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19 May 2010

Inquiry into Caring for Older Australians
Productivity Commission
GPO BOX 1428, Canberra ACT 2601

Email: agedcare@pc.gov.au

Dear Commissioners,

Submission to the PC's Inquiry into Caring for Older Australians

We welcome the opportunity to make a submission to the Productivity Commission Inquiry into Caring for Older Australians. We have made previous submissions on this topic to the following Senate committee inquiries:

- Senate Finance and Public Administration Committee Inquiry into Residential and Aged Care in Australia (2009)
- Senate Community Affairs Committee Inquiry into Aged Care Amendment (2008 Measures No. 2) Bill (2008)
- Senate Economics Committee Inquiry into Private Equity Investment and its effects on Capital Markets and the Australian Economy (2007)

This current Productivity Commission Inquiry affords the opportunity to interested stakeholders to make their voices heard on the present and future of the residential aged care sector of this country. As the Treasurer, the Hon Wayne Swan, stated in his speech to the National Press Club on the launch of the 2010 Intergenerational Report, this country faces two major challenges: climate change and an ageing population.¹

¹ Swan, W. (2010) Australia to 2050: Future Challenges Launch of the 2010 Intergenerational Report, Speech to the National Press Club, Canberra, 1 February

We are pleased that the Government is showing its obligations to guarantee and meet the challenges of an ageing population by conducting this inquiry. We believe that acting on the recommendations of the Productivity Commission Report into Caring for Older Australians has the potential to make a profound impact on the policy outcomes for the future of the sector.

We take this opportunity to recommend the following points for the Inquiry to consider:

Recommendation 1: Reform and simplify administrative requirements.

Justification: The sector remains entwined by a tangled web of law and regulations that impact the ability to perform well. We would like the Commission to identify and recommend the removal of unnecessary administrative burdens that impede the core mission of operators in the sector: to look and care after vulnerable aged care residents.

Recommendation 2: Ownership registry for operators in the sector that is publicly available and accessible.

Justification: In 2007, dela Rama's submission to the Senate Economics Committee raised key issues related to the entry of private equity operators into the sector². Unlike the previously dominant non-profit operators, private equity has entered the sector with the single goal of profit maximisation with access to government subsidies a key motivating factor behind their decision to invest in the sector. This motive - that the largesse of the Australian taxpayer should fund investment returns as 70% of income comes from government subsidies - conveniently overlooks the main role of the original application of subsidies in the sector: as incentives to care for older Australians in residential aged care.

The wave of private equity operators in the sector came at the back of the most recent debt-fuelled boom, busted by the global financial crisis of 2008. Private equity's entrance was only matched by the lightning speed with which some players exited, notably that of CVC Citigroup's venture in the sector lasting only 12 months.

<http://ministers.treasury.gov.au/DisplayDocs.aspx?doc=speeches/2010/001.htm&pageID=005&min=wms&Year=&DocType=1> accessed 6 May 2010

² See pp. 52-53 in Chapter 5 of the Senate Economics Committee Report into Private Equity http://www.aph.gov.au/senate/committee/economics_ctte/completed_inquiries/2004-07/private_equity/report/c05.pdf accessed 19 May 2010

One of the main concerns with private equity is the lack of transparency and the opacity in ownership arrangements with layers of ownership decoupling them from accountability and responsibility of managerial operations. That is, current policy has seen the relative opacity of operators that have complex ownership structures insulated from reputational damage in event of poor performance such as exposure of sub-standard care. In proposing an ownership registry, this will disclose the ultimate ownership of ALL operators in the sector. We propose the following disclosure be made in the ownership registry:

Table 1: Data in Proposed Ownership Registry³

Size	Value	Ownership Status	Owner	Manager	Date of Transaction
* List of nursing homes * How many homes involved * Geographic area (urban/rural)	Small: <\$1M Medium: \$1M-\$50M Large:>\$50M	Non-profit (commercial vs non-commercial); for-profit (listed, unlisted, private equity etc.)	Name of owners; executive officers of corporate bodies and related entities.	If the owners are not the managers.	This would contain the dates of entrance and exit of operators.

