H.N. McLEAN MEMORIAL RETIREMENT VILLAGE INVERELL LTD
Incorporating
NEW ENGLAND COMMUNITY CARE SERVICES

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13th November 2008

The Secretary,
Senate Finance and Public Administration Committee
PO Box 6100, Parliament House,
Canberra ACT 2600

Re: Senate Inquiry into Residential and Community Care

Please find attached HN McLean Memorial Retirement Village Ltd's submission to the senate enquiry into residential and community care. The submission has particularly focused on the way in which rural residential and community care providers are affected by issues such as funding levels, planning ratios, allocation of places and capital funding inequities.

Yours sincerely

Brad Hilton
Finance Manager
HN McLean Memorial Retirement Village Ltd.

The below submission to the "Inquiry into residential and community care in Australia", has been compiled through the eyes of a non-metropolitan aged care provider. Three non-metropolitan aged care providers have provided statistical information, which has been used throughout this submission.

a) Are the current funding levels sufficient to meet the expected quality service provision outcomes?

The current funding levels received by residential care providers is not sufficient to meet the expected quality service provision. The level of frailty for residential aged care residents has increased substantially. The below table highlights (Source: Residential Aged Care in Australia 2006 – 07: A Statistical Overview, retrieved from the world wide web 3 October 2008) that in the 10 years since 1998 the level of High Care residential care residents has increased 22%.

Dependancy levels of permanent residential aged care services, 30 June 1998 to 30 June 2007 (percent)

Year	RCS1 - RCS4 High Care	RCS5 - RCS7 Funded Low care	RCS8 Nil subsidy	RCS Low Care
1998	57.8	37.7	4.5	42.2
1999	60.8	36.1	3.1	39.2
2000	61.8	36	2.2	38.2
2001	63.1	35.3	1.6	36.9
2002	63.6	35.1	1.3	36.4
2003	64.4	34.6	1	35.6
2004	65.6	33.6	0.8	34.4
2005	67.5	31.9	0.6	32.5
2006	68.7	30.8	0.5	31.3
2007	70.1	29.6	0.3	29.9

This continued increase in level of frailty of residents has seen a continued impact expenses incurred by residential aged care providers. Workers Compensation premiums are affected by experience levels or costs of claims made. With an ageing workforce and higher dependency residents, the cost of claims can only be expected to go one way. Providers have been forced to purchase lifters to assist staff

to lift high dependency residents. However, while lifters are put in place to assist staff in their role and assist an ageing workforce minimizes injuries, they too come at a cost. Lifters usually cost thousands of dollars to purchase and must be maintained constantly or staff or residents could incur greater injuries.

Residential aged care providers also have many regulations under which they must comply. Each additional regulation imposed by Government on residential aged care providers has a cost attached to it. Regulations have a very real link to sustainability. Providers can be imposed with sanctions or penalties if found to be in breach of specific regulations.

Residents of aged care facilities and their families are becoming more educated and resourced. Expectations and competition can also put further pressures on providers. However, funding levels may not adequately provide the capacity or cash flow for facilities to meet the desires of consumers.

Facilities have seen an increase in the size of their residential aged care facilities during the last 20 years, with a trend towards the consumer desired single rooms with ensuites. Consequently floor areas of residential aged care facilities have increased by more than 50%. This flows through to increases in corridors to link the new designs. This has had a significant impact on cost for providers.

b) Is the current indexation formula for both residential aged care and community care inappropriate?

The current Commonwealth Own Purpose Outlays (COPO) subsidy indexation methods used by the Government has failed to keep pace with the industry costs, in particular wages. The current 2008/09 Financial year has seen a COPO increase of 2.30% in

community and residential care base subsidies. Residential care has been given an additional 1.75% in Conditional Adjusted Payment (CAP) on top of the base subsidy increase. However, organisations have already been hit with increases of 4% in award wages. This is not to mention associated consumable item increases due to changes in the world economy.

If this situation is not addressed then both community care and residential care providers may become bankrupt. This is especially true in smaller non-metropolitan areas. Table 2.3, highlights the size of facility by remoteness at 30 June 2007 (Residential Aged Care in Australia 2006 – 07: A Statistical Overview, retrieved from the world wide web 3 October 2008). As you can see a large percentage of remote and very remote facilites are 1 – 20 beds in size. Smaller facilites have less capacity to spread overheads and periods of reduced occupancy could cause sustainability issues.

