential investment in its potential broader application.

This Submission recommends that the Government:

- Provides for the needs of regional aged care as set out in this submission without waiting for current aged care reviews to be completed and accepted by the Government should they be delayed or held up.

- Addresses the implications of the inability of the lower residential real estate values in rural and regional Australia to support the necessary capital costs of aged care in these areas through the current bond mechanism.

- Legislates and funds in a way that promotes optimal aged care to be provided in regional Australia based on principles of optimal care levels through the combined efforts of the public and private sector, rather than through sole reliance on a taxpayer funded budget.

- Adopts the criteria outlined in this submission as the benchmark for aged care services delivery in regional Australia.

- Provides for aged care infrastructure planning in regional Australia with a long term view of access, costs and benefits and considers the direct and indirect benefits that good aged care infrastructure planning will have over time on other social welfare budgets and the economy of regional Australia.

- Provides for an investment in an initial pilot of the model outlined in this submission for application in central NSW to provide the opportunity to develop evidence-based authentication of the model for the Government's future investment its broader application.

Contents

1. Introduction

Within the broad range of issues this Inquiry is investigating, fundamental to developing long term strategies to address Australia's ageing population will be to ensure the provision of adequate aged care services in rural and regional Australia ("regional Australia").

Much has been documented about a future crisis to aged care services in regional Australia arising from unprecedented population ageing. The potential crisis has implications far wider than health or ageing and potentially affects the broad-based social and economic viability of regional Australia.

This submission addresses this problem, its widespread recognition and impacts and future likely trends in aged care service provision that will need to be considered in planning policy to address this issue. The submission then proposes a solution, including recommendations, involving an innovate template for aged care capital funding in regional Australia which in our view has demonstrable and wide-ranging benefits.

We ask the Committee to consider this submission and support our recommendations.

2. Background

2.1 Risks to aged care in regional Australia

In many regional areas population ageing is already occurring and is being evidenced by a steady increase in demand for aged care. In central NSW for instance there has been an average increase in the over 65 population of 12% over the last ten years.

Several billion dollars in aged care infrastructure rebuilding is required across regional Australia to enable provision of integrated aged care facilities to a mandatory 2008 Certification standard. Approximately $.5 billion worth of aged care infrastructure rebuilding is required in regional NSW alone.

Aged care service provision in rural and regional Australia is not an attractive market for private sector providers to be in due to the lack of profit. For the same reason it is an increasingly difficult market for traditional church organizations to successfully operate, even allowing for a generous cross subsidy of mission led services.

In particular, securing sufficient capital funding to deliver facility infrastructure of an optimal standard has failed to eventuate from private sources. Clearly, a solution lies in providing a private and community based structure partnering with government to deliver strong corporate governance, sustainable and comprehensive management, and appropriate care facilities and services. Failure to resolve the issue will result in catastrophic social, welfare, clinical and economic outcomes for regional communities.

2.2 Inability of current funding models to address the capitalisation of regional aged care infrastructure

2.2.1 No current market solution

While in care terms the client base is large enough and growing to justify the placement of facilities in regional towns, due to the age of much of the building stock, in commercial terms the market base is too small. Income streams allowed under current legislation that support capital funding in metropolitan areas are not available in regional Australia and are thus insufficient to borrow against.

It is not possible to support capital funding in regional Australia through:

- Operating income;
- Residential bonds, where due to lower residential real estate values in regional Australia the current system of residential bonds is insufficient to underwrite adequate capital borrowings to upgrade facilities to required standards. There is also a lower volume of bonds available in regional areas to make up for the numbers of concessional aged care residents. In addition, building costs in rural areas are often higher than in metropolitan areas and there is little capital gain on current regional building stock[1];
- Fee charging. High concessional/low income earners make up a large number of the over 75 year age group in regional Australia and as much as 60% in smaller towns. Fee charging is thus limited;
- Extra Service Status (ESS) or user pays' fees clients are limited or non-existent in rural areas;
- Support from shire councils, where current owners of many regional or remote aged care facilities do not have the vision or financial capacity to build appropriate aged care facilities.

