BlueCare™

UnitingCare Queensland

SENATE COMMITTEE ON FINANCE AND PUBLIC ADMINISTRATION

REFERENCE: RESIDENTIAL AND COMMUNITY AGED CARE IN AUSTRALIA

TUESDAY, 7th APRIL 2009

BRISBANE

Opening Statement by Stephen Muggleton Executive Director Blue Care
7 April 2009

Thank you for giving us the opportunity to discuss our submission and answer your questions this morning.

Because our submission was more technical in nature I just wanted to make a couple of quick points.

The first relates to the degree to which our viability has seriously deteriorated in the 5 months since we made our submission.

The second relates to the immediate consequences of the declining viability of residential aged care on our missional programs to support more vulnerable people and more insidious medium term consequences if funding & structural reform is delayed.

Blue Care is the largest provider of aged care in Queensland with more than 4,000 residential aged care beds, 1,000 retirement living units and community services that deliver more than two and a half million support visits every year.

The size of the organisation has enabled us to establish economies of scale, support systems and business processes that have enabled relatively strong performance.

However, even with these scale advantages, we have experienced a significant plunge in returns in the last three years and we're currently sitting on a year to date deficit.

Despite being affected later than other providers, Blue Care is now experiencing the steep dive that has been reflected in industry surveys.

As viability has declined we've been forced to make a number of responses aimed at minimising losses. Examples include;

- Reductions in the scope of works for rebuilds in towns where we'd made strong commitments to the community, for instance Mareeba, west of Cairns, rather than make a commercial decision to sell we're refurbishing an old facility. Current funding won't enable rebuilding it.

Behind this we are;

- Not applying for new beds in Approval rounds, and
- We've handed back more than 200 bed licences in areas of high growth like Hervey Bay and Bargara. With capital funding only covering 60% of the cost of these new beds – we calculate that we would lose $16 million dollars just putting these beds on the ground and then, under current conditions have no way making a return on investment
- The consequences of these forced responses means that we are unable to meet the booming demand in Queensland where the aged population is expected to increase by 470,000 in the next 17 years.

Like many other providers, we've had to use non operating income – income from interest being earned on declining bond numbers – to cross subsidise operating losses in most residential facilities and total losses in facilities in unviable regional areas of Queensland.

The 400 basis point reduction in interest rates since November has removed that lifeline and removed our ability to keep our head above water.

We are now looking at $19M operating loss in residential aged care next financial year which cuts straight into capital we've been salting away to rebuild ageing stock.

In response to this added pressure we're;

- Having to sell land we are holding for future growth
- We are no longer able to provide professional management support to struggling local councils and Indigenous providers
- We're also experiencing considerable pressure on our missional target of maintaining 50% of our beds for concessional residents → pensioners
- Similarly, we're having to seriously review dropping unfunded programs like grief & bereavement counselling that make a huge difference to families and partners of people who pass away in our nursing homes
- In addition, we're being forced to close some wings of facilities in unviable towns like Emerald and Gracemere in order to improve staffing efficiency & reduce costs.
- We're now seriously having to consider closing some other smaller unviable nursing homes.

The broader consequences of the declining viability are even more serious;

- Unmet demand is perhaps the more obvious one where, in the absence of Residential aged care, the frail aged will occupy more high cost hospital beds & congest GP waiting rooms
- If service contraction accelerates in the costlier more unviable regional towns then we'll see an erosion of communities and social infrastructure
- We'll also see insidious problems arise. For instance the remaining providers will be pushed to move away from more home like environments toward more institutional care just to save money and we're likely to see the emergence of a two tiered system where people with the ability to lodge significant refundable deposits will find a place & the system will probably retain a percentage of places for pensioners. The large majority of people, self funded retirees may miss out altogether.

What we're advocating is throwing out the series of short term fixes that get injected when the tectonic pressures we're now experiencing become overwhelming.

We need funding & regulatory reform that will give us the necessary confidence & certainty to grow to meet demand.

We're advocating for establishing a system that is sustainable and allows us to do more than just keep our heads above water as we start drowning.

We're asking the Senate Committee to recommend;

- retaining the conditional adjusted payment as an interim measure until a sustainable system is in place
- reducing the burden of regulation and shift the focus toward encouragement of best practice – rather than the increasingly punitive compliance based system that has a negative & demoralising effect on staff.
- Establishment of an indexation mechanism that reflects not only our operating costs but also the higher costs associated with maintaining care in regional & remote communities
- Removing the distinction between low care & high care as well as de-regulate extra services to enable providers to develop a range of products including flexible refundable deposits.

Thank you once again for providing us with this opportunity.