Table 2.3: Size of services, by remoteness,(a) 30 June 2007

Number of places	Major cities	Inner regional	Outer regional	Remote	Very remote	Australia
			Number			
1–20	35	61	76	24	17	213
21–40	383	230	137	9	3	762
41–60	563	226	94	3	1	887
61–80	322	117	27	3	0	469
81–100	179	55	17	1	0	252
101–120	108	29	3	0	0	140
121+	119	25	5	0	0	149
Australia	1,709	743	359	40	21	2,872
			Percent			
1–20	2.0	8.2	21.2	60.0	81.0	7.4
21–40	22.4	31.0	38.2	22.5	14.3	26.5
41–60	32.9	30.4	26.2	7.5	4.8	30.9
61–80	18.8	15.7	7.5	7.5	0.0	16.3
81–100	10.5	7.4	4.7	2.5	0.0	8.8
101–120	6.3	3.9	0.8	0.0	0.0	4.9
121+	7.0	3.4	1.4	0.0	0.0	5.2
Australia	100.0	100.0	100.0	100.0	100.0	100.0

(a) Refers to the location of the services. The table uses the ASGC Remoteness Structure as developed by the ABS.

c) What regional variations are occurring in aged care and what could be done to address these variations?

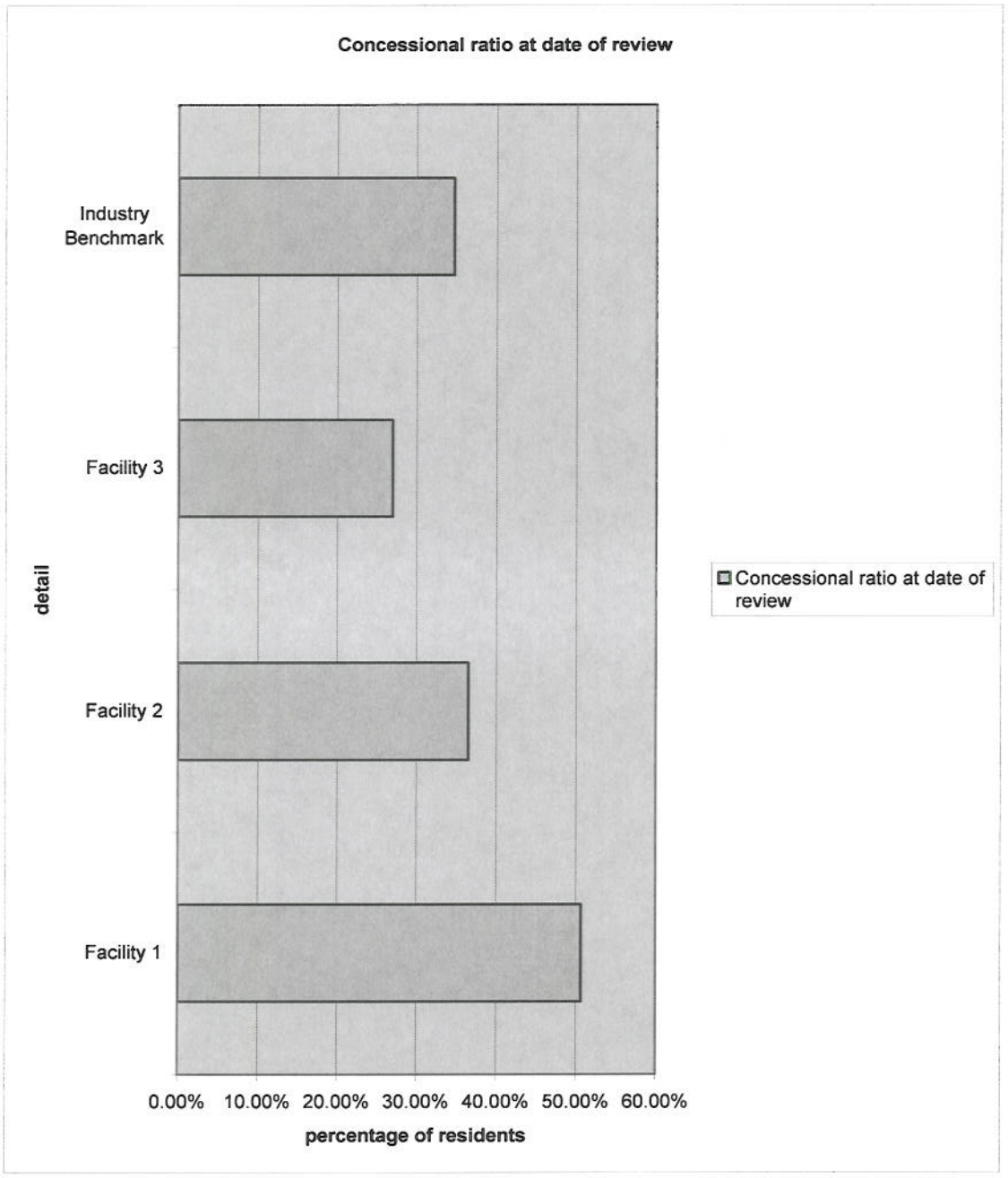
Residents entering residential care facilities with assets under the threshold do not contribute any additional payment. The Commonwealth Government contribute an extra payment for these residents, known as supported or concessional residents. Table 4.12, highlights the concessional status by remoteness at 30 June 2007 (Residential Aged Care in Australia 2006 – 07: A Statistical Overview, retrieved from the world wide web 3 October 2008).

