ANGLICARE
AGED CARE SA

Inquiry into Residential and Community Aged Care in Australia

Submission by Anglicare SA Inc. to Senate Finance and Public Administration Committee

1st December 2008

CONTENTS

1. Introduction

Anglicare SA provides this submission to the Inquiry into Residential and Community Aged Care in Australia in response to the Senate Finance and Public Administration Committee's request for such submissions.

Anglicare SA is a significant aged care and welfare provider in South Australia with annual revenue in excess of $65M and employing over 1000 people.

Aged Care represents over half of the services provided by Anglicare SA in South Australia.

Our Aged Care services include Residential Aged Care with presently five metropolitan sites and over 500 places, both high and low care. Furthermore, we are nearing the completion of construction of our sixth residential aged care facility in southern metropolitan Adelaide which will cater for an additional 120 residents.

Our aged care services include Health & Community Aged Care and we help approximately 600 people through Community Aged Care Packages (CACP), Home & Community Care (HACC) & Extended Aged Care in the Home (EACH). Furthermore, we operate extensive Therapy Services which assist older people in the general community as well as our residents and clients. Therapy Services completes in excess of 15,000 occasions of service per annum.

Overall, Anglicare SA Aged Care cares for over 1000 residents and clients and we employ over 600 staff in aged care.

We believe that the future of aged care, its direction and policy objectives, is at a critical junction. There is the opportunity for genuine change and improvement that can be brought into the aged care system. Australia's rapidly ageing population is well known and documented. In order to appropriately deal with the changes that are occurring it is essential that the aged care sector is strongly positioned in order to manage the quantity of demand for services, the quality of resident needs/requirements and be financially sustainable. Furthermore, aged care is an essential undertaking in Australia's overall health system. Efficiency and effectiveness in the aged care sector will significantly aid the efficiency and effectiveness of the health sector, in particular hospitals.

The economic and social benefits of the aged care sector are significant to Australia.

Aged & Community Services Australia (ACSA) estimates that 3.7 million people are, in some way, involved with the aged care sector. This figure is comprised of residents, clients, staff, volunteers and families and it is increasing.

The aged care sector is a significant employer, being within the "top 10" employment sectors in Australia. Employment is not only direct, there is also the positive economic effect of the release of carers' back into the workforce.

Government expenditure in residential aged and community care should therefore rightly be identified as an investment.

This inquiry provides the opportunity to consolidate key issues and seek a genuine path forward for older Australians.

2. Anglicare Principles

Anglicare SA, consistent with Anglicare Australia, believes that a number of service level principles are essential to guide the considerations for effective provision of services into the future.

These principles include;

- Recognising & Upholding Peoples Rights
    - Right to dignity and respect
    - Right to access community life
    - Right to improve quality of life
- Individualised Approach
    - 'Whole of person' approach
    - Flexibility to meet changing needs and circumstances
- Active Living Focus
    - Positive ageing
    - Developing and improving a persons abilities and environmental supports to achieve a persons desired goals
    - Fulfilment of favourable roles in living, social, learning and community environments
- Improving and Maintaining Quality of Life
    - Continuing or re-engaging actively in community life
    - Retaining relationships
    - Accessing leisure & recreational activities
    - Maintaining health & well being
- Choice & Decision Making
    - Providing access to honest and accurate information
    - Involvement of the individual and/or their family, advocate or guardian in decisions affecting their care including end of life
- Fair User Pays Principles
    - Changes across service types be fairly set with transparency
    - Those with capacity to pay do so
    - Those unable to pay being appropriately subsidised by the care of Government
- Co-ordinated, Integrated Quality Service Delivery
    - Coordination to occur both within and across services to provide efficient and affective services

- Collaborative Partnerships
    - Collaboration of services to be encouraged including Government and non Government entities to meet the needs of older people

These principles should, in our mind, underpin the aged care system.

Please note: This submission is that of Anglicare SA

3. Terms of Reference

This submission is consistent with the Terms of Reference provided by the Senate on its website;

http://www.aph.gov.au/Senate/Committee/fapa_ctte/aged_care/info/htm

and it specifically responds to Terms of Reference (a) to (f).

Terms of Reference (a)

Whether current funding levels are sufficient to meet the expected quality service provision outcomes.

The vital issue of the aged care sector's financial position has been comprehensively analysed and clearly documented by various independent experts for several years now. It is not our intention to repeat all of the detail in our submission.

