

**HAVILAH HOSTEL INC**  
**Submission for the**  
**SENATE ENQUIRY INTO AGED CARE**

Are current funding levels sufficient to meet expected quality service provision outcomes?

**FACTS AND DATA**

- Real funding is being eroded, as wages, consumer and building costs outstrip government payments.
- Phased implementation of the ACFI 'top-level \$10 adjustments till 2011' a significant delay in access to improved funding.
- Residents with dementia are severely underfunded. Havilah's 20 bed Dementia Specific wing opened in 2007. Subsidies which should cover the cost of wages and care related materials eg medications; wound materials, continence aids do not even cover the costs of RN2 and PCA staff in this unit. It does not cover the cost of DIV1 staff, Care Planning, administration of ACFI and obviously there is no profit attached to this unit. Dementia residents required constant attention and specialized care. To put in the staff that these residents really require would cost an additional \$240,000 per annum the equivalent of an increase of \$33/resident/day.
- Medication Management under ACFI in some instances is not funded at all. Measurement is on time taken in a day for a resident to ingest the medication, therefore from the time it is placed in the hand until it is swallowed. In many cases the time taken only gives the resident a score that does not bring the Complex Health Care Supplement up the lowest funded level. The administration of medication is a major expense costing this organization in excess of \$220,000 per annum or \$7.20/resident/day. Even if only 20% of residents receive no funding through ACFI for this activity this is an unrecouped cost to the organization in excess of \$44,000 per annum.
- The changes to Pensioner Subsidy introduced March 2008 which will see the Pensioner Subsidy phased out over three years has a dramatic effect where Pensioners have assets above \$95,000. Currently 94% of our residents are pensioners. At least 50% of those had assets above \$95,000 on entry. Currently these residents attract a pensioner subsidy of \$6.83/day. In future similar residents will not attract this subsidy or any replacement subsidy a cost to this facility of \$94,700/annum.
- Wages which contribute up to 80% of operating expenditures have increased in excess of COPO for at least the past 10 years.
- Facilities in some states have had to deal with increases less than COPO as the Government brought all subsidies into line nationally.
- There has been no increase in subsidy to meet the cost of accreditation, which includes increased documentation costs and the actual accreditation fee.
- The administration and collection of Income Tested Fees is the responsibility of facilities and there is a cost associated with this. Income Tested Fees paid by the resident are deducted from resident subsidies, therefore reducing the subsidy paid by government. Prior to the introduction of ITF's facilities had the ability to charge increased fees for those who could afford them and maintain the income from these fees. While it is accepted that this money presumably goes back into the pool which should benefit the industry as a whole there is still no compensation given to facilities for collecting ITF's.
- Currently facilities are providing services above what the resident is paying for. We are constantly hearing in the media that pensioners do not have enough money to live on and this is not disputed by government or in fact this organisation. Aged Care Facilities however, are providing quality services and facilities which are resident focused and provide each resident with choices as to what they would like to eat; what activities they would like to participate in, how hot or cold they would like their room to be, etc  
**AND ALL THIS ON A FEE OF 85% OF THE PENSION.**

