Lutheran Community Care

16th December, 2008

Committee Secretary
Senate Finance and Public Administration Committee
Department of the Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Sir/Madam

Inquiry into residential and community aged care in Australia

We welcome the establishment of this inquiry into residential and community aged care by the Senate Finance and Public Administration Committee, and the opportunity for Lutheran Community Care (LCC) to make a submission.

The inquiry is particularly timely because the current financial and administrative arrangements for residential aged care appear to be under increasing strain. These arrangements do not appear to provide for a sustainable residential aged care sector which will be capable of meeting the future needs of an ageing Australia.

We applaud the Commonwealth initiatives to provide effective support for older people to remain in their own homes for as long is appropriate. We recognise though that this is not feasible for all and that there needs to continue to be a viable residential sector to assist those people requiring a residential option.

In this submission we have concentrated on six issues of concern to our organisation rather than commented comprehensively on all the Inquiry's terms of reference. As well as raise these issues, we have also proposed possible solutions which are aimed at providing for a viable residential aged care sector which is capable of delivering quality services into the future. The issues that the submission addresses are:

- the inappropriate distinction between high and low care
- the uncertainty, complexity and insufficiency of current funding arrangements
- the mismatch between the Aged Care Funding Instrument and the assessments undertaken by the Aged Care Assessment Teams
- the inadequate arrangements for funding high care accommodation costs
- concerns about the risks associated with the concentration of places in large providers
- the capacity to respond to flexibly to local needs.

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Lutheran Community Care

About Lutheran Community Care

Lutheran Community Care has places for 913 residents (306 high care and 607 low care) across nine locations in South East Queensland. Our most northerly service is located at Biloela (Wahroonga Retirement Village); the most southerly location is at Tallebudgera on the Gold Coast (St Andrew's Lutheran Aged Care). We have retirement villages co-located with six services.

LCC also provides a wide range of disability, family support and youth support services in Queensland.

Distinction between high and low care

The existing distinction between high care and low care in residential services is no longer appropriate. This distinction developed in an era in which there was a different aged care environment. At that time, there was limited access to community-based care options as well as a substantially smaller number and percentage of older people seeking support. The ageing in place concept had not been introduced and dedicated hostels suitable for low care residents were still being constructed.

Residents' care needs do not fit neatly into high and low classifications. Individuals may require high support in one area (such as the management of significantly inappropriate behaviour or the impact of a deteriorating short-term memory) but may have low needs in other areas (such as no problems with continence or mobility). There are many possible variations in the range of needs that an individual resident may have.

The support services that each resident receives should be tailored to match that person's particular circumstances and may involve a combination of a wide range of interventions.

The Government's Aged Care Funding Instrument (ACFI), which was introduced in March 2008 as the basis for classifying the level of care needs for the purposes of funding, reflects the diversity of possible care needs to a much greater extent than did the previous Resident Classification System. Eight categories in RCS were replaced with 63 categories across three domains in ACFI.

The artificial distinction between high and low care distracts from the capacity to provide an integrated and seamless set of service options to address each resident's needs, irrespective of where they sit on the continuum of care needs. It also creates an unnecessary administrative burden which is associated with the different policies applying to high and low care in relation to such things as the applicability of residential bonds, charging for allied health services, and medication management.

The distinction continues to hamper the capacity of providers to respond quickly to changes in demand for high or low care places. For example, the recent reduction in demand for low care places following the Government's increased provision of community-based care options in combination with the impact of the ACFI has resulted in vacant low care beds. At the same time, there can be unmet demand for high care places.

We therefore propose that the current distinction between high care and low places be eliminated. Service providers should be able to develop a seamless continuity of services spanning the full range of residential services without the imposition of an artificial barrier between high and low care.

If a distinction is maintained between high and low care places, we propose that service providers should be able to redesignate a proportion of their existing low care places as high care, subject to the suitability of the physical infrastructure for that purpose.

Uncertainty, complexity and level of funding

Our understanding is that there is no relationship between the Commonwealth Own Purpose Outlays (COPO) and the cost drivers affecting residential aged care. Some of the costs significantly affecting the industry at present include:

- The requirement to rely increasingly on high cost agency staff in lieu of employed nurses as the national and international shortage of nurses continues to diminish the pool of nurses available for employment
- The recent increases in the cost of food
- The additional costs incurred in the management of the increased scrutiny of services over recent years including the introduction of the Complaints Investigation Scheme, increased scheduled and spot visits by the Aged Care Standards and Accreditation Agency and fees paid for accreditation.

Prima facie, the COPO is an inappropriate basis for indexing Commonwealth aged care funding.

We understand that industry data clearly demonstrates the disparity between the funding determined through COPO and the costs of providing residential aged care. This disparity has meant that the Conditional Adjustment Payment (CAP), which was originally introduced as a temporary measure to provide supplementary funding, has become increasingly important in enabling providers to remain viable. The need for the payment demonstrates the insufficiency of the base payment determined through the COPO mechanism.

We understand that many residential providers are experiencing low and deteriorating financial returns (as outlined in the Grant Thornton Aged care survey, October 2008) and that even with the CAP supplementing the COPO payments, many services have costs which exceed their income. In LCC's case, five of our nine services had net operating deficits in the 2007/8 financial year, a result primarily driven by the cost of staff.

Having to rely on the separate CAP adds to uncertainty and complexity. It diminishes the capacity to plan with confidence and to make prudent investment decisions.

We therefore propose that the Commonwealth in consultation with industry peak bodies determines a funding base for resident care which is sufficient to allow all standards to be met reliably in an ongoing way. We further propose that an indexation formula be adopted that reflects the particular cost structure of the industry.

