

Inquiry into Residential and Community Aged Care in Australia

A Submission by the Mayflower Group to the Senate Finance
and Public Administration Committee

Executive Summary

The Mayflower Group is a small not for profit group of companies located in East Brighton and Reservoir, which operate residential care beds and community care services.

Mayflower's submission to the Senate, Finance and Public Administration Committee will focus on the Inquiry's term of reference:

- a) Whether funding levels are sufficient to meet the expected quality service provision outcomes.

The current operating funding is **not sufficient** to meet the expected quality service provision outcome for residential care. Immediate relief could be provided to the sector by removing the constraints limiting access to the full ACFI funding for high care residents. This would provide an immediate boost to resources and provide relief in the short term. For the longer term, CPI +2% to allow for staff salary increases would enable the industry to provide the quality care elderly people are entitled to.

- b) How appropriate is the current indexations formula in recognising the actual cost of pricing aged care services to meet the expected level and quality of such services?

The current indexation formula for residential aged care is **not appropriate** for residential care. The Commonwealth Own Purpose Outlays should be reviewed in conjunction with the funding levels and a new Aged Care Index, which recognizes all cost drivers, wages growth, consumer items, building costs and increased energy and water prices should be developed in consultation with the industry.

- c) Measures to be taken to meet variations in service delivery costs and construction.

The variations in the construction of residential aged care facilities should be addressed through the introduction of **accommodation bonds for high care** residents.

Who is Mayflower?

Mayflower is an innovative, not-for-profit provider of aged care services. The organisation was founded in 1961 by community-minded individuals concerned for the welfare of older people. Mayflower Brighton and Mayflower Reservoir are registered charities with all profits being returned to providing services and facilities for its residents.

Mayflower is unique in that it:-

- **Provides** three levels of care ranging from independent living, through to low-level care and high-level nursing care, all within the one site located in East Brighton and Reservoir.
- **Offers** specialist support to people with dementia and respite care.
- **Addresses** the need for couples to remain together. The provision of different levels of care means that should one partner's care needs change, both can remain living at Mayflower - each receiving the appropriate level of individual care.

Around 260 older people live at Mayflower. They are supported by 130 staff and around 100 volunteers. The average age of Mayflower's residents is 83 years, with four over 100 years of age. Currently, 85% of Mayflower residents receive the aged pension. Those residents in low and high level care have a range of difficulties linked to ageing, including severe memory loss (dementia), immobility, and vision and hearing impairments. Around 50 Mayflower residents are veterans or the spouses or widows of veterans.

Terms of Reference

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

- a) Are current funding levels sufficient to meet the expected quality service provision outcomes?**

Case History

Mr A lived in Mayflower's Retirement Village for a number of years and has always been an active member of the community. In July last year Mr A entered the residential care facility because he was finding it difficult to live independently and his care needs could no longer be managed. Mr A's health has rapidly deteriorated; he is no longer mobile and requires high level care. As Mayflower is an ageing-in-place facility, his family would prefer that he remain in his current room rather than be moved into the nursing home. Extra staff hours have been allocated to Mr A to ensure he receives the care required to ensure his dignity and maximise the quality of the remainder of his life.

Operating a quality aged care service which meets the needs of the residents and their families can be a difficult task with the current constraints on funding. The following are some of the reasons:

- Providing a quality service is dependent on skilled and dedicated staff. They are hard to come by and too valuable to lose. At Mayflower we have good staff retention rates and excellent staff morale. These are imperative if a high level of service is to be maintained in a facility.
- A widely acknowledged reality is that in Victoria both Registered Nurses and Personal Care Workers are better paid in the public health care sector than in aged care. There is a 10% disparity between the two sectors. This makes the recruitment of staff into the aged care sector difficult and the retention of staff absolutely imperative. At Mayflower we believe our flexible work practices and our willingness to promote further professional education has been the key to our excellent staff retention rates.
- Mayflower has recently been served with a log of claims from both the Health Services Union and the Australian Nursing Federation. The unions are seeking increases in their members' basic wages of 20% over the next four years. In addition they want a range of increases in numerous other areas such as penalty rates and increased pay points. During the negotiations Mayflower will endeavour to meet as many of the demands as possible because we want to retain our loyal workforce, but there are limited efficiency gains to be made by an organisation of this size. Mayflower will have to fund these increases from our ever-decreasing margins, which will severely decrease our capability for growth in the future.