In a nutshell, the underlying conclusion is that there is currently not enough funding to provide the overall amount of service required to meet the existing demand for community and residential aged care and at an appropriately high level of quality service.

Significantly, two recent professional reports, being the Productivity Commission's research report "Trends in Aged Care Services: Some Implications" (September 2008) and Chartered Accountants Grant Thornton Aged Care Survey 2008 both provide relevant data and pertinent conclusions about the aged care sector and its funding levels.

Both of these reports provide empirical financial information and results that reveal the inadequacy of aged care funding from both a capital and recurrent perspective and the necessity for a major overhaul of the current aged care system.

Some of the salient features from these reports include;

- Lack of access to appropriate capital funding
- Constraints of aged care pricing arrangements impacting financial position
- Inadequate indexation of revenue
- High levels of regulation and associated increases in costs of regulatory compliance.

Of genuine concern is the conclusion by Grant Thornton that a number of recent insolvencies represent a small portion of the number of services in financial distress in Australia. The Grant Thornton Survey revealed concerns regarding the viability of (both) small and large operators. Many operators are incurring unsustainable losses, particularly those with modern facilities.

Of particular relevance in the Grant Thornton Survey is the reported average return on investment of aged care providers of approximately only 1.1% for modern single bedroom facilities. Pertinently, this accommodation and care predominates in residential aged care facilities because of Government building certification requirements and market demand. The increased size of these types of services and the increasing residents' care needs has increased the necessary staffing requirements and thus cost base of operating. The Grant Thornton survey reveals material declines in EBITDA.

The capital constraints in residential aged care are significant. This is highlighted for example, through numerous estimates by Quantity Surveyors that the average building cost is in excess of $200K per bed (not including land, plant, fit out) in Australia and can be over $¼M including such items.

Anglicare SA also states that the declining financial position of the aged care sector has been clearly documented and communicated in the submission by the Aged Care Industry Council (ACIC) to the Department of Health and Ageing's Conditional Adjustment Payment (CAP) Review. Again, it is not our intention to repeat all of the facts. However, we do highlight that failure by the Government to adequately address such core issues will result in the inability of the sector to provide both the quality and quantity of care that is required for older Australians.

Staffing is a key issue for Aged Care (along with health in general) as the sector is experiencing increasing difficulties in attracting and retaining all levels of staff required to deliver essential services. This is an issue of serious concern. This problem is due in part to a tightened labour market but highly significantly, to the pay level and conditions available in aged care. The aged care sector is not competitive with other industries who can offer higher pay for similar qualifications (or similar pay for less qualifications and responsibility) in particular care staff. This potentially compromises care service delivery and continuity. Practically it often results in increasing staff problems and employment agency usage which exacerbates the negative financial position. Without addressing funding levels, these problems will only increase.

The recent Productivity Commission Report estimated that closing the wages gap would cost $450M, such is the level of underfunding in the sector.

The issue of market competitive rates of pay is critical in the context that approximately over 70% of operating costs relate to labour.

The Anglicare SA experience of the implementation of the Aged Care Funding Instrument (ACFI) has been consistent with Aged and Community Services Australia (ACSA), and others in various submissions to the Commonwealth Government, in that the funding levels are not sufficient. This is particularly so in low care where providers are undertaking 'ageing in place', policy advocated by Government. It is also important to point out that the full effect of the introduction of ACFI will not be known until the "RCS Saved" residents are reassessed over time.

Presently, ACFI makes no provision for the time and costs associated with, for example, lifestyle activities/diversional therapy, family contacts yet the Accreditation Standards require (rightly) such work to be undertaken. Aged care

providers are, therefore, simply not funded for some of their service delivery, a most unfair and inappropriate situation.

Another major problem with ACFI occurs when a resident is not totally dependent upon every aspect of ADL's, who do not then qualify at the high level. In effect, this is counter productive to what the Instrument should be trying to achieve.

Some providers such as Blue Care have submitted to this Inquiry that the operating funding is estimated to be inadequate by an amount in the order of $5,500 per resident per annum or approximately $15 per resident per day.

Additionally, the ACFI instrument does not support certain special needs groups such as psycho-geriatric facilities. Indeed, these people represent some of the most vulnerable people in our community. This issue requires immediate attention by Government.

The Concessional/Supported Resident Supplement requires improvement. Anglicare SA specifically provides care and accommodation for many financially disadvantaged older people. For example, two of our residential aged care facilities focus on the vulnerable frail aged and have concessional resident ratios in excess of 80% of the total number of residents. The supplement is below what can be obtained through bonds (including the retention and average bond earnings).

