SUBMISSION TO THE SENATE FINANCE AND PUBLIC ADMINISTRATION COMMITTEE

INQUIRY INTO RESIDENTIAL AND COMMUNITY AGED CARE IN AUSTRALIA

This submission deals with the funding, planning, allocation, capital and equity issues associated with residential and community aged care in Australia.

Aged Care Queensland Incorporated (ACQI) is the Queensland peak body for providers of residential aged care, community care and retirement living services. Provider members are from both the not-for-profit and for-profit sectors. Our membership includes churches, charitable and Indigenous organisations, private and public companies and ethnic groups. All are united in a common mission to provide quality residential aged care, community care and accommodation services to consumers, through collaboration, industry promotion, advocacy, education and contribution to aged care policy development.

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Introduction

The Aged Care sector resembles a taut elastic band stretched to its limit and struggling to hold on. In this scenario the impact of any slight change to the status quo can have devastating effects. Doing nothing will also eventually have a devastating impact as the elastic band wears out under constant stress.

It is well known and well documented that the Australian population is ageing and living longer. As the baby boomer peak transitions through our society with significantly changed expectations and demands, the impacts on a marginal aged care industry will be devastating.

We are already seeing this demand expressed through increased expectations for higher quality accommodation and access to more extensive community based services within individual communities. It is in this environment that we see the rise in the number of unregulated for profit care services who are able to exist simply by meeting unmet demand.

While various forms of user pays service delivery continues to grow and provides a level of choice to consumers, the vast majority of aged care services exist in a highly regulated environment with little or no consumer choice.

It is in this restrictive context that this submission seeks to provide recommendations to free up the environment providing choice to consumers, yet providing appropriate levels of support for the vulnerable aged in our society.

It seems unreasonable that a consumer's level of accommodation is so controlled that individuals and their families cannot choose to invest their assets to ensure the level of accommodation, care and services that they wish to have, and more so that this restriction is one imposed by government.

A summary of specific remedies to the financial issues facing Aged Care are:

- Uncap the daily accommodation charge for high-income older people and increase it for those on a medium income so it is equivalent to the average previous year bond. This measure has no cost to government and
- Provide real choice to those older Australians who want to pay an upfront refundable deposit for their high care accommodation. This measure has no cost to government; and
- Link government payments for concessional residents to the average bed cost. This measure is estimated to have a cost of $280m to government.
- If the above steps occur then ACAT assessments should relate to entry into care only and not deal with the level of care required.
- Ensure national consistency of fees across programs

- Apply appropriate indexation of subsidies to meet the real costs of service
- Review planning ratios based on contemporary practice

The following ACQI comments are made in response to the specific terms of reference for this enquiry.

1. Whether current funding levels are sufficient to meet the expected quality service provision outcomes;

The simple answer to this question is no.

The current funding mechanisms are overly complex, determined by regulation and in many cases have not kept pace with the increasing costs of service. The recent Aged Care Industry Council (ACIC) submission on the Conditional Adjustment Payment, details this clearly. Within that submission cost increases were detailed and included the following examples

- Wage increases across all positions;
- The artificial capping of the ACFI subsidy levels
- Increased extent and cost of staff training and skill development activities;
- Increased cost of quality improvement and compliance activities;
- The difficulty in recruiting and employing suitably trained staff with differentials in remuneration for nurses and allied health staff between 20% to 28% more than the acute care sector and the additional constraint in being unable to attract staff due to high levels of employment in Queensland. This has resulted in a very competitive labour market and consistent staff vacancies occurring for long periods in the sector; and
- The introduction of innovations to service delivery including new technologies associated with information and assistive technology.

Of particular concern is the Rural and Remote Viability Supplement, which is insufficient to meet cost increases experienced by these services. It should be noted that the method for calculation of this supplement varies for residential and community care and provides for significantly different amounts to cover effectively the same increased costs of service. A further demonstration of the needless complexity of the funding system.

Over recent years many services have introduced efficiencies and productivity measures but are still experiencing significant difficulties in maintaining service levels and this is even reflected in community services by a measurable drop in the amount of hours provided for direct client care.