This ownership registry will also aid government agencies in assessing the ownership structure of the sector. In doing so, this may help mitigate a crisis similar to that which engulfed the childcare sector with the market failure and collapse of ABC Learning. The bailout of ABC Learning led to substantial costs to government in its rescue of formerly owned and operated ABC Learning Centres. The collapse also exposed the time-lag between government policy development and the vagaries of global finance as ABC Learning’s listed status exposed them to the capital market’s swift erosion of confidence in the company.⁴

Given that operators in both childcare and aged care sectors already benefit from generous government subsidies, at the very least, an ownership registry will increase transparency

³ The first appearance of this Ownership Registry Table was in our Submission to the Senate Community Affairs Committee Inquiry into the Aged Care Amendment (2008 Measures No.2) Bill http://www.aph.gov.au/senate/committee/clac_ctte/aged_care_amend_2008_measures_no2/submissions/sub14.pdf accessed 6 May 2010

⁴ Senate Education Employment Workplace Relations Committee (2009) Report into Provision of Childcare, Canberra: Australian Parliament House http://www.aph.gov.au/senate/committee/eet_ctte/child_care/report/index.htm accessed 7 May 2010

and professionalism in the sector, and inform concerned stakeholders the state of play in the sector. Sunlight is the best disinfectant to rogue players and elements in the sector.

Recommendation 3: Financing arrangements be reviewed by profit status and/or infrastructure and training funding pools.

Justification: We recommend that a review of financing arrangements to ensure greater accountability in the flow of billion-dollar government subsidies to the operators of the sector. We suggest a distinction be made in the funding depending on the for-profit status of the operator.

The Commonwealth Government's *Securing the Future of Aged Care* program is funded to the amount of \$1.738B in the 2007-08 budget⁵. Yet there are complaints that operating an aged care home is not profitable. As taxpayers, it is prudent to pose the following questions: Where does the money go? What level of aggregate funding will be deemed sufficient so that the care needs of older Australians be looked after? We suggest the following points:

1. Financing of the sector take into account the ownership status of the operator.
2. Review the financing structure so there is greater emphasis on the main issue of infrastructure (capital) and providing a qualified workforce in the sector (training).

We acknowledge and support the Prime Minister's announcement of providing capital funding in the sector to the amount of \$120M over the next four years⁶ and the Treasurer's announcement in the 2010 budget of providing \$523M to train and support nurses.⁷ We believe the latter's announcement should provide support the following Recommendation 4 on mandatory ratios in the residential care sector.

Recommendation 4: Mandatory qualified nursing/medical staff to resident ratio; fair wages.

⁵Department of Health and Ageing (2010) Health and Ageing- 2007-08 Budget at a Glance, [http://www.health.gov.au/internet/budget/publishing.nsf/Content/7038CAFB80212DF7CA2572D2007EAE1A/\\$File/Budget%20at%20a%20Glance.pdf](http://www.health.gov.au/internet/budget/publishing.nsf/Content/7038CAFB80212DF7CA2572D2007EAE1A/$File/Budget%20at%20a%20Glance.pdf) accessed 6 May 2010

⁶ Prime Minister's Office (2010) Media release: Building an Australian aged care system, 12 April <http://www.pm.gov.au/node/6655> accessed 6 May 2010

⁷ Swan, W. (2010) 2010-11 Budget: Responsible Management and a faster return to surplus <http://www.treasurer.gov.au/DisplayDocs.aspx?doc=pressreleases/2010/041.htm&pageID=003&min=wms&Year=&DocType=> accessed 18 May 2010

Justification: We support the Australian Nursing Federation (ANF)⁸'s *Because We Care*⁹ campaign to have a mandatory qualified nurse to resident ratio and fair wages for aged care nurses.

We already have a mandatory carer to child ratio in the childcare sector. We stress how fundamental it is to ensure the quality of care of residents lie in having a qualified workforce to look after their needs. Other submissions to this inquiry will no doubt look at the welfare of residents and the stories that have emanated from sub-standard care. We believe that a mandatory ratio will provide a strong impetus to improve the quality of care in this sector and assuage community concerns about the treatment of some of our most vulnerable people. A fair wage commensurate with the skills necessary to look after the physical and emotional needs and demands of caring for older Australians ought to be considered to ensure that nursing and care staff working in aged care should not be paid less than their counterparts employed in other parts of the healthcare sector.