Community aged care likewise faces significant and serious financial issues due to increasing costs, in particular staff salaries and wages, as well as insufficient indexation arrangements exacerbated by the fact that the Conditional Adjustment Payment (CAP) has not been applied to Community Aged Care.

There needs to be an increase in funding for recovery and maintenance programs.

Furthermore, the three "tiers" of community care packaging and associated funding from Home and Community Care (HACC), Community Aged Care Packages (CACP) to Extended Aged Care in the Home (EACH) poses practical difficulties for providers when caring for changing needs. A CACP client who has increasing needs but for whom no EACH is available does not receive additional interim funding. In effect, the additional costs of servicing the client are borne by the provider until an appropriate alternative is found. This is not sustainable. Additionally, there is a need for higher level packages than the EACH.

The aged care sector is highly regulated with detailed accreditation and certification requirements, food audits, local Government, quality reporting, clinical documentation, WorkCover/OHS audits etc. Unfortunately, there is much "red tape". This highly regulated environment has a significant impact on staff and diverts, unfortunately, much attention from the core business of care. Furthermore, the relatively short length of stay by residents within high care creates additional administrative demands on staff which again impacts on the quality of care they are able to provide to residents.

Recommendation

The current funding system requires a complete overhaul in line with public professional assessments to ensure adequate funding levels exist for both low care, high care and community care. This requires considerable consultation with the sector to determine the most appropriate funding means.

Terms of Reference (b)

How appropriate the current indexation formula is in recognising the actual cost of pricing aged care services to meet the expected level and quality of such services.

Several sector surveys, representations and much evidence has been prepared over many years that clearly reveals the current Commonwealth Own Purposes Outlay (COPO) indexation formula used in aged care is inadequate in meeting the cost increases of aged care.

Of recent note is an analysis prepared by Access Economics Pty Ltd for Baptist Care Australia, Catholic Health Australia and Uniting Care Ageing NSW and ACT for the recent Conditional Adjustment Payment (CAP) Review of the Department of Health and Ageing (DoHA).

The submission undertaken by Access Economics assessed whether subsidy rates for aged care had kept in line with the actual costs of aged care.

Essentially, the salient features of the Access Economics findings included;

- The provision of the CAP, on top of basic subsidy rates, has meant the growth of Government funding for residential aged care has slightly out paced CPI growth since 2004/2005. However, even with the inclusion of the CAP, subsidy increases have been 0.7% to 0.9% less than the increase in the LPI (Health and Community Services) cost growth over this same time period. This is of genuine concern.

- The sector's funding will continue to rise as a result of cost pressures arising from the growing demands and complexity of aged care needs.

- Nurses' wages have continued to increase due to strong demand (in a tight labour market).

Appropriate indexation is therefore essential.

(Source: http://www.health.gov.au/internet/main/publishing.nsf/content/ageing_cap_/submissionsreceived_2008.html)

The recent Council of Australian Governments (COAG) Meeting identified a 7.3% per annum indexation level to be applied to the health sector and 6% for the disability sector. However, the aged care sector does not receive such funding indexation due to the Government's use of COPO. Unfortunately, the aged care sector will, without a specific change in indexation by Government, continue to fall behind because its indexation is not tied to actual cost increases, and so the indexation method is inherently flawed. This "gap" in indexation includes not only the inability to match aged care cost increases but will increase differences between sectors. COPO was introduced in 1997 replacing a system whereby cost increases were fully reimbursed. Aged care must be funded relative to actual cost increases of the aged care sector, as a matter of urgency.

Anglicare SA's experience has been that the cost of operations, including care wages and operational expenditure, has increased at a rate in excess of indexation increases.

Community Aged Care has experienced cost increases greater than revenue increases and this has been exacerbated by the fact that the CAP has not, inexplicably, been applied to Community Aged Care.

Recommendation

The current indexation formula is not appropriate in recognising the actual cost of aged care services to meet the expected quality levels. It is essential that this ever widening gap between cost increases and revenue indexation does not further widen and is addressed by the use of a relevant indexation formula specifically for the aged care sector.

Terms of Reference (c)

Measures that can be taken to address regional variations in the cost of service delivery and the construction of aged care facilities.