Table 4.12: Permanent residents, by sex, remoteness[a] and concessional status, 30 June 2007

Sex/concessional status	Major	Inner	Outer regional	Remote	Very remote	Australia
			Number			
Females						
Assisted	2,311	1,086	460	32	9	3,898
Bond paid	10,760	2,066	299	6	0	13,131
Concessional	23,432	8,245	3,268	256	79	35,280
Not concessional/ineligible	36,861	14,881	5,085	309	47	57,183
Total females	*73,364*	*26,278*	*9,112*	*603*	*135*	*109,492*
Males						
Assisted	1,193	578	237	11	4	2,023
Bond paid	3,146	567	111	2	0	3,826
Concessional	11,850	4,218	1,709	143	73	17,993
Not concessional/ineligible	12,608	5,355	1,954	135	40	20,092
Total males	*28,797*	*10,718*	*4,011*	*291*	*117*	*43,934*
Persons						
Assisted	3,504	1,664	697	43	13	5,921
Bond paid	13,906	2,633	410	8	0	16,957
Concessional	35,282	12,463	4,977	399	152	53,273
Not concessional/ineligible	49,469	20,236	7,039	444	87	77,275
Total persons	**102,161**	**36,996**	**13,123**	**894**	**252**	**153,426**
			Per cent			
Females						
Assisted	3.2	4.1	5.0	5.3	6.7	3.6
Bond paid	14.7	7.9	3.3	1.0	0.0	12.0
Concessional	31.9	31.4	35.9	42.5	58.5	32.2
Not concessional/ineligible	50.2	56.6	55.8	51.2	34.8	52.2
Total females	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*
Males						
Assisted	4.1	5.4	5.9	3.8	3.4	4.6
Bond paid	10.9	5.3	2.8	0.7	0.0	8.7
Concessional	41.2	39.4	42.6	49.1	62.4	41.0
Not concessional/ineligible	43.8	50.0	48.7	46.4	34.2	45.7
Total males	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*
Persons						
Assisted	3.4	4.5	5.3	4.8	5.2	3.9
Bond paid	13.6	7.1	3.1	0.9	0.0	11.1
Concessional	34.5	33.7	37.9	44.6	60.3	34.7
Not concessional/ineligible	48.4	54.7	53.6	49.7	34.5	50.4
Total persons	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

(a) Refers to the location of the services. The table uses the ASGC Remoteness Structure as developed by the ABS.

As you can see from the above table, there is a signifcantly higher percentage of concessional residents in the rural and rural remote areas. This limits the number of accommodation bond opportunities available to rural aged care providers. This is highlighted in the following graph with details of concessional levels in the three participating facilities compared to the industry average of 34.7%.