Failure to address the implications of a lower residential real estate value in rural and regional areas to support the necessary capital costs of aged care will lead to a continuing cycle of poor care and poor social outcomes in these areas. This will not only exacerbate existing broader problems in these areas but will exacerbate future problems when the aged care population grows over ensuing years.

Catholic Health Care Services (CHCS) is an example of a provider with a history of actively seeking to extend services in regional NSW through the use of professional corporate management, economies of scale through regional structures, cross subsidy from rich to poor regions and access to one-off government grants. However, these efforts are not enough to efficiently and effectively service the needs of capital to build infrastructure in regional Australia. (See Attachment A for a broader description of CHCS).

2.2.2 No current Government solution

Even though Commonwealth expenditure for aged care grew significantly between 1996 and 2003, the current public funding arrangements are insufficient and/or inappropriately structured to cover the future cost of meeting increased aged care infrastructure requirements in regional Australia. Existing government bed subsidies, recurrent funding arrangements, concessional resident supplements and capital grants are insufficient to cover minor certification standards much less major capital works and improvements. As acknowledged in *Healthy Horizons, A Framework for Improving the Health of Rural and Remote Australians*[2], traditional funding arrangements for health and aged care services are now acting as barriers to the development of innovative models of regional and remote services delivery.

Where large regional centres are struggling to be commercially viable after rebuilding to meet standards of care, smaller cities and towns face even greater difficulty.

The result is that a model of care provision of highly questionable sustainability risks being implemented in regional Australia where large volumes of predominantly frail low income earners with insignificant assets will either:

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[1] CHCS believes a market for aged care services is possible in metropolitan areas and large coastal towns in NSW where the capital costs of facilities are underpinned by the relative value of residential real estate in these markets. Care in regional centres can essentially be broken down into large non-coastal centres and smaller population centres. If accommodation bonds can average $150,000 per bed in a large centre, it is possible to develop excellent residential aged care facilities. Average bond levels below the $150,000 level, such as in all smaller regional centres, render this impossible. However, as discussed in 2.2.2 of this submission, care in regional Australia should not be aggregated to larger centres.

[2] A Report to the Australian Health Ministers' Advisory Council from the National Rural Health Policy Sub-committee, June 2002

- Be relocated to larger centres to gain care where through alienation their health declines which places greater demand on services and also encourages their families to re-locate away from smaller towns; or

- Alternatively live in sub-optimal care situations in their existing areas of residence where inadequate services will place an increased burden on already depleted high care services.

Both these options represent poor care for the elderly with devastating implications for the social fabric and economy of regional towns and consequent knock-on effects of declining jobs, services, infrastructure, property values, and an increase in demand for social service pensions and concessional aged care beds.

2.3 The problem is well documented

There is well documented independent evidence that regional aged care facilities are less independently viable than metropolitan facilities. For example:

- A Department of Health and Ageing survey has confirmed that aged care facilities providing residential aged care to people in remote and rural communities receive less income from accommodation payments and bonds than other aged care homes. (The Department assesses the average capital income disadvantage - against the national average - suffered by rural homes is 16%).

- In reviewing the 1997 aged care reforms Professor Len Gray[3] states that in 1999-2000 a larger proportion of bonds paid in rural locations was within a lower dollar range compared with bonds paid in capital city locations where a larger proportion was within a higher dollar range.

- Microeconomic modelling conducted by Oxley Corporate Finance[4] confirms that the per place NPV of aged care facilities in rural regions is lower than in metropolitan regions and that the ROI of aged care facilities in rural and remote regions will remain marginal in the absence of additional assistance.

There is also documented evidence supporting our contention that the funding gap identified is an infrastructure cost that should not be borne in rural and regional Australia. The Productivity Commission has recommended[5] that additional funds be provided to aged care homes in rural and remote areas to account for lower average accommodation charges and bonds, smaller average home sizes, higher costs of attracting and retaining skilled staff and higher average building costs.