Anglicare SA does not provide any material residential or community aged care in regional locations and therefore does not believe it is in an appropriate position to comment. However, Anglicare SA is aware of considerable analysis and review undertaken by Aged and Community Services Australia with its regional members and recommends that the Inquiry give serious consideration to this work.

Terms of Reference (d)

Whether there is an inequity in user payments between different groups of aged care consumers and, if so, how the inequity can be addressed.

There are inequities between users of low and high care within residential aged care. For example, a high care resident is not required to pay an accommodation bond even if they have the financial means.

The maximum accommodation charge of $26.88 per resident per day in high care can be matched approximately by income from a bond around $105,000 at 6% per annum and retentions of $3,504 per annum.

In some demographic areas many prospective residents have the capacity to pay a bond in excess of $105,000, particularly given the significant property boom experienced over the past few years. Consequently, the prohibition of bonds in high care severely constrains providers with access to much needed capital which could be used to fund high care facilities (and consequently deprives older Australians of potentially new high care homes).

Recommendation
In the absence of other forms of reform of the aged care sector, this inequity can be addressed by Government removing the low and high care resident distinction and enabling providers to request an accommodation bond from high care residents (who have financial means).

Within Community Aged Care there is an absence of clear guidelines on HACC service client contribution and the fees associated with CACPs and EACH.

Recommendation
In essence, there is a need for a consistent national policy on client contributions for community care which includes:

- Consistency for common service types across funding programs e.g. domestic assistance under DVA, HACC and CACPs.
- A flat fee per unit across all funding programs subject to means testing for personal care, domestic services, social support and centre based respite and a consistent process for assessment of hardship
- Administrative ease

Term of Reference (e)

Whether the current planning ratio between community, high care and low care places is appropriate.

The supply of places in residential aged care has been determined by the Commonwealth Government on a population based planning model that endeavours to match growth in service provision with the growth in numbers of older people by regions. The Aged Care Act aims to achieve and maintain a national service provision level of 113 operational residential and community aged care places per 1,000 of the population, aged 70 years and over. Within this current overall ratio, 44 of the total 113 places per 1,000 are currently residential high care places, 44 are residential low care places, and 25 places are community care places.

The emphasis in high care places in Australia's aged care system is revealed in the following statistics. At 30 June 2007, there were 170,071 residential aged care places (The Australian Institute of Health and Welfare) and 70% of these residents were high care.

Anglicare SA has experienced a very similar situation with high care resident levels across its residential aged care facilities at approximately these national averages.

Recommendation
We assert that the current planning ratio between high care and low care places is now not appropriate and that complete flexibility should be permitted for residential aged care in their use as either a high or low care place. It is important to highlight that this flexibility needs to take into account the recommended change in accommodation bonds, that is, accommodation bonds being permitted to be charged in high care.

Within Community Aged Care, Anglicare SA highlights that with increased demand from clients to stay at home for longer as well as Government pronouncements to this effect, there will be the need to increase packages and funding at the higher end of community packaged care potentially, through the EACH and EACHD and other programs.

Anglicare SA is experiencing the situation where services are increasing for some Community Aged Care Package clients to, in effect, high levels because there is a lack of EACH packages. In effect, clients are staying on a CACP for too long. Anglicare SA bears these additional costs.

Recommendation
Anglicare SA asserts that increased Community care packaging including, in particular, EACH, are required to meet the changing needs of clients.

Terms of Reference (f)

The impact of current and future residential places allocation and funding on the number and provision of community care places.

The Hogan Pricing Review provided predictions that increased demand for community aged care will occur into the future, to meet older people's preferences. Accordingly, it is anticipated that an increased weighting will occur for community care places.

Of note in any such allocations, is the fact that the Aged Care Funding Instrument (ACFI) is heavily weighted to the high care resident. This has implications regarding resident intake with corresponding impacts upon accommodation bonds, given that at present there are no accommodation bonds allowed to be charged under the Aged Care Act for incoming high care residents.

It is noted that there is little relationship between the residential aged care and community aged care systems. For example, there is not a "continuum" for residents from community to residential, nor from residential to community such as is possible under the Transitional Care Packages (TCP) for acute residents.

If this flexibility could be offered, significant benefits would occur to older persons and the overall health and aged care systems would be improved in terms of their effectiveness and efficiency.

Recommendation

The ratios between residential and community care be reviewed including focus on improving flexibility.

For further information, please contact:-

Mr Peter Wright
Executive Manager Aged Care
Anglicare SA
Phone (08) 8305 9261