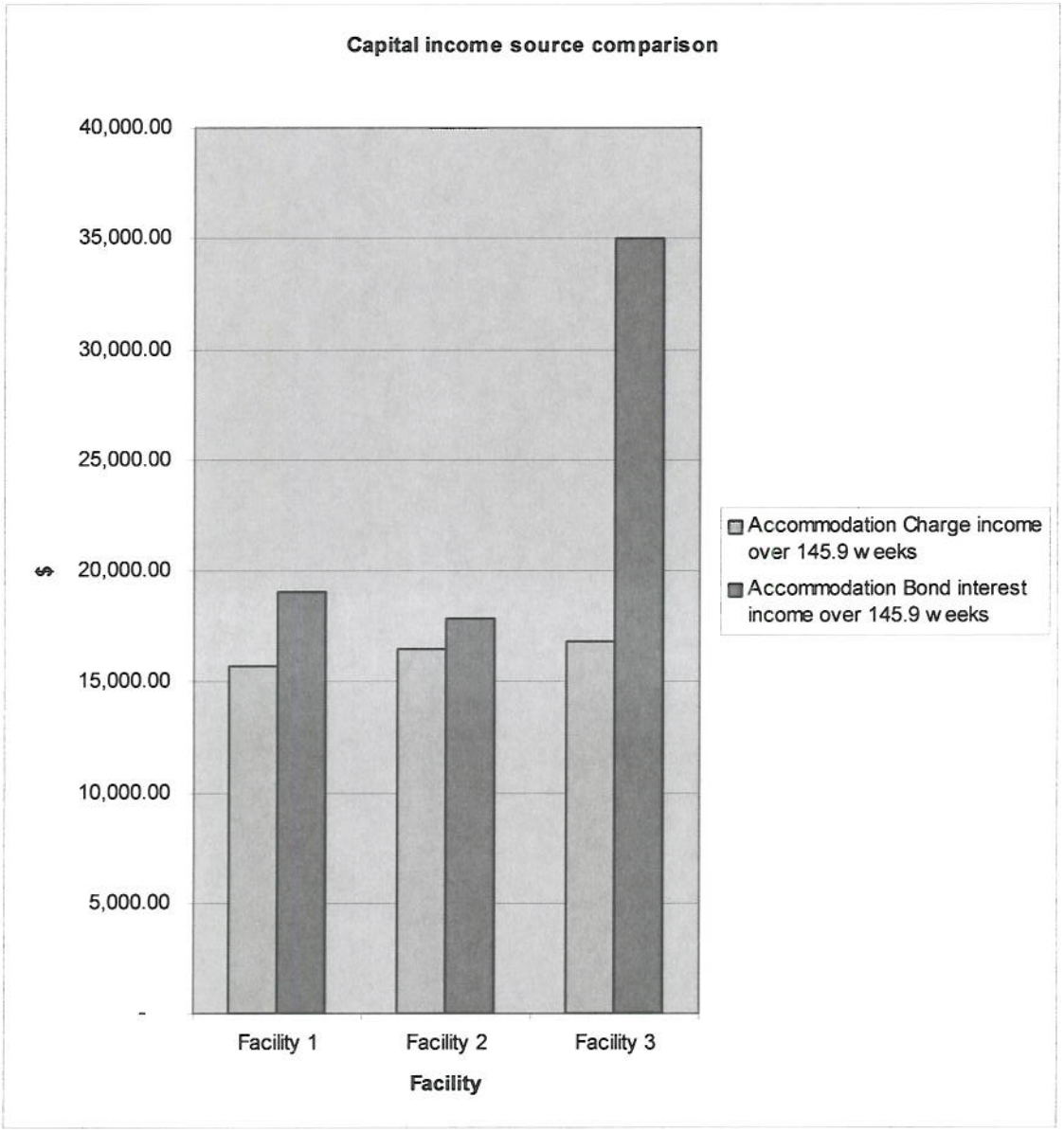
d) Is there an inequity in user payments and if so how can it be addressed?

The way in which aged care facilities are receiving capital funding varies from low and high care residents. All residents are subject to an asset assessment at the date of permanent entry to residential care. Those residents over the threshold ($35,500 current at 2/10/08) will have to contribute a capital payment. Those residents with assets less than the threshold will have a capital component contributed to the aged care provider on their behalf and

are known as concessional or supported residents. High care residents over the threshold will need to pay a daily accommodation charge and Low care residents a lump sum accommodation bond. Courtney, M, & Briggs, (2004, p.12) estimates the cost to establishing an aged care bed have averaged between the $70,000 to $150,000 mark. This average naturally will continue to increase, if only in line with inflation pressures. Therefore aged care facilities need to accumulate capital funds for future capital refurbishments or redevelopments.