2.4 The problem is acknowledged by the Federal Government

The Federal Government has acknowledged that:

- A faster rate of population ageing is occurring in regional Australia than in the total Australian population;

- Accessible high quality aged care services are essential to an ageing population;

[3] Professor Len Gray, Two Year Review of Aged Care Reforms, released by the Minister for Aged Care, Hon Bronwyn Bishop MP in May 2001.
[4] Reported in Residential Aged Care Funding, Third Report, A Report by the Australian Institute for Primary Care, La Trobe University for the National Aged Care Alliance, February 2003.
[5] Productivity Commission Submission to the Review of Pricing Arrangements in Residential Aged Care, June 2003.

- There is an inadequate supply of residential care places in regional communities, and older people face difficulties accessing these services;

- A different capital funding mechanism needs to be found for regional Australia and this may warrant Commonwealth investment in infrastructure upgrades;

- Stronger partnerships are needed between the private, public and community sectors in the provision of aged care services; and

- Better incentives are needed to attract private investment to aged care delivery in regional Australia.

The Government, community and independent authorities therefore acknowledge Australia is faced with a significant problem which has to date been difficult to solve in a sustainable, systemic or holistic way. The urgency of the problem is that if it escalates, there will be a major aged care infrastructure burden in regional Australia with far greater cost implications than the Government can afford or that private initiatives can attract through the market.

As you would know, in addition to your Committee's Inquiry, the Government has funded a review of the pricing arrangements in residential aged care subsidies with terms of reference compatible to address these problems. The Review is due to report to the Government at the end of 2003. CHCS has submitted to the Review in similar terms to the recommendations set out in this submission. Later this year we will also seek senior Government representations to address this proposal.

In the meantime, an effective policy solution has not yet been proposed to address this problem.

2.5 Future trends in aged care service provision that require consideration in planning policy to address the problem

Any solution planned will need to take into account the following likely future trends in aged care service provision:

- Nursing home or 'high care' accommodation will reduce proportionally but the quality and longevity of the building stock will need to be sufficient to treat increasing incidences of dementia and severe frailty[6].

- Hostel or 'low care' accommodation will increasingly move into the community via community aged care packages (parcels of care planned, coordinated and funded by the Commonwealth Government to assist older people with age-related complex needs to remain living in their own homes).

- Aged care will no longer be a cottage industry either fully funded by Government or essentially provided by numerous small community, charitable or not-for-profit organisations. Strong growth in the sector will occur over the next few years and long term sustainability of the industry will require significant consolidation. While there has been some consolidation in rural and remote areas, most movement to date has occurred in capital cities and more consolidation is required in rural and regional Australia. Ideally, half

[6] The Government's Review of Pricing Arrangements in Residential Aged Care Subsidies, Background Paper 1, acknowledges that the prevalence of dementia and severe frailty will increase with advancing age, and while there is no strong evidence that the incidence of these diseases is changing, their prevalence is rising rapidly with more people living longer. This is compatible with CHCS' experience. Other independent reports acknowledge that the prevalence of dementia is rapidly growing, is currently the 2nd largest cause of disability burden in Australia and will become the largest by 2016 where improved dementia care services and recurrent capital incentives are needed to improve the quality of residential dementia care.

a dozen providers across rural and regional Australia would offer economies of scale sufficient for industry viability in these regions.

The Government has also acknowledged[7] the following desirable trends:

- Models of aged care at the local level to ensure quality and integrated care;
- Better links between health and aged care services in regions; and
- Greater attention paid to appropriate service design and delivery to restore function and the maintenance of quality of life and independence.

3. Proposed solution

3.1 Proposing a template for regional aged care capital funding

CHCS seeks to address these circumstances by proposing a model for the operation of first-class residential aged care facilities across regional Australia.

CHCS believes this solution represents a template of care for the provision of aged care services. It is a comprehensive, innovative, universal, scalable, cost-effective and sustainable solution which:

- addresses the problems identified;
- accounts for the likely future trends in aged care service provision;
- provides the Government with a workable policy template as an investment in the future;
- is replicable nationally in regional Australia; and
- fits with the appropriate future funding and financing arrangements for effective and sustainable residential care cited in the Review of Pricing Arrangements in Residential Aged Care (in that it is consumer focused, flexible, innovative, accessible, affordable, based on objective determination of needs, avoids fragmentation of care provision, addresses services gaps, allows a smooth transition between care types and proposes a balanced approach utilising both public and private financial support).