Proposed Solution

The Grant Thornton Survey clearly articulates the financial challenges facing the sector. Immediate relief could be provided to the sector by removing the constraints limiting access to the full ACFI funding for high care residents. This would provide an immediate boost to resources and provide relief in the short term. For the longer term, CPI +2% to allow for staff salary increases would enable the industry to provide the quality care elderly people are entitled to.

b) How appropriate is the current indexation formula in recognising the actual cost of pricing aged care services to meet the expected level and quality of such services?

Case Study

Since coming to Mayflower, Mrs M, a pensioner, discovered her talent for pastel paintings. Over the years she has developed her talent and attended art classes each week. Mayflower funded the programme for many years but several years ago it was decided to cease the programme due to financial constraints. Increases in wages and the cost of living meant that the money was now needed for direct care expenses. In an effort to continue the programme, Mayflower sought the assistance of philanthropic trusts. A grant was obtained and the programme has continued. This external funding for the programme will lapse in mid 2009 and Mayflower is concerned that due to the current economic crisis, philanthropic funds will not be available to provide further assistance. How do we tell Mrs M, a war widow, that we can no longer afford her art classes??

The current indexation of subsidies formula the Commonwealth Own Purpose Outlays (COPO) has failed to keep pace with the costs being incurred by the aged care industry. The formula is outdated and was never intended to be a long term funding solution for the industry. It does not take into account increases in staff costs, food and petrol prices and has seen real earnings eroded by 23.5% over the past eight years.

When the Conditional Adjustment Payment (CAP) was introduced it was a relief to the industry and it assisted in making up some of the shortfall experienced as a result of the COPO. Loss of the CAP will result in a drop of funding of up to \$750 per resident, which is not sustainable in an industry which is already stretched to the limit. The loss of this funding will be further compounded by the increase in the cost of utilities if and when an Emissions Trading Scheme is introduced. The industry is necessarily one of the largest users of water, gas and electricity and despite building environmentally friendly buildings; there will be a significant increase in the costs associated with this scheme.

Proposed Solution

The COPO should be reviewed in conjunction with the funding levels and a new Aged Care Index, which recognizes all cost drivers, wages growth, consumer items, building costs and increased energy and water prices should be developed in consultation with the industry.

c) Measures to be taken to meet variations in service delivery costs and construction.

Case Study

Mrs A is presently living in Keith Norman House, a hostel building which was opened in 1971. Whilst the building has single rooms with ensuites, it has very small lounges and no dining room. Mrs A must walk through the elements to another building to eat her meals. Mrs A enjoys eating her meals in the dining room as it is a very social event, but on cold winter nights it feels like the dining room is too far away, and on those evenings Mrs A is forced to eat her meal in her room. Mrs A is looking forward to the completion of the new building currently under construction at Mayflower. Not only will she have better facilities, but she will always be able to share meals with her friends.

90% of the buildings on the Mayflower site are original structures that have been operational since the 1960s. Mayflower's hostel is presently separated into three discrete buildings and there is a stand-alone nursing home. Whilst the buildings have been renovated over the years to meet the minimum Commonwealth requirements, they are becoming increasingly difficult to fill due to the fact they are aesthetically displeasing.

This year Mayflower Brighton commenced a \$45M staged redevelopment of our site. The redevelopment includes the rebuilding of 76 residential care beds, 29 new high care beds and 85 independent living units. Stage One, which includes new high care beds, commenced in August at a cost \$14.5M for 92 beds. Mayflower is using its reserves and has secured finance to undertake this redevelopment. The success of this development is predicated on securing low care accommodation bonds and cross subsidisation from the sale of Independent Living Units. Effectively, those residents who enter as low care residents are paying for the accommodation of those who have been lucky enough to remain in their own home until they require high care. This disparity will be challenging to manage when all the residents are in the same building because people living next door to each other will have paid vastly different amounts of money for the same service.

The current financial crisis has greatly impacted provider's earning capacities through the investment of the bonds. Providers who have been reliant on these earnings to fund their operational costs are now facing a serious financial predicament. Those who have been relying on the interest/dividends to fund future developments have seen their earning capacities greatly diminish. The result either way will be the same – decreased investment in the aged care sector and in the long term, a shortage of high care beds.

Proposed Solution

The introduction of refundable accommodation bonds for residents requiring high care.