This capital accumulation can only naturally take place during the length of the applicable residents stay. The average length of stay for permanent residents has increased from 131.3 weeks to 145.9 weeks between 1998/99 and 2006/07, according to the Australian Insititute of Health and Welfare in Australia, (Residential Aged Care in Australia 2006 – 07: A Statistical Overview, retrieved from the world wide web 3 October 2008). However, the average length of stay varied with remoteness. Very remote areas averaging 138.7 weeks per resident.

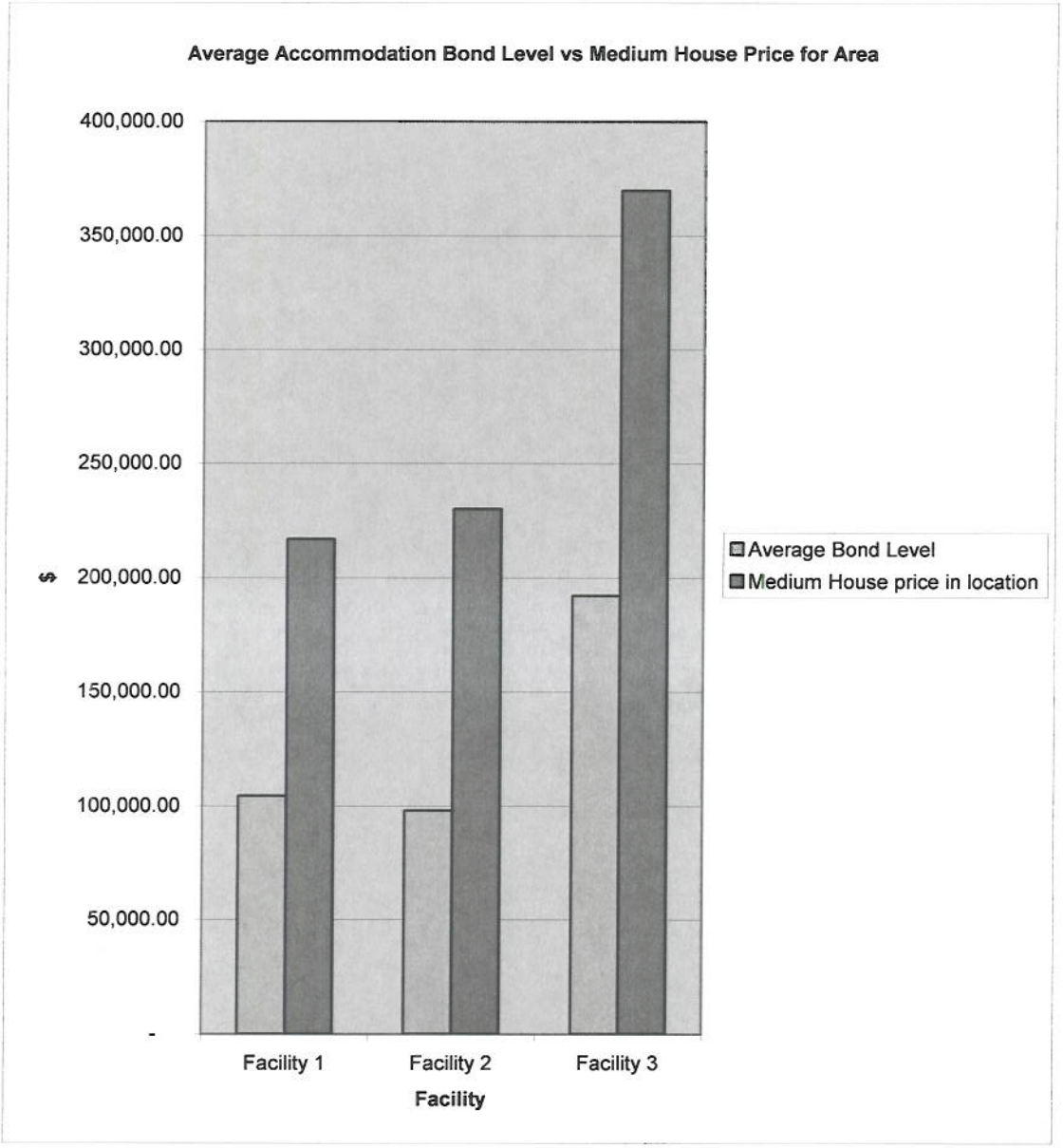
Statsitical data has been accumulated from the participating aged care facilites on average accomodation bond and accommodation charge levels. This data has then been formulated to highlight the inequity between capital funding accumulated through an accommodation charge and accommodation bond over the 145.9 average weeks stay per resident.