The model proposes provision of commercially sustainable services through a large professional provider with a mission of commitment in regional Australia and current shire owned facility operators forming a joint venture. In this way the private capital market and Federal Government can invest with confidence in a strong management and operational structure built on best practice corporate governance. The resulting structure delivers the capability to upgrade to benchmark standards currently operating shire owned aged care facilities in regional towns supported by a mission to serve regional Australia over the long term.

The model implements design parameters permitting optimal levels of care now and into the future, through volume delivers lower per bed building costs and through scale delivers greater operating efficiencies. This will result in the establishment and maintenance of care excellence, local ownership of facilities and a support base for local aged care and allied health services.

3.1.1 Central mission underpinning the model

Aged care providers, as one of the proposed joint venture partners, will have a formal mission to continue and expand upon the provision of aged care services in regional Australia as a service to the poor and marginalized for however long that service is required. CHCS, for

[7] P 40 ibid.

instance, has committed to do this over the long term as part of a community partnership with shire councils.

3.1.2 Local joint venture structures to be a basis for applying the model

It is proposed that joint ventures will be between currently operating aged care facilities, shire councils or an appropriate equivalent, and reputable aged care providers. This structure would, for instance, allow several facilities and multiple Shire owners to participate in the governance structure while gaining the advantages of a single, large operating environment. This will also entail leveraging partnerships with potential financiers, builders and utility providers right across the new entity and not just restricted to a single facility.

The joint venture will act as a basis to create a properly structured company limited by guarantee to undertake the necessary infrastructure programs and deliver ongoing services. The joint venture will be:

- Capable of delivering commercial outcomes for the aged care business and its owners;
- A vehicle to sustain the ageing and medical infrastructure of regional towns;
- A structure for broader geographic application of the model; and
- Capable of attracting other parties to bring related expertise or assets on the basis of, eg, geographic synergy or general health-related expertise to facilitate better links between health, aged care and other allied health providers that fill gaps in service provision and promote a smooth continuum of care for elderly people[8].

As indicated, the joint venture partners will be experienced and credentialed in their respective fields and collectively bring to the facility upgrades and operations the tangible assets of finance, cash flow, cost reductions through efficiencies, excellence in commercial and operational management, and longevity for the capitalisation of the infrastructure required to satisfy the mission over the long term.

3.1.3 Ownership of facilities to remain in local hands

The joint venture structure will guarantee that shire councils remain part owners of the aged care facilities so assets remain linked to the local community need, services remain locally delivered and local involvement and self-reliance is structured in.

3.1.4 Upgrades to focus on existing facilities

Upgrades or building replacement will be to existing facilities within the new business structure rather than construction and creation of new facilities and businesses. This will build on the physical, commercial, operating and management infrastructure already in place in regional towns, support existing capabilities in the community to better meet improved health and ageing demands over time, and obviate the risks and costs of start-up enterprises.

3.1.5 Design parameters to be of a standard to deliver excellence in care

Upgrades will, as a minimum, meet all Year 2008 certification standards and the foreseeable needs of the local community for the coming forty year lifetime of the infrastructure being built. They will provide an optimal standard of care to treat the complex needs of older people with dementia and severe frailty. Equally important, excellent design delivers a safe, modern and

[8] The Government's Review of Pricing Arrangements in Residential Aged Care Subsidies, P 40, acknowledges that better links in the future between health and aged care services for a smooth continuum of care will be particularly important to high quality care.

worker efficient environment for health professionals working in aged care[9].

Better designs, based on the optimal care needs of the resident, will be applied to room size to provide individual space, privacy, maximum freedom and minimum control to support a paradigm of care best suited to people suffering with dementia and severe frailty. This design is driven by a conscious decision to promote best practice in residential aged care and is based on a conviction that regional Australia should be as efficient and clinically sound as metropolitan Australia. It also represents sound risk management and an investment in cost savings through a sustainable and flexible infrastructure to meet future needs, an ability to attract and retain skilled staff into a professional workplace and retention of a healthy and vibrant ageing population within regional communities[10].

