

## **Senate Enquiry Into Aged Care**

### **Aged Care Amendment (2008 Measures No 2) Bill 2008**

#### **Submission By:**

**Lower Burdekin Home for the Aged Society  
9A – 27A Chippendale Street  
Ayr 4807**

#### **Background**

The Lower Burdekin Home for the Aged Society is a community association and was formed in 1971 to provide residential aged care services for the population of the Burdekin Shire Council, and is a not – for profit organization.

The Society now manages 193 beds made up of 40 high care beds (Burdekin Nursing Home RACS ID 5451) and 80 low care beds (Lower Burdekin Hostel RACS ID 5073) at Ayr and 12 high care beds and 61 low care beds (Home Hill Hostel RACS ID 5281) at Home Hill.

#### **Current Funding Levels**

The ACFI funding model introduced on 20 March 2008 has proved, in the Society's case to provide less in care subsidies than the former RCS subsidy model.

From March 2008 to 31 October 2008 the funding under ACFI would have been significantly reduced, had it not been for the RCS saved rate. The saved rate has been a welcome part of the new ACFI system.

For new admissions to the hostel in Ayr the funding difference ACFI compared with RCS is a deficit of \$39.32 per day. This was expected as the new ACFI is designed to provide more subsidy for high care residents.

As the number of new admissions increases and the number of residents in respect of whom the saved rate is paid decreases, the provision of aged care services by the Society will be placed at risk, because of the inadequate funding levels payable under ACFI.

The change in subsidy that ACFI introduced has also meant that vacancies now take longer to fill as care needs of new admissions has to receive greater scrutiny to ensure that the subsidy payable under ACFI ensures viability is maintained.

The COPO yearly funding increases have been and are grossly inadequate. The formula appears to completely ignore the fact that staff salary levels have to be maintained to recruit and retain staff. The CAP (an additional 1.75% each year for the last 5 years) funding has been of great assistance, but even with this additional funding, the maintenance of status quo with inflation is extremely difficult.

In the Society's case specific example, in 2003/04 the Society's surplus, on a recurrent funding basis, for the year was \$707,088. In 2007/08 the Society's surplus on the same recurrent funding basis was \$100,532. These figures do not include income or expenditure from bonds, accommodation charges or concessional supplements.

The Society participated in the Grant Thornton survey recently which revealed that high care single ensuited rooms return 1.1%

### **Staff Salaries**

Aged care salary rates are among some of the lowest of any industry. The registered nurse(RN) in aged care is paid substantially less than the registered nurse in the hospital system. As at 1 July 2008 the salary rate for the Society's EBA for a level 1 pay point 4 registered nurse is \$24.6164 per hour. The equivalent hospital salary rate is \$31.4276. Both employees carry out very similar duties, and in fact with the responsibility of accreditation, the aged care RN has probably a more responsible job role.

The Society in an attempt to recruit and maintain staff tried to match hospital rates for RN's, but found that it is just not possible on the existing levels of funding.

The only way that this inequity can be rectified is to increase in care subsidy funding.

All other categories of staff, assistant in nursing, hotel services and administration are also paid significantly less than hospital counterpart.

The Society is finding that quality staff time spent with residents is decreasing due to the increasing work load.

### **Capital Funding**

The Society over the last 6-8 years has spent in excess of \$10m on new buildings to accommodate new beds and replacement of existing buildings.

In 2007/08 the Society constructed 28 new rooms at Home Hill, 20 beds were new beds granted in the 2006/07 ACAR round and 8 beds were transferred from the Ayr facility in anticipation of rebuilding another block in the Lower Burdekin Hostel.

28 beds together with an enlargement of the laundry and increase in the recreation room size was \$4,926,096, which equates to a building cost per room of \$175,932. This cost does not include furnishings.

Accommodation bonds: The Society's standard accommodation bond is now \$160,000. The income from a bond is approx \$11,360 through interest @5% plus retention. Income from accommodation charge is \$7,807 at \$21.39 per day (\$21.39 is the accommodation charge for a pensioner who has more than \$91,400 in assets)

The income from a bond or a charge would not cover the annual interest charge on a loan to build a room.

Fortunately the Society has not had to borrow any funds to complete any of the recent building projects, and has set aside funds each year for these projects, but with the diminishing operational surpluses the building program to replace outdated buildings at Ayr could be placed in jeopardy.

To make this capital funding situation worse, the majority of residents entering care are now high care, which reduces the number of residents who are able to pay a bond.

## **Regulatory Compliance**

There is a constant supply of increased regulatory compliance requirements. Police checks, prudential requirements, mandatory reporting, additional police checks and reporting of missing persons. Additional funding has not been made available for any of these initiatives.

Each one of these initiative has had a relatively high administration cost, which has to be funded from within our existing budget. This means in essence that funds are diverted from resident care.