As is highlighted from the above data from the three participating facilities the income produced from accommodation bonds is far greater than accommodation charges over this average length of stay period. This graph speaks volumes, considering only the interest income (estimated 6.5% per annum) was included, as income for the accommodation bond, when up to an additional $3,282 in retentions could have also been earned by the facilities. The average income produced for the 145.9 week period from accommodation charges would have been $16,327, compared to $24,000 from the accommodation bond interest for the same period.

With the introduction of ACFI residential aged care facilities are no longer penalised for having accommodation bonds over the capping limit. If anything low care facilities have been encouraged to take larger accommodation bonds. ACFI was designed as a means of distributing funds more appropriately. However, Pretty, J (Tri State National Conference, April 2008, retreived from world wide web 29 September 2008) highlighted in her presentation that the ACFI funding system provides a real threat to rural stand alone low care facilities. Low care facilities again may be put in a position where they are cherry picking the residents that are financially beneficial to their organisation through large accommodation bonds. Ethically again this puts facilities in a difficult situation, which could result in potential residents with minimal assets left to fend for themselves in the community.

Low care facilities in rural areas in particular are faced with an even more difficult issue. Accommodation bonds levels are paid in line with a residents asset level at the date of permanent entry. If the incoming resident owns a house then it is highly likely that this will consititute the majority of their assets. House prices in rural areas are no where near as high as those in the metropolitan areas. The housing market may also be very slow, so providers may not receive the accommodation bond for some time. While providers can accrue a penalty interest on outstanding accommodation bonds, in rural areas this practice may not be well received by the community. Even if the facility does decide to accrue the penalty interest they would have a cash flow issue until the debt is settled. Average accommodation bond vs medium house price details from the three participating facilites have been graphed.



The above information obtained from the three facilities indicates varying levels of average accomodation bonds held. The medium house price in the area has also been graphed, with the coastal facility having a significantly higher medium house price than the other two facilities. This has then flowed through to their average accommodation bond level. Aged care providers in rural areas or rural remote areas with medium house prices between $120,000 to $150,000 can be restricted in the average accommodation bond and subesequent income produced from it.

The Commonwealth Department of Health and Ageing needs to seriously address the inequity in capital funding between High and Low care. The

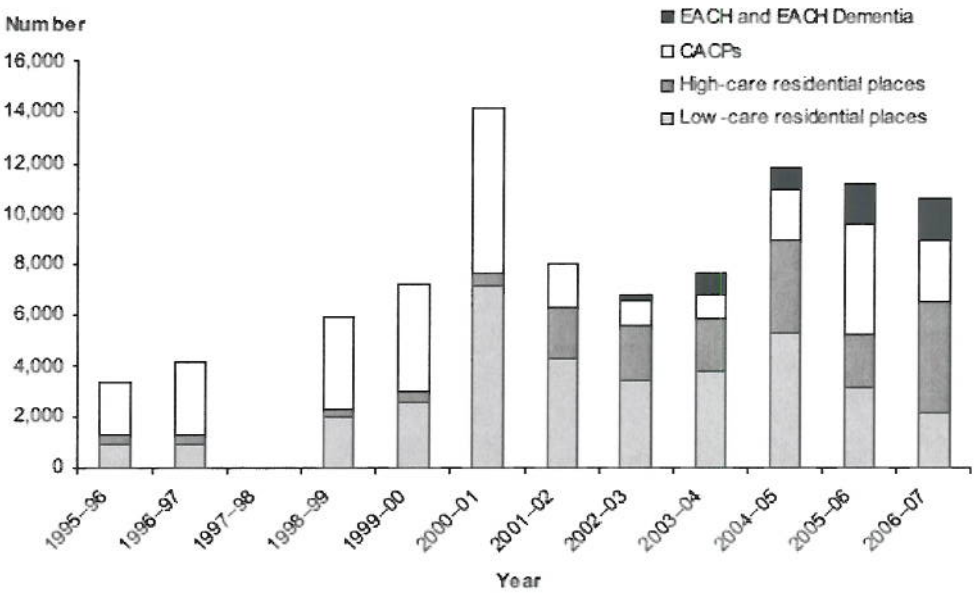
current system is not only causing providers concern in raising sufficient capital to refurbish or redevelop facilities, but it is also complicated for incoming residents to understand. The Commonwealth Department of Health and Ageing needs to consider having Accommodation Bonds across all residential care. While this should assist most providers in assessing sufficient capital funding requirements, further assistance should be given to rural providers with limited scope for significant accommodation bonds.

e) Is the current community care planning ratio between low and high care appropriate?