CHCS believes optimum care for the frail or those suffering dementia is not possible without single rooms of an optimum size. This has been tested by CHCS over a number of years where rooms are typically larger than those customarily built by the commercial sector.

3.1.6 Operation to be by experienced, reputable aged care providers

The model proposes that facility operators be experienced and reputable aged care providers with a mission to provide health, community and aged care services through local partnerships, an ability to successfully marry a not-for-profit culture with commercial methodology to deliver optimal and sustainable results in regional Australia, and a commitment to service provision in regional Australia for the long term.

CHCS is an example of an operator already functioning commercially across regional NSW with the vision, structure and capacity.

3.1.7 Cost reductions to result from reduced per bed building costs

It is proposed that the joint venture will enable per bed building costs to be substantially reduced through established relationships with major builders[11] and through provision of in-kind development services through shire councils. To illustrate the point, standard cost for constructing an optimal high aged care room containing the appropriate design features necessary to meet 2008 Certification standards and satisfy the mission central to this model is $150,000 per room[12]. Through the joint venture working in partnership with established builders, building costs can reduce to $120,000 per room. Through provision of in-kind development services by shire councils as joint venture partner, building costs can further reduce to $110,000 per room.

Thus the model permits the building costs for top class aged care in regional Australia to reduce by $40,000 per room.

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[9] CHCS believes the design and subsequent cost of a facility should be driven by the care needs of the resident and the working conditions of the staff. The market must be regulated to the extent that there is still the opportunity to provide optimal care to a broad range of clients.

[10] The Government's Review of Pricing Arrangements in Residential Aged Care Subsidies, op cit, acknowledges that more attention will need to be given to service design and delivery to the restoration of function and the maintenance of quality of life. This is supported by a May 2003 report authored by an independent working group of the Prime Minister's Science, Engineering and Innovation Council which acknowledges the impact of the built environment on mobility and appropriate treatment in old age and recommends that a multi-disciplinary strategy be developed to build a more age friendly built environment which supports innovation in planning, design and technology to assist older Australians to maintain autonomy and gain optimal treatment in aged care.

[11] CHCS for instance has an established relationship with Thiess Pty Limited.

[12] It is possible to build a room for less than $150,000 without efficiencies through volume, say for $100,000, but CHCS rejects this. The parameters of a room built for $100,000 would be such that reduced space and amenity would compromise vital areas of nursing and clinical care which would in turn compromise staff retention rates, quality of resident life (with additional implied costs), and ultimately the social and economic viability of regional towns as already outlined.

3.1.8 Cost reductions to result from operational efficiencies

Operating cost efficiencies can also be achieved by ensuring longevity in the life of the assets and by prescribing a minimum number of beds per facility. To be an efficient commercial operation from the point of view of staffing, operations and sustainable management, a minimum number of 32-34 rooms per facility are required[13]. The model proposes this number of high care rooms per facility as a minimum while options for the delivery of low care and Community Aged Care Packages are utilized to deliver an optimal care outcome.

3.1.9 A focus for remote technology and service solutions

The model proposes the introduction of other value-added services such as remote diagnostic and telehealth services. These can potentially be accessed by broader health care providers beyond aged care. New telecommunications services offering the scope for tele-consultations and video conferencing will act to cement a better future for health and aged care in regional Australia and reduce the need for long distance travel to access services. Importantly, it provides abundant opportunity for a focus of cross disciplinary care through interaction between local medical professionals in a central facility but with access to expertise beyond the immediate town-based services. By placing these services into facilities within a cohesive regional company structure, they will be more widely leveraged.