2. 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;

The current indexation formula applied through COPO is totally inadequate to meet the actual cost of providing the expected level and quality of services. The recent submission on the Conditional Adjustment Payment (CAP) by ACIC details this. The CAP was only ever intended as an interim measure while the "Hogan" recommendations for efficiencies were implemented.

In order to receive the CAP, there were three specific conditions attached:

- Production of a financial report for the previous financial year, audited and prepared in accordance with accounting standards, a copy of which can be requested by any care recipient; any prospective care recipient and any person or agency authorised by the Secretary of the Department of Health and Ageing.
- Encouragement of workforce training at the RACF
- Participate in workforce survey and census activities conducted by DoHA.

The aged care sector has unyieldingly kept its side of the bargain and has implemented a number of significant efficiencies over the past 10 years. These include the implementation of the ACFI funding system, adoption of a nationally uniform entry form to residential care (5 step model); achievement, at considerable cost, of targets for building, space and privacy standards; full implementation of accreditation across the residential care sector and rapid moves to increase the use of information technology within the sector.

In Community Care Programs the inadequacy of COPO is evidenced by any cursory review of:

- Current collective agreements in the sector – with most agreements in Queensland allowing for annual salary increases in the range of 4 % to 4.5 %;
- Current yearly increases for essential service supplies for program delivery in the vicinity of 4% to 5% ;
- Rapidly rising travel costs for home based services;
- The cost of building and available office space has risen in some areas of Queensland by 7 % to 30%. [1]

It must be noted that for other areas of Community Care Service provision such as the Veteran's Home Care Program the application of the method of indexation has been reviewed and this commonwealth program does not use the COPO index. This is also the case for private health insurance premiums, which have experienced higher indexation increases.

[1] Unpublished ACQI Community Care Service Benchmarking Data 2007

It is significant to also note that it appears that different levels of COPO are applied to different Community Care Programs. Services such as Day Therapy Centres have lower levels of COPO indexation applied. This resulted in Day Therapy Centres only provided with 2% indexation and other community care programs received 2.2% indexation. For the same period residential care received 2.3%. This requires immediate review with the result that indexation for all Community Care Programs is raised.

As no CAP is applied to any community care programs this is a significant extra burden for services. Immediate consideration should be given to applying the CAP to Community Care provision as was recommended in the ACIC submission.

Indexation is not keeping pace with CPI and the rising costs around wages, services, consumer and building costs

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

There are some fundamental structural distortions in the Aged Care Act, which relate to user contributions in high and low care - freeing up the sector to raise capital in other ways e.g. bonds in high care for those who are able and willing to pay. Data now indicates that 68.60% of residents nationally now have complex and high care needs upon entry into permanent care, significantly shifting the residential care population to the high care categories.[2]

Queensland has widely varying costs for construction of new beds. The average is around $200,000 but members have advised that it can be in excess of $300,000 in isolated areas.

The 2008 Grant Thornton Report found 1.1% average return on investment for single room facilities, room occupancy being a significant variable in construction costs. [3] Most new facilities built over the past 10 years have been single room in response to certification requirements and consumer expectation.

In addition the industry has also absorbed the impact of other Government Policy changes and other non-government economic events. These include but are not limited to:

- Police checks
- Conversion to ACFI (costs for system and software conversion and staff upskilling and training)
- Compulsory reporting
- Establishment of the Complaints Investigation Scheme and the costs associated with implementing and managing these processes.

[2] Report on Aged Care Act 1997 released November 25 2008
[3] Grant Thornton Aged Care Survey 2008

- Increases in the number and extent of Commonwealth surveys

- Increased validation visits and clawbacks on funding claims
- Additional interest on bond payments
- Increases in the number and intensity of unannounced visits from The Aged Care Standards and Accreditation Agency
- Introduction of food safety standards and mandatory food safety programs.
- Licence fees associated with food safety
- Bond protection processes and prudential arrangements
- Implementation and management of electronic lodgement of ACFI.

Non-Government reforms and efficiencies include

- Improved wound management techniques requiring significantly higher cost products.
- Increased specialised nursing procedures previously left to the acute setting.

