On 14 October 2008, the Senate referred to the Finance and Public Administration Committee for inquiry and report by the first sitting day of April 2009:

The funding, planning, allocation, capital and equity of residential and community aged care in Australia, with particular reference to:

Outline

Yackandandah Bush Nursing Hospital (YBNH) is a public benevolent organization located in a small rural village in North East Victoria.
YBNH has been operating as a hospital in the current location since 1931.
YBNH has been operating Aged Care on the current site since 1992.
Aged Care was developed as 30 beds, plus 12 beds, plus 10 beds plus a further 15 beds about to be opened. This small services offers low care, high care and dementia, i.e. the full range required to service a small community. The total number of aged care beds will be 67.
The number of beds for financial viability continues to climb, and the increase in bed numbers at YBNH has been the result of: 1. Demand, and 2. Viability.

Response to Inquiry.

a. **whether current funding levels are sufficient to meet the expected quality service provision outcomes;**

Answer No.
Key Points

- Quite simply the 44 points for Accreditation do not match the new funding criteria called ACFI. Surely funding should be matched to the levels of care and operational structures demanded to be provided. Under the current arrangement, service provision is based on one criteria, while funding is based on another totally different set of criteria.
- Claims of Aged Care being a "Cottage Industry" have evaporated and now even the major multi nationals are struggling for a return.
- The bed license values continue to climb and this has created an aim of capital gain and not operating profit, otherwise the major players would not be involved.
    - As an example "Amity", with over 6,000 bed licenses, has been sold 4 times in the past 3 years with a capital profit declared on each occasion.
    - Segment reporting is a farce and does not show the true perspective of financial viability. Review Amity accounts when they were segmented as part of the Public listed DCA group and the segment reporting was not shown past the Gross Margin line and this hid interest and overhead allocations that would have given a huge loss of the aged care sector.
    - When the 'pass the parcel' mentality of bed licenses is over, one or more of the major player will fail, as a write down of bed license values will cripple the For Profit sector. ABC Child Care will seem like a small blip.
    - Notice that the sale offer for Babcock and Brown to Lend Lease has halved. Is the start in a decline in bed license valuations?

- ❖ The accommodation Bond Guarantee Scheme is an additional potential cost that should be removed from the operators. An additional levy may well be the final straw.

Recommendations

Match funding to care standards. Do not lower the standards, increase the funding to match the minimum service levels.

The Government to fund the Accommodation Bond Guarantee Scheme with legislation to make the Commonwealth first right over all assets in from of any other secured and unsecured creditors.

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;

Once again simply No.

Indexation is impacted by a basket of drivers where as Aged Care has specific costs rising faster than general inflationary cost. These include:

- Wages. A shortage in Nursing and associated areas of PCA means that wages are increasing at a faster rate than CPI, particularly in small rural locations. The cost of travel for staff is an additional limiting factor. Wages are generally in excess of 70% of the costs of Aged Care.
- Energy (heating and cooling) costs are soaring and will continue to climb at a higher rate if the emissions trading scheme forces up the cost of electricity.
- Removal of the CAP funding would be an absolute disaster. While CAP may have been established as a temporary measure, the majority of aged care services rely on the CAP funding as part of every day income. The recent surveys highlighting the growing losses and even very shrinking profits from the big player only reinforce the very tenuous state of the aged care industry. Removal of CAP, or failure to continue to correctly value funding increases will place huge pressure and ultimately failures within an already struggling industry.

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

The cost of service delivery and construction are market driven.

- o A more realistic approach is the funding model to recognize that:
- o Rural areas cost more to operate.
- o Rural areas do not necessarily attract the multi national service providers and do not achieve the economies of scale available elsewhere.
- o The cost of construction and services in rural areas is higher due to
  - No economies of scale.
  - Increased cost of transport.