3.1.10 Upgrades to provide a strong institutional base for complementary aged care services

The presence of these first class high care facilities will provide an institutional base for the provision of complementary community based or low care aged services in the region. With the dispersion of the population in regional areas, the delivery of community-based aged care services can be expensive and labour intensive. Given the need for highly skilled aged care staff, specialists and nurses to provide these services, the costs incurred and labour inefficiencies generated can be significantly ameliorated with the presence of a strong institutional base. The residential aged care facility will thus become an essential focal point in regional towns for complementary and increasingly prevalent community based aged care services.

3.1.11 Upgrades to provide a support base for complementary multi-disciplinary and allied health services

The presence of residential aged care facilities will also promote the ability to maximise flexible access to multi-disciplinary and/or allied health care and support services in the region and thus to innovatively combine services through eg, co-locations or other collaborations. The facility will thus become a focal point for other innovative service combinations in the towns.

As acknowledged in *Healthy Horizons*[14], substantial benefits for ongoing community development flow from local people, professionals and agencies working together on shared priorities. In this way regional towns can become centres of excellence in health and related services in regional Australia.

3.2 The model supports a prosperous regional Australia

The social and economic benefits of this model automatically include a variety of positive knock-on effects for regional towns including keeping families and communities together, maintaining town population numbers, supporting and strengthening local services (including medical, allied health and other professional services), maintaining the viability of local

[13] Again, this has been tested by CHCS over a number of years.
[14] Op cit, P 16.

businesses, supporting local employment, maintaining ongoing local supplier markets, maintaining local real estate values and adding to the quality of town infrastructure.

For shire councils in particular the model enables arm's length in Council's liability for the provision and financing of council-owned aged care, enables councils to gain a long term and viable solution to the issue of ongoing aged care services in their regions and, for a one off capital investment proposed (see section 2.4), savings of millions of ratepayer dollars to bring existing facilities to standards of excellence.

3.3 Initial pilot of the model

Through CHCS' work in regional Australia we know there is strong energy and leadership to develop and implement such a model of aged care service provision.

In the short term CHCS proposes to pilot the model in selected areas in regional NSW to test its efficacy then extend it more widely in NSW. The model also has the strong potential to be 'franchised' nationally across regional Australia.

To this end CHCS has commenced forming collaborations between shire-owned residential aged care facilities and shire councils in regional NSW.

3.4 Seeking the Government's investment as partner in regional aged care services provision

While this model is clinically, economically and socially sound, the key to its commercial success is the capitalisation to conduct the necessary upgrades. Due to the problems explained earlier, there is a funding shortfall in the capital needed to undertake the upgrades and this shortfall remains immutable, unquestionable and generic across regional Australia.

The joint ventures will raise some capital and, as outlined, the per bed building cost will be reduced and other cost reductions will be achieved through efficiencies and experience. Without a Commonwealth investment however, this proposal can go no further.

This model of ownership, operation and capitalization proposes the Federal Government as a partner in investing in the upgrades to the extent of the capital shortfall.

The gap between the earlier illustrated already-reduced $110,000 per room building cost and capitalization possible through bank financing against bonds raised is generally $40,000-$70,000 per room in regional Australia. In some locations, low house prices and a low personal asset base makes the average shortfall higher.

The investment sought from the Government is to meet this one off infrastructure gap of $40,000-$70,000 per room through the joint venture partnership model outlined.

It should be noted that this amount adds up to more per facility than the highest capital grant provided by the Government in the 2002-03 financial year.

However, under this proposal Government contribution does not represent a grant, or a 'hand-out', or start-up funds, or a change in aged care bed rate. Nor does it rely on the Government becoming debtor of last resort. It signifies a strategic and systemic investment representing:

- A once-only seed capital injection in partnership with a joint venture incorporating public, private and community interests so that regional Australia can be active in shaping its own future, successfully create, sustain and maintain aged care infrastructure for decades to come and keep regional communities socially strong and economically viable; and

- Potential savings of possibly tens of million of dollars for facilities that will be commercially viable over the long term[15].

Significantly, once the upgrades are completed, no more capital investment or recurrent funding will be sought from Government.