With regard to Community Care Programs the following measures must be taken to ensure a viable and sustainable community care system is in place:

- Immediate review of COPO indexation to provide recognition of the true cost increases being experienced in service provision;
- The immediate review and application of one level of indexation across all service types and with in Community Care Programs;
- Review the application and amount of Viability Supplement applied to Community Care Programs;
- Introduction of a Conditional Adjustment Payment or similar to community care programs;
- Investigation of the ongoing capital requirements for program types such as Day Therapy Centres and Cottage Respite; and
- Immediately review and increase the subsidy level for packaged care by at least 10% to maintain necessary hours of direct service provision.

4.0 Whether there is an inequity in user payments between different groups of aged care consumers and, if so, how the inequity can be addressed;

Anecdotal information appears to be confirming the industry's view that the new Aged Care Funding Instrument (ACFI) will result in a re-targeting of residential aged care to people with higher care needs. Low care residents paying an accommodation bond have been cross subsidising high care residents paying an accommodation charge and concessional residents have been paid for by Government, thereby creating inbuilt inequities. Freeing up the sector to raise capital in other ways, for instance bonds in high care, thus allowing those who are able and willing to pay to do so, would address this issue as would providing the industry with a minimum ACFI payment for

anyone who is admitted permanently into aged care. Care needs could then be assessed more appropriately at the time of entry and on an ongoing basis to direct funding.

Within Community Care there is significant inequity in the application of fees and user payments within Community Care Programs. This has resulted directly from a lack of consistent guidelines regarding fee setting across program types. Consumers accessing services have fees applied that vary from individually calculated fees based on a client's financial circumstance to a set fee to a maximum chargeable rate of 17.5% of pension. Services also currently apply a range of methods to establish whether a client has a level of financial disadvantage and whether part or all fees should be waived.

In Queensland there is also a particular issue and inequity in the fees being charged by state government run services. Services provided by Queensland Health do not currently apply any fee structure and this results in fee inequity depending on whether the service is provided by a government or non government provider.

The difference in fee structure across programs has also resulted in consumers not progressing through the different levels of care because of the financial disincentives to do so. This is particularly evident in consumers remaining on the Home and Community Care Program and not accessing much needed Packaged Care arrangements due to the different fees being applied.

These identified inequities in community care programs must be immediately addressed and work already undertaken by the Australian Government on a National Community Care Fees structure must be consistently applied across program types and states.

5.0 Whether the current planning ratio between community, high and low-care places is appropriate; and

Over the past two decades the Aged Care Sector has experienced a high level of policy and program funding reform. One area where little attention has been paid is the reform of the underpinning assumptions within the planning system that have been used to develop the Aged Care Planning ratios.

Since 1985 the Australian Aged Care needs based planning framework has been built on work undertaken in the mid 70's and at best this provides only a medium term non-evidence based benchmark for the distribution of services across community care and residential care and the supply of these services per geographical areas.

The population based planning ratios are inadequate in today's aged care service environment and fail to take into account many factors including changes in life expectancy and health status data as well as contemporary rates of access to different service types. Current research indicates that many older people are not making choices to access independent living

options such as retirement living services until their mid eighties yet our aged care planning ratio bases its formula on 70 years.[4]

The Australian aged care planning system also fails to comprehensively take into account any data on disability trends including those related to severity and prevalence. Recent research into the prevalence of dementia in our communities is one such area requiring immediate focus and attention.[5]

The growth in the planning ratio targets announced in 2007 as part of the Governments Securing the Future of Aged Care for Australia program was viewed as a welcome initiative by the Aged Care Industry however it is widely agreed that the aged care planning ratio is flawed and requires immediate review and replacement.[6]

This review should consider the underlying assumptions behind the planning ratio and analyse current international practice in planning for service provision. These considerations should include:

- Inclusion of all forms of community care services in the planning ratio mix. The Australian and state governments' investments in community care programs extends beyond those programs provided via the Aged Care Act. In Queensland the spread and reach of programs such as the Home and Community Care program and its growth patterns have made a significant impact on the availability of services in particular geographical areas. However this impact is not considered in the allocation of services via the application of the planning ratio;
- The changing nature of patterns of usage of aged care services by consumers is important. In the past ten years the number of high dependency residential care residents has increased by an average annual rate of 4.1 percent and low dependency residential care residents have decreased at an average annual rate of -2.0 percent.[7] Adjustments to the planning ratio have not considered this trend
- The need to respond to evidence that there are geographical variations in different regions in Australia in respect to age structure.[8] For Queensland this is evidenced in Queensland population figures, which show significant variations in the percentages of older persons in identified regions with the highest numbers of persons over the age of 75.[9]
- The ability to rapidly respond to changing demographics in particular states and territories. Queensland is experiencing rapid and consistent population growth in some geographical areas and it is very evident that there are geographical areas in this state, which now have both over and under supply of aged care services. This has resulted

[4] Economic, environmental and social psychological evaluation of independent senior living alternatives in Australia. Kennedy, D, Bohle, P., Earl, G., & Piggott, J. (2005-2007
[5] Dementia Estimates and Projections: Queensland and its Regions, Report by Access Economics Pty Limited for Alzheimer's Australia (Qld)
[6] Securing the Future of Aged Care for Australia, Department of Health & Ageing 2007
[7] Figures AIHW 1999 to 2007, Report for Australia's Health, AIHW, May 2008
[8] ABS 2006 Census
[9] Qld Population Update No 11 ABS Cat No 3218.0,2006 ERP

because the impact of the application of the planning ratio has lagged considerably behind the population growth and movement in this state;

- The importance of considering the projected growth patterns expected in Australia and states such as Queensland for people eligible for aged care services from culturally and linguistically diverse backgrounds (CALD). Currently there is no ability for the Aged Care Planning Ratios to identify or respond to this group in a cohesive way. Data sources reveal that the proportion of older people born overseas but from English-speaking countries was highest among the very old (47% for those aged 85 and over but only 38% each for people aged 65–74 years and 75–84 years). In contrast, the proportion of older people born overseas from non-English-speaking backgrounds was highest among the age groups 65–74 years and 75–84 years (62% each), with the comparable figure for those aged 85 and over being 53%. [10] These figures should be reflected in a modern Aged Care Planning Tool and further in developing service mixes based on current evidence available on the most appropriate form of service for CALD clients.
- Appropriate planning ratios and service mix for aged people from Aboriginal and Torres Strait Islander backgrounds are needed. It is highly recommended that work commences in identifying international trends for planning appropriate services for indigenous populations and incorporate this into a robust and comprehensive mix of aged care services for this group.

6.0 The impact of current and future residential places allocation and funding on the number and provision of community care places

Recent research by the Australian Institute of Health and Welfare has indicated that the proportion of high care clients in residential aged care has now reached 68.6% nationally and 67.7% in Queensland. It is evident that the growth in high care residents will continue as a result of changes introduced under the Aged Care Funding Instrument (ACFI) and the continuing strong consumer preference for older people to remain at home as long as possible.

The significant increase in community aged care packages over the past seven years to 42 570 in 2007 [9] has provided an extensive choice of care arrangements for consumers and there is increasing evidence that in the future this trend will continue with residential care primarily accessed at high care levels. The introduction of high care community packages has also had a significant impact on movement to residential care and increased availability of these packages in the planning ratios should be considered.

Future planning ratios must reflect these continuing trends and changing patterns of service use to facilitate ageing in place. Ratio setting should also consider the impact of the availability of respite, intermediate and transitional care on overall levels of demand for traditional service types.

[10] Older Australia at a Glance, AIHW, November 2007

References

1 Unpublished ACQI Community Care Service Benchmarking Data 2007

2 Report on Aged Care Act 1997 released November 25 2008

3 Grant Thornton Aged Care Survey 2008

4 Economic, environmental and social psychological evaluation of independent senior living alternatives in Australia. Kennedy, D, Bohle, P., Earl, G., & Piggott, J. (2005-2007).

5 Dementia Estimates and Projections: Queensland and its Regions, Report by Access Economics Pty Limited for Alzheimer's Australia (Qld)

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7 Figures from AIHW 1997 -2007, Report into Australia's Health, AIHW, May 2008

8 ABS 2006 Census

9 Queensland Population Update No 11 ABS Cat No 3218.0, 2006 ERP

10 Older Australia at a Glance, AIHW, November 2007