The current planning ratio is appropriate however the logic for allocation of residential care places and community packages frequently appears to be subjective. Many locations considered to be in excess of the planning ratio receive allocations, which may suggest effective political lobbying is benefiting one provider over another.

f) How is the allocation of current of future residential places affected by the provision of community care places?

The way in which health care services are delivered to aged members of our society have changed. The Department of Health and Ageing has increased the quota of Community Aged Care Packages (CACP) and Extended Aged Care Home (EACH) per 1000 persons over the age of 70. This injection in funding is having an impact on when the elderly enter residential aged care. The graph below shows the number of residential care places in comparison to community care places from 1995 to 2007 (Residential Aged Care in Australia 2006 – 07: A Statistical Overview, retrieved from the world wide web 3 October 2008).



Sources: AIHW 2007 and the Australian Department of Health and Ageing.

Figure 1.1: Number of new aged care places, CACP, EACH and EACH Dementia allocated to approved providers, 1995–96 to 2006–07

The Securing the Future of Aged Care for Australians highlighted an increase in community care packages. The Department of Health and Ageing indicate that in 2004, the Australian Government doubled the community care benchmark ratio from 10 to 20 places per 1,000 people aged 70 years or over. This initiative increases the provision ratio further, by raising it to 25 places per 1,000 by June 2011. (Department of Health and Ageing, Budget 2007 – 08, retrieved from the World Wide Wed, 8 October 2008).

This commitment from the Government to increase community care packages shows that the community care industry is a growth industry and here to stay. According to American Medical Directors Association (2007, p.88, retrieved from World Wide Web 27 September 2008) Community care packages allow the Australian older population the opportunity of staying in their home longer. Community care packages were also considered to more cost efficient than long-term residential care. In rural and remote areas in particular, community care packages were seen as a means of assisting an ageing population over a greater demographic area.

Aged care facilities receive no funding for a residential care bed when it is unoccupied. Community care has had an impact on when residents are entering residential care and their length of stay. Sustainability of any of any aged care facility continued occupancy issues is questionable.

Residential Aged Care facility occupancy can vary from area to area and during the course of the year. The following table 3.6, highlights varying average occupancy levels for the 2006 / 07 Financial year by poulation size and by state in Australia (Residential Aged Care in Australia 2006 – 07: A Statistical Overview, retrieved from the world wide web 3 October 2008).

Table 3.6: Average occupancy rate, by state/territory and remoteness,[a] 1 July 2006 to 30 June 2007 (per cent)

State/territory	Major cities	Inner regional	Outer regional	Remote	Very remote	All regions
NSW	93.7	95.5	95.6	96.8	90.4	94.3
Vic	91.7	94.2	95.5	85.1	. .	92.5
Qld	94.7	95.9	94.9	86.0	75.2	94.9
WA	94.9	95.1	93.9	87.5	81.1	94.6
SA	97.6	98.3	97.0	95.4	0[b]	97.6
Tas	. .	95.7	96.7	95.8	90.5	95.9
ACT	96.3	0[b]	. .	. .	. .	96.3
NT	. .	. .	94.7	95.3	93.6	94.9
Australia	**93.9**	**95.4**	**95.5**	**91.5**	**80.0**	**94.3**

(a) Refers to the location of the services. The table uses the ASGC Remoteness Structure as developed by the ABS.

(b) No places in this region.

Note: The average occupancy rate =
(The sum of resident bed-days in the period/The sum of available places in the period) × 100, for each cell, where / represents division.

. . Not applicable.

Source: AIHW calculation from Aged and Community Care Management Information Database (ACCMIS).

This graph highlights that during the 2006 / 07 financial year, remote and very remote residential aged care providers experienced on average more empty bed days. The information received from the three participating facilities indicated an average occupancy level of 96.95%. Bed vacancies in the political mix, highlights how the government provides absolutely nothing to residential aged care providers during periods of empty beds (In Site News Paper – Bed Vacancies in Political Mix, 2007, retrieved from the world wide web 23 September 2008).