

27th November 2008

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

Dear Sir/Madam

Re. Senate Finance & Public Administration Committee Inquiry into Aged and Community Care

The Villa Maria Society is an established not-for-profit operator of residential and community based aged care services for the Victorian community, with a mission of delivering quality and innovative services that empower and enrich individuals and communities.

Referencing the inquiry's Terms of Reference, the following positions are submitted based on Villa Maria's practical experience developed over many years.

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

The current legislation identifies two streams of funding received by residential care Approved Providers: funding from which operating costs should be met, and funds for capital improvements.

It is Villa Maria's experience that current funding is inadequate to meet the operating expenses of a facility. Invariably the capital funding is required to contribute to the operating costs, leaving the organisation to source additional funding for the development and upkeep of the physical buildings and infrastructure. This typically results in the facility going into a deficit position.

More broadly in the sector, Villa Maria has consulted with local communities, special needs groups, and other health care providers; reviewed recent literature/research; and, analysed ABS data, population projections, AIHW reports, peak body and DoHA reports, and current service supply. Consequently, we have identified service gaps in residential aged and community care provision that are endemic throughout Victoria.

Our consultation has included active involvement at regional networks, aged care and referral networks, CACP/EACH Providers Groups, feedback from service users, consultation with GPs/Divisions of GP, acute hospitals and health centres. Direct ongoing consultation has included ACAS teams, councils and shires. Analysis of residential aged care service provision demonstrates a trend towards high care service and complex care provision of residents with co-morbidities. This invariably requires higher funding to meet the service needs of these clients. However, Villa Maria strives for quality service provision outcomes across care, support, therapy, lifestyle activities, infrastructure and administration. We submit that current funding levels challenge our capacity to deliver all components of a resident's daily experiences to the standard they deserve. We advocate that our senior citizens are entitled to the highest standards of care available, and while Villa Maria attempts to deliver to this standard, we do so by operating at deficit levels. Such an outcome is unsustainable for Villa Maria and the sector more broadly.

VALUES

Compassion
Accountability
Respect
Courage

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- 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*

Salaries and Wages generally constitute over 80% of our operating income. Continued pressure for wage related increases are outstripping fee increases, creating a growing area of concern about long-term financial viability. Essentially, the indexation applied to subsidies is not maintaining relativity to wages increases.

Cost increases across other basic and essential items, such as utilities, food and fuel, are also significantly in excess of the department's indexation rate.

In the context of increasing prices, we submit that appropriate exemptions or a consideration of the flow on cost effects of a Commonwealth Carbon Trading scheme should be considered when calculating future indexation rates.

The continuation and indexation of the Condition Adjustment Payment (CAP) was welcomed this year, however more certainty about ongoing funding approaches is critical.

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

Attracting and retaining staff has been a long identified challenge for the sector, and Villa Maria continues to experience this, particularly in regional Victoria where the available pool of prospective employees is limited.

Active measures for addressing the costs of delivery include compensating current employees for travel, accommodation and relocation costs, subsidising brokerage costs where direct care support cannot be delivered, as well as including incentives and scholarships to encourage local members to work in rural settings.

Other measures include increasing funding for Commonwealth CACPS programs, funding and support for communication and assistive technology systems.

- 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*

Villa Maria is currently planning for the redevelopment of a number of our residential facilities. Our financial modelling for development projects typically requires the inclusion of Extra Service rooms that cross-subsidize high and low care beds. The Extra Service component is also required within a project to provide capital funding from Accommodation Bonds received from high care residents.

This situation raises equity issues for residents living within the one facility. More broadly, the inequity of having a two-tiered system whereby low care residents provide an Accommodation Bond while high care residents do not, is an obvious flaw in the system the sector has struggled with for many years. The demand for residential care is growing for high care needs, further exacerbating the problem, as providers want to respond to this demand but capital is only available from low care residents where demand is diminishing.

Villa Maria has a history of providing residential care for individuals with minimal assets (i.e. supported residents) and the existing system further disadvantages us in doing so, as again, there is no access to the capital funds Accommodation Bonds provide when caring for individuals with relatively low income and/or assets.

We therefore submit that the use of an Accommodation Bond type model for people with high care needs should be considered as an alternate option to Accommodation charges as this will allow providers to access capital funds.

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

The department's analysis of the demographics across regions and the subsequent allocation of places within regions would, it appears, seem reasonable at a high level.

Villa Maria's experience would suggest that at a more detailed level within regions there exist numerous subsets of demand for specific care needs such as dementia, palliative care and CALD based facilities.

Furthermore, our experience indicates a growing demand for community places. However the availability of places continues to be well below what we would observe as the demand for places.

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

As part of our application for the Aged Care Approval Round (ACAR) 2008/2009 Villa Maria has consulted widely; reviewed recent literature/research; and analyzed ABS data, population projections, AIHW reports, peak body and DoHA reports, against current service supply. Through this process we have identified service gaps in CACPS provision across Victoria and service need for additional resources for EACH and EACHD.

The following table summarises the places available in 2008 and subsequent years, which we submit is grossly inadequate to meet demand across the entire population of Victoria.

Region	ACAR 2008			ACAR 2009-10			ACAR 2010-11		
	C	E	ED	C	E	ED	C	E	ED
Barwon	30	18	9	30	16	12	44	12	9
Eastern	75	13	12	75	10	19	110	8	14
Gippsland	25	10	-	30	10	5	45	12	4
Grampians	10	14	-	20	11	5	30	8	4
Hume	25	14	8	20	11	5	30	8	4
Loddon	35	14	9	35	11	8	51	8	6
Northern	61	17	10	50	14	12	73	11	9
Southern	70	33	15	84	28	23	123	28	18
Western	61	17	9	50	14	8	73	11	6
TOTAL	392	146	72	394	120	97	579	92	74

We submit a reconsideration of the allocated numbers for future ACAR rounds as means of better meeting current and future community needs is required.

Finally, we would welcome where appropriate, further opportunity to explore these and related Aged and Community sector issues.

Yours sincerely



Valerie J Lyons FCPA FCIS FAICD
Chief Executive Officer