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Inquiry into residential and community aged care in Australia

Thank you for this opportunity to respond to the Committee's *Inquiry into Residential and Community Aged Care in Australia*.

My comments relate specifically to the community care sector but are supportive of similar issues in the residential aged care sector.

The comments in this submission address:

- Current levels of government funding;
- The appropriateness of current indexation formulas, and
- Current planning ratios.

Preamble

Bromilow Home Support Services is a provider of community care services in the Sunshine Coast region of south-east Queensland. Our service range extends across a geographical area of some 3,000 square kilometres. Bromilow is a private company and has been providing community care services on the Coast since our inception in 1993.

Bromilow's service range includes Community Aged Care Packages (CACP) and the National Respite for Carers Program (NRCP), both funded by the Commonwealth Department of Health and Ageing; Veterans' Home Care services, funded by the Department of Veterans' Affairs; services funded by Disability Services Queensland and various support groups such as the Cerebral Palsy League; and services provided to private clients on a fee for service basis. Our services assist frail, elderly people and younger disabled people, and the carers of elderly and disabled people. Bromilow's services are available 365 days a year, 24 hours a day. A coordinator is on call at all times enabling 24 hour access by clients.

Bromilow has been a provider of CACP services since 1995 and is the second largest provider of CACP services on the Coast. We have been involved in the NRCP initiative since 2005 and our funding under that program was extended this year until 2011.

Bromilow participates in the government's Quality Reporting frameworks each three years and meets required service and program standards.

Current levels of government funding

Current levels of government funding are not sufficient to provide continuity of care for CACP clients. This reflects in declining service levels and a consequent inability to provide optimum service outcomes for clients.

Ten years ago I made a submission to, and appeared before, the House of Representatives Standing Committee on Family and Community Affairs' inquiry into *Competitive Tendering of Welfare Service Delivery*. It is pleasing to recognise that some of the issues presented at that time have progressed (namely, allowing the private sector to play a central role in service delivery and significant improvements in quality reporting). However, it is equally disturbing to note that government funding has not kept pace with the cost of service delivery and we have seen consequent significant reductions in the quantum of care that clients receive with adverse impacts on the quality of service outcomes for clients.

In my submission and personal comments to the inquiry into *Competitive Tendering of Welfare Service Delivery* in 1998, I noted that Bromilow Home Support Services provided an average of 10.0 hours per week to our Community Aged Care Package (CACP) clients at that time¹.

Results from the Community Aged Care Packages (CACP) Census 2002 identified median hours of assistance received by CACP clients across Queensland were 6.0 per week compared to a national median of 5.5 hours². This compared to a median of 7.0 hours per week for CACP clients assisted by Bromilow³.

Since 2002, Bromilow's average hours of assistance to each CACP client has fallen to its current level of approximately 6.0 hours per week. While I do not have hard facts, I suggest that this still compares favourably to other community care providers where anecdotal evidence suggests that weekly averages are often lower.

These figures highlight the fact that contact time with clients has been eroded over the past ten years as increases in wages and other operational costs have outstripped increases in government funding. Quality of care provided in each hour of client care has not suffered; rather, it is the amount of time available to assist clients that has reduced over time.

The failure of government funding to match real increases in service delivery costs has seen a fragmentation of community care services in Australia. Several years ago, community care

¹ Official Hansard Report, House of Representatives Standing Committee on Family and Community Affairs' inquiry into *Competitive Tendering of Welfare Service Delivery*, FCA713

² Australian Institute of Health and Welfare, Canberra, July 2004, Regional Report for Queensland, Table 15

³ Australian Institute of Health and Welfare, Canberra, July 2004, Supplementary Outlet Report for Bromilow Home Support Services, Table 14

provided a more structured or tiered progression for clients with increasing need of assistance. A person could start with HACC services to access household cleaning, meals or transport. HACC was designed as the starting point for someone with fairly basic low level needs. As a person's needs increased and more assistance was required, CACP services became available. A CACP could provide the equivalent of hostel levels of care. A CACP would consistently provide an average of at least one hour of assistance each day, sometimes with multiple visits each day, and could assist with a wide variety of care needs that were coordinated by the service provider who case managed the needs of each client. As a person's needs further increased, NRCP or EACH services were introduced to provide more extensive levels of care and help fill the gaps in service delivery. However, what we see now in the community care landscape is something quite different. CACP services have been diminished; HACC services are often preferred because they are a less expensive option for clients; and there is now a huge void between CACP services and EACH services, something that programs such as NRCP struggle inadequately to fill. So instead of a natural tiered progression from one level of care to the next, we have HACC and CACP both offering similar levels of assistance at the bottom of the ladder and very little in the middle before someone needs nursing home levels of assistance (provided either by an EACH in the community or by residential placement).

The failure of government funding to match increases in the real cost of service delivery has a significant impact on clients. For example, instead of an elderly person receiving a visit from a care worker every day of the week, assistance may only be provided Mondays to Fridays. The elderly person must then cope without assistance on weekends. The CACP service, instead of operating 365 days a year and assisting with a wide variety of tasks, may provide services less often and may be more selective about the services it offers. Instead of providing consistent early interventions that assist and encourage an older person to remain living independently, the CACP program may actually hasten the person's rate of decline by not being able to assist in a way that was once possible. Instead of acting as an effective bridge between HACC and EACH services, CACP services now often struggle to meet the increasing needs of clients. The CACP initiative should be redefined and refunded to once more take on this effective bridging role.