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	<p style="text-align: center;"><b>KEY MESSAGES</b></p> <ol style="list-style-type: none"> <li>1. Now – staff are so busy they can't spend quality time with residents and families. Staff are stretched to the limit and if it was not for our volunteers provision of a quality service would be at risk. We would have at least 100 volunteer hours each week over all areas of the service, not counting the staff hours where staff work well over their normal shifts and come in on their days off.</li> <li>2. Staff are burning out and being lost to the acute sector or to other industries;</li> <li>3. Immediately scrap the \$10, \$20, \$30 cap on maximum ACFI subsidy for high care</li> </ol> <p>Operating above the line for residential services is proving more difficult year by year and our profits have certainly diminished. Havilah is moving further towards retirement living which will cross subsidise our residential care services.</p>
How appropriate is the current indexation formula in subsidizing the actual cost of providing the expected level and quality of services?	<p style="text-align: center;"><b>FACTS AND DATA</b></p> <ul style="list-style-type: none"> <li>• CAP frozen at 8.75% for next four years – no annual 1.75% increases.</li> <li>• COPO funding increases are less than costs – eroded 23.5% down over last eight years.</li> <li>• CAP loss will mean funding drop of \$750 per annum, per resident.</li> </ul> <p style="text-align: center;"><b>KEY MESSAGES</b></p> <ol style="list-style-type: none"> <li>1. Industry like a "taut" rubber band, which won't stretch any further.</li> <li>2. CAP seen as adding value to the industry but now needs to address other costs, such as proposed Emissions Trading Scheme, which will hit residential care particularly hard.</li> <li>3. <b>A long term "Aged Care Index", which properly recognizes all cost drivers, wages growth, consumer items, building costs and increased energy and water prices, is now required.</b></li> </ol>
Measures to be taken to meet variations in service delivery costs and construction	<p style="text-align: center;"><b>FACTS AND DATA</b></p> <ul style="list-style-type: none"> <li>• 60% of residents now have complex and high care needs, upon entering facilities</li> <li>• 2008 Grant Thornton Report found 1.1 per cent average return on investment for new, single room facilities.</li> <li>• Average cost of building a new room is now \$200,000. Greater construction costs in country areas.</li> <li>• The costs of supplies and services are more expensive in country locations purely because of the travel requirements for deliveries, maintenance etc.</li> <li>• The requirement for facilities to pay interest to the estate of a deceased resident while awaiting probate, has again eroded income received from bonds. It is difficult to argue against the estate having a right to interest but this has only been a requirement in recent years.</li> <li>• Income from accommodation bonds in country areas is not keeping up with the increased cost of constructing places. Country areas have large numbers of home owners but the value of the homes are low. This creates problems with residents paying low bonds but having assets above \$95,000 and therefore not attracting any of the newly introduced supplements. This is not the same for Metropolitan and Regional areas where property values are much higher.</li> </ul> <p style="text-align: center;"><b>KEY MESSAGES</b></p> <ol style="list-style-type: none"> <li>1. "No bonds in high care" is unjust – cross subsidization is creating two tiers of residents.</li> <li>2. Retention levels should be increased to offset higher building costs.</li> <li>3. The remote area supplement should be extended to pick up all areas outside of major centres.</li> </ol>

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<p>How can any inequities in user payments, between different groups, be addressed?</p>	<p style="text-align: center;"><b>FACTS AND DATA</b></p> <ul style="list-style-type: none"> <li>• There are currently inequities in user payments.</li> <li>• Income tested fees, paid by non-pensioners, are collected by provider and deducted from subsidies by government.</li> </ul> <p style="text-align: center;"><b>KEY MESSAGES</b></p> <ol style="list-style-type: none"> <li>1. Minimum ACFI payment for all to help with bed, board, food, cleaning and laundry – remove gap between funding and costs.</li> <li>2. Identify gaps between those paying bonds and those who don't.</li> </ol>
<p>Is the current planning ratio between high- and low-care places appropriate? What is the impact of residential places allocation and provision of community care places?</p>	<p style="text-align: center;"><b>FACTS AND DATA</b></p> <ul style="list-style-type: none"> <li>• Some areas have serious shortfalls in places, others have an over supply.</li> <li>• DoHA data shows Victorian residential aged care occupancy rate now 92.7% - worst in Australia.</li> <li>• Concern greatest in rural and regional Victoria</li> </ul> <p style="text-align: center;"><b>KEY MESSAGES</b></p> <ol style="list-style-type: none"> <li>1. Disclose all data at LGA level so providers can properly plan for places in appropriate locations.</li> <li>2. Current planning ratio should only be an indicative costing model.</li> <li>3. Direct effect on providers wishing to expand services – need for flexible model, which meets true community needs.</li> <li>4. Planning Ratio needs to take into effect “Ageing in Place” in other words look at places “in operation” not allocated places. Havilah has 84 Low Care Places but because of “Ageing in Place” 40 – 50 of these places are used for High Care Residents at any one time. Within our LGA the Planning Ratio for High Care Places appears to be unmet and met for Low Care Places when in fact the reverse is true.</li> <li>5. Government should ensure that it does not create an oversupply of places in an area as we would not like to see and “ABC” Childcare situation occurring in aged care.</li> </ol>

There is no doubt the industry is losing heart and for “not for profit” community organizations like ours this is a very hard thing to admit.

Havilah is committed to providing high quality services into the future for our community. The fact is it is becoming more and more difficult to do this. I meet regularly with other providers in our region (Loddon Mallee) which covers a very large area of mainly rural providers and we all have the same issues. I hope that this enquiry will make a difference to our industry as there have been many costly enquiries prior to this which have not.

Thank you for the opportunity of making this submission.

for and on behalf of Havilah Hostel Inc.

Barbara A Duffin  
**Chief Executive.**  
1<sup>st</sup> December 2008