3.4.1 A unique proposal meeting long term policy objectives

This is a unique proposal as it approaches Government with a public, private and community-based model which represents both a solution and a sound investment. It is clinically sound and represents an example of best practice in aged care service delivery in regional Australia that avoids the diseconomies of producing higher rates of illness and immobility. It is commercially feasible and cost effective in that it will be able to permit substantial cost reductions in per bed building costs.

It directly addresses the problems of aged care funding in regional Australia over the long term. It represents a solution reflecting local regional needs and conditions based on a local understanding of the history, needs and future directions of regional Australia. It builds on existing services and commercial operations and does not compromise excellence of care for older people including marginalised ageing concession holders.

It is predicated on the mission and ability to provide comparable long term high quality aged care services as in metropolitan Australia in an environment where this would otherwise not be possible. It provides new opportunities for accessible services and collaboration across a broader care and support spectrum than just aged care.

It addresses the Government's acknowledgement that a different capital funding mechanism is needed for regional Australia. It promotes wholesale regional viability. It represents strong and cohesive public policy to tackle the challenges that lie ahead, both in itself and in the fact that the model can theoretically be replicated nationally across regional Australia. It represents taxpayer savings over time. It steps outside the traditional paradigm of one-off aged care capital funding grants. And it offers a sustainable solution where there is currently no sustainable solution.

We are asking the Government to consider this proposal, to support the model in principle, and in the short term to financially support an initial pilot of the model in central NSW to test the model and provide the opportunity to develop evidence-based authentication of the model for the Government's investment in its potential broader application.

4. Recommendations

This Submission recommends that in developing long term strategies to address the ageing of Australia's population over the next 40 years, the Government:

- Provides for the needs of regional aged care as set out in this submission without waiting for current aged care reviews to be completed and accepted by the Government should they be delayed or held up.
- Addresses the implications of the inability of the lower residential real estate values in rural and regional Australia to support the necessary capital costs of aged care in these areas through the current bond mechanism.
- Legislates and funds in a way that promotes optimal aged care to be provided in regional Australia based on principles of optimal care levels through the combined efforts of the public and private sector, rather than through sole reliance on a taxpayer funded budget.

[15] CHCS is currently modelling some benchmark cost parameters of the Government not finding a viable, sustainable, systemic solution in the short term.

- Adopts the criteria outlined in this submission as the benchmark for aged care services delivery in regional Australia.
- Provides for aged care infrastructure planning in regional Australia with a long term view of access, costs and benefits and considers the direct and indirect benefits that good aged care infrastructure planning will have over time on other social welfare budgets and the economy of regional Australia.
- Provides for an investment in an initial pilot of the model outlined in this submission for application in central NSW to provide the opportunity to develop evidence-based authentication of the model for the Government's future investment its broader application.

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Attachment A

to Catholic Health Care Services' Submission to the House of Representatives Inquiry into long term strategies to address the ageing of Australia's population

Catholic Health Care Services Limited

Catholic Health Care Services Limited (CHCS) was established in 1994 in response to new and emerging needs in Catholic health care at that time as an organisation to provide health and aged care services in NSW. Our formation then represented ground-breaking developments in the Church's health and aged care mission.

We now have a strong, sound organisation and a dynamic and responsive management team. CHCS is part of the Church community and the provision of health, community and aged care services remains central to our mission. Our care standards and professional development have been recognised with a number of awards and our practice is to be a valuable and contemporary Church asset that is widely understood and respected.

CHCS employs more than 1,300 people and owns or manages twelve facilities. We work with local communities, governments at all levels and Dioceses in the provision of health and aged care services. Headquartered in Sydney, we have undergone considerable restructure and growth in the last three years and are now entering a new phase of growth with exciting and innovative health and aged care infrastructure developments due for completion at Croydon in the Inner West of Sydney and the NSW central west in 2004. With projects currently underway, CHCS will be one of the largest providers of Commonwealth funded aged care in Australia by the end of the current financial year.

While a not-for-profit organisation, CHCS successfully marries this with commercial methodology. This success is creating opportunities for new partnerships in health and aged care where demand for services fitting our mission is overwhelming. In order to manage these, we employ a strong focus on commercial marketing and strategic business practice to deliver optimal, sustainable results in keeping with our mission.