The continuing thrust of government policy is to encourage elderly people to remain at home and be cared for in their local home environments. This is appropriate as the majority of older people want to remain at home. However, the lack of funding for the community care sector sees community care providers with diminishing real funding trying to hold the system together. Australia's aged citizens are the people feeling the real impact on their quality of life.

Appropriateness of the current indexation formula

In the five years to November 2008, the CACP subsidy paid to community care service providers increased by 10.6%. Commonwealth minimum wage rates have increased by 21.3% in the same period⁴. Wages and associated on-costs account for 80% **or more** of the total operating costs of community care providers. Clearly increases in subsidies have not kept pace with rising wages costs. This has led service providers to seek savings in operational costs and one of the main areas has been a reduction in service hours provided to clients. It is impossible

⁴ In November 2003, the CACP subsidy paid to service providers was \$31.41 per day. This has increased to its current level of \$34.75 per day. In the same period, minimum wage rates have increased from \$448.40 to \$543.78 per week.

for service providers to maintain consistency in the service levels provided to clients from one year to the next when subsidy levels are continuing to fall in real terms.

As a separate, but related example, the subsidy payment paid to Bromilow for respite programs by a Commonwealth government department has not been indexed since July 2007. We are still required to provide the same outputs, benchmarks and quality outcomes; however, we must do so at subsidy rates that have not changed in one and a half years.

While the increased quality reporting required of aged care providers is welcome, it does place an additional unfunded responsibility on service providers. These responsibilities are not funded and service providers are expected to absorb the costs within their usual operating budgets. The significant increased demands in this area have an impact on client service levels in the same way that increased wages have an impact.

Petrol prices are a significant cost driver for community care service providers. Bromilow's care staff use their own vehicles to travel across a broad geographical area of some 3,000 square kilometers. Until recently, there have been dramatic increases in the cost of petrol. As responsible employers, service providers must respond to these increases by more generously reimbursing staff for the costs they incur as part of their professional roles.

Australia's aged care industry, both residential and community, faces a crisis. Attracting and retaining quality staff is perhaps the industry's single most challenging issue. The industry deals with an indexation formula that does not keep pace with real increases in costs. The reality for service providers is that they are constantly juggling the needs of clients in one hand with the needs of staff in the other. Providers face enormous challenges for staff from other industries that are able to offer higher wage rates to staff who take on far less onerous responsibilities. While the labour market is currently contracting, we still work in very challenging times. It is imperative that we continue to be able to offer prospective staff an opportunity to work in an industry that recognises the importance of their contribution and provides them with real opportunities to contribute creatively and positively to the lives of the clients they assist. The industry must also be able to appropriately remunerate staff for the responsibilities of their roles while at the same time meeting the holistic needs of clients. The goals of meeting the needs of staff and clients should not be competing priorities.

Community care plays a pivotal role in the mix of support services available to Australia's elderly citizens. Community care does not incur significant capital costs and provides care in the setting which most people desire – their own homes. Community care is a cost effective option that has the capacity to truly enhance people's quality of life. However, it must be adequately funded. A long-term 'Aged Care Index', which appropriately addresses the real cost drivers in the aged care industry, is now required. Annual indexation of government subsidy payments at 2% does not keep pace with real increases in service delivery costs.

Current planning ratios

Current planning ratios in south east Queensland see many approved CACP places unfilled. This is a complex issue that largely goes back to the reduction in real subsidy levels devaluing the CACP program and making it a less attractive care option for consumers. In recent years we

have seen the unacceptable situation of an increasing number of approved service providers matched by an increasing number of unfilled CACP places.

I appreciate that the current global financial crisis places enormous funding pressures on the Commonwealth Government. There are competing pressures for scarce financial resources. Given the current inadequacy of CACP funding and the number of unfilled packages, it may be argued that the number of CACP places should in fact be reduced. There may seem little point in continuing to fund the program at current levels when it cannot truly achieve program objectives and aims. It may also be argued that a reduction in the number of CACP places made available each year, but an increase in the level of funding or daily subsidy that attracts to each CACP place, is a cost neutral way of enhancing program outcomes. However, I suggest that these views are short-sighted. A more effective long-term option would be to redefine the definition and goals of the CACP program and fund it accordingly so that it once again resumes its role of effectively bridging the gap between HACC and EACH services.

Summary

- Current funding levels are inadequate and have led to a reduction in service hours provided to clients and a fragmentation of community care services. **Government funding must be increased to address the real cost of service delivery.**
- Current indexation formulas do not adequately address the real cost of service delivery and do not adequately recognise industry cost drivers. This results in reduced levels of assistance to clients and increased difficulty in attracting and retaining skilled care staff. **A long-term 'Aged Care Index', which appropriately addresses the real cost drivers in the aged care industry, is now required.**
- Current planning ratios have contributed to an increasing number of approved service providers matched by an increasing number of unfilled CACP places. **Redefine the definition and goals of the CACP program and increase funding levels so that it once again bridges the gap between HACC and EACH services.**

I appreciate this opportunity to contribute to the Committee's discussions and I look forward to learning of the Committee's suggestions for addressing the important concerns of this industry.

Yours faithfully,

Paul Hawting

Managing Director