        - Lack of skilled staff.
    - Stronger social networks disguise true costs.
    - Lack of Bonds chargeable for high limits the ability to invest in and fund new construction for high care.
    - Small rural services offer a wide range of services to support the community. While the total numbers may appear close to the break even level, in a smaller community there is not the opportunity for consolidation and the beds may be split between low care, high care and dementia. The numbers may not be an economic number in each category, but must operate in order to service the community expectations.

Recommendations

Make allowances (additional funding) for high cost, smaller rural operations.

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;

Simple inequities

Extra Services and Bed License valuations.

Extra Services is the greatest legalized rort of Aged Care. The public is duped into believing that Extra Services means Extra Care which is totally incorrect.

- Extra Services simply means
    - Slightly larger rooms, although there have been services with 2 and sometimes 4 to a room were granted extra services on the "promise" of providing larger rooms. Most YBNH rooms are larger than many Extra Services operations.
    - A flat panel TV or internet
    - A menu choice
    - A glass of beer or wine with dinner
- For providing, or promising to provide Extra Services, the operators
    - Get to charge an extra daily fee of at least $15 per day.
    - Get to charge a bond for high care residents.
    - **Do not provide any, not even 1 minute per week, of additional staffing or care support**
- Many People entering high unfortunately are (sometimes multiple of the above if high care averages apply)
    - Comatose
    - Peg fed
    - Vitamised meals
    - Failing sight – cannot see television or use internet.
    - Many aged do not even know what the internet is
    - As such additional fees are paid while zero extra service is delivered.
- There are NO audits on Extra Services to ensure that the service is actually being provided. The Accreditation only audits the base 44 standards. There are no surprise visits or any other check on the services to ensure that the additional service is actually being provided.

- There is very poor communication to the general public about what Extra Services actually means. Many members of the public associate Extra Services with extra care and this is totally misleading.
- The inequity is generated by the Extra Service providers obtaining bonds for high care admissions not available to the rest of the industry as well as additional, exorbitant daily fees for providing very little extra for their residents. In addition, Extra Services do not have to take any low fee concessional residents where the rest of the industry must take at least 20% of concessional, 30% to gain additional funding, and 40% to obtain the old RCS additional funding.
- Bed licenses are handed out free to applicants who at the moment can immediate sell the license without any further work being completed. At $60,000 to $65,000 per license there are huge profits being made.

Recommendations

- ❖ Allow bonds for all high care entries, not just extra services.
- ❖ Additional audits for extra services, particularly spot audits to ensure that the service is actually being provided. Suggest short surprise visits around meal times.
- ❖ Independent survey of extra service recipients (particularly high care) to verify that the service offered is meeting the needs of the residents and their expectations.
- ❖ Ensure an information kit, both verbal and written is provided to all families of extra services residents, prior to admission, to ensure that there is a full awareness of exactly what extra services means.
- ❖ Change the distribution of bed licenses. Keep the opportunists out when there are genuine operators desperate for additional places.
    - o Move to an auction system for new applicants (as distinct from increases to existing facilities)
    - o Have a limit on the time of issue to the time of sale for bed licenses. If sold under a nominated period then all revenues for the license should revert to the Federal Government.

e. whether the current planning ratio between community, high- and low-care places is appropriate; and

Community places have several factors that need to be addressed.
Where is the case manager based and how often is the case reviewed. In rural areas there have been examples where the case manager may be located in another region and 2 to 4 hours from the person receiving care. The same example had never seen their case manager.
The other key factor is community care in rural locations is social isolation. Having visits to the home for meals on wheels, nursing care etc, may result in total social isolation, particularly where there is very limited public transport, community cars etc

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

A more detailed analysis is required on the ratios of residential against community care places. With the general shortage of places, there are places being taken quite simply because that is all that is available at the time.
Potential recipients need to be advised and given the opportunity to test all options prior to commitment and surveys – totally independent of the service provider – need to be conducted in order to ascertain that the service is delivering the expected outcomes.
Requirements and expectations can be significantly different based on family structure, ethnic structure, location and particularly city varies significantly from rural needs due to social isolation.