Mismatch between ACFI and ACAT

There are a number of problems associated with the interaction of the Aged Care Funding Instrument (ACFI), and the assessments undertaken by Aged Care Assessment Teams (ACATs).

Under current arrangements, a person cannot gain entry into a residential aged care service until an assessment has been undertaken by an ACAT, and the individual has been found to need residential care. The potential resident is designated as requiring either high care or low care. ACATs are independent of the aged care service providers.

The criteria and methods for assessing people under the ACFI and ACAT do not align. This produces serious practical difficulties for service providers, residents and families. There are two common problematic scenarios:

- The ACAT may determine that someone requires high care, and they are admitted on that basis. But when a thorough ACFI assessment has been completed following admission, it is determined that the person properly belongs in a low care payment category. As residential bonds may be charged for low care residents, but not high care residents, the service is placed in a difficult situation explaining why a bond may now be requested. In any case, the service is unable to make this change to low care until the ACAT has reassessed the resident and agreed to the change. We have recent experience where the Team refused to perform a reassessment until twelve months have elapsed.

- The second scenario occurs when new residents have been assessed as requiring low care by the ACAT but a thorough ACFI assessment post-admission indicates that the resident requires high care and should be funded to the higher level. Under existing rules, this also requires a re-assessment by an ACAT before the claim can be submitted for higher funding. This can often take up to six weeks resulting in substantial losses amounting to thousands of dollars to the services as only a default amount of $44.40 per day is received in the interim.

In both scenarios, the situation is confusing and potentially distressing for the residents and their families who cannot understand why they are being told different things by the ACAT and the service. Our experience is that the number of these instances is increasing.

We propose that the assessment criteria used by ACATs are aligned with those used in the ACFI and that their training and work methods also align to avoid different results. We further propose that re-assessments requested in line with either of the above scenarios be required to be undertaken within four weeks by the ACATs and that any additional payments be reimbursed in full from the time of the resident's admission. (This problem would be eliminated entirely if our earlier proposal to remove the distinction between low and high care is adopted.)

Funding for high care accommodation

Currently, there is no effective mechanism to fund new construction for high care residents, yet this is the fastest growing group of residents. The demand for new high care places is likely to accelerate but the capacity to provide suitable accommodation will continue to diminish.

In addition, residents' and families' expectations of the quality of physical infrastructure that desire in the services are also increasing. Almost all residents are seeking a single room with ensuite facilities.

The cross-subsidisation of high care construction costs from bonds collected in low care services was never an appropriate long-term option. In any case, the ability to cross-subsidise is being rapidly diminished due to the declining number of low care admissions. As a result, there is very limited capacity to build high care facilities or to substantially upgrade existing facilities. This has already led to the postponement of several building projects in our organisation.

The existing different treatment of residents classified as requiring high and low care can be seen as inequitable. It is arguable that all residents in care should contribute to the cost of their accommodation based on their financial means and capacity to pay, not on their allocation to one or other sides of artificial division relating to the care that they require.

We therefore propose that accommodation bonds be payable in all residential aged care services.

Concentration of places

Recent experience in the child care industry with ABC Learning Centres being placed into receivership has starkly shown the risk of large organisations in the private sector dominating the supply of essential human services.

The impact of a large residential aged care provider being placed in receivership would be far more distressing for the residents and families affected than in the case of child care. This is because of the vulnerability of those affected and the fact that residential services provide accommodation and care over 24 hours per day, 365 days of the year.

The collapse of a dominant provider would no doubt place the government in a very difficult position, with the community expecting the government to solve the problem.

The best protection against such an occurrence would be to have a highly diversified market with large numbers of providers and no dominant providers, either nationally or regionally. Our understanding is that there are no guarantees at present that would prevent the emergence of dominant providers.

The current financial difficulties being faced by many providers in the residential aged care sector have created an environment in which takeovers are increasingly likely. The scene is set for the rapid expansion of some providers and a reduction in the current diversity.

We propose that there be a legislated limit on the market share of residential aged care providers, both nationally and regionally.

Capacity to respond to local needs

Different residents may desire a variety of services which are in addition to the services required by all residents. Yet Aged Care providers are only able to satisfy these requests if they have a specific allocation of extra services beds.

The current tight controls limit the capacity of aged care providers to respond flexibly to community and resident needs. They stifle innovation.

Consumers in the community have a wide range of choices about the services that they purchase; the principle of choice should transfer to their capacity to choose the additional services they want from their Aged Care provider. This would be consistent with the philosophy underpinning the Charter of Residents' Rights and Responsibilities.

We would prefer an arrangement where all residential services were free to offer additional services to their clients. The Aged Care Standards and Accreditation Agency could ensure that residents were not being charged additional fees for services that should be included in the basic package and that charges are reasonable. For transparency, services could be required to publish their cost structures on their web sites and submit details of costs to the Department of Health & Ageing.

We therefore propose that all residential services be permitted to provide and charge for additional services for their residents.

Summary

Taken together, we contend that the measures we have proposed would:

- Support a sustainable residential aged care sector into the future
- Promote more effective medium and long-term planning within the industry
- Provide a capacity to respond more flexibly to the differing needs of local communities, without undermining equity considerations
- Provide a mechanism to fund new construction or major upgrading of facilities for residents with high care needs, without a call on additional Commonwealth resources
- Eliminate the existing confusion for service providers, residents and families caused by the misalignment between ACFI and ACAT processes.

We would be pleased to have an opportunity to expand on these points should the Committee wish.

Yours sincerely,

Jacqueline Kelly – CEO
Lutheran Community Care