We support the ANF's position on both counts.

Recommendation 5: A stand-alone Department of Ageing be established.

Justification: In 2050, the proportion of Australia's population that will be 65 and over is projected to reach around 23% according to the Treasury (Swan 2010) therefore it may be prudent to consider establishing a stand-alone Department of Ageing that is separate from Health. A separate Department of Ageing will not only be concerned with the health of an ageing population but also its well-being and impact on infrastructure, society and the economy. As the Treasurer pointed out:

“The ageing of our population, the growth in demand for health and other services that creates, and the infrastructure, social and environmental investments also required, means extra fiscal discipline will be needed to keep the budget in a strong position.” –Swan (2010)

Removing Ageing's adjunct to Health will provide a better focused policy development and ministerial responsibility to meet the demands of our ageing population.

⁸ Australian Nursing Federation (ANF) (2010) Home page <http://www.anf.org.au/> accessed 6 May 2010

⁹ ANF (2010) Because We Care Campaign <http://www.becausewecare.org.au/> accessed 6 May 2010

Recommendation 6: Creation of a searchable directory of care homes and services similar to the UK's Care Quality Commission.

Justification: The UK's Care Quality Commission (CQC) is the independent regulator for health and social care in England.¹⁰ The CQC provides a facility that allows a search directory of care homes and care services by type of services provided, rating on the quality of the home, and the location of the services. In terms of the services provided, the directory allows a stakeholder to search a care home by whether the provider deals with "old age, dementia, physical disability, sensory impairment, learning disability, with nursing, mental health, alcohol dependency, drug dependency and/or no medical intervention." The ratings of a home is ranked by quality with a 3 star rating being the highest (excellent), a 0 star rating for poor performance and a suspended rating (cancellation of licence). Location of services includes the region, the local authority area (or council/shire) and the proximity of a care home to a postcode.

We believe establishing an Australian version of the UK's CQC site will provide greater transparency and appropriate disclosure that will address our concerns raised in Recommendation 2. In establishing this site, input from stakeholders should be allowed to determine quality indicators for the sector. Appendix 1 provides a screenshot of the CQC Search Directory.

Commissioners, we hope the above recommendations will be considered prudently. We write to you as members of the community concerned about the present and future state of this sector.

Yours sincerely,

Marie dela Rama

Dr. Melissa Edwards

Dr. Bronwen Dalton

¹⁰ UK Care Quality Commission website: About us <http://www.cqc.org.uk/aboutcqc/howeare.cfm> accessed 18 May 2010

APPENDIX 1: Screenshot of the UK Care Quality Commission (CQC) Search Directory of Care Homes and Care Services

<http://www.cqc.org.uk/registered-services-directory/rsquicksearch.asp> (accessed 18 May 2010)

The screenshot shows the top part of the CQC search directory. At the top left is the CQC logo. To the right are links for Home, Accessibility, Site map, and Contact us. Below the logo is a navigation menu with links: About CQC, Find care services, Using care services, Get involved, Publications, Guidance for professionals, and News and events. A search bar with the text 'Keyword search' and a 'Search' button is also present. The main heading is 'Search the directory of care homes and care services'. Below this is a brief introduction and two links: 'Read more about the directory' and 'Find out more about quality ratings'. The '1 Type of service' section is active, with a sub-heading 'Care homes' selected. It contains several checkboxes for service types and specific care needs.

1 Type of service [About types of services](#)

Domiciliary care (home care)

Nurses agencies (private nursing for hospital or home care)

Adult placement schemes

Care homes
Choose the main type of care that you need

<input type="checkbox"/> Old age only	<input type="checkbox"/> With nursing
<input type="checkbox"/> Dementia (EMD)	<input type="checkbox"/> Mental health
<input type="checkbox"/> Physical disability	<input type="checkbox"/> Alcohol dependency
<input type="checkbox"/> Sensory impairment	<input type="checkbox"/> Drug dependency
<input type="checkbox"/> Learning disability	<input type="checkbox"/> No medical intervention (e.g. religious reasons)

This screenshot shows the '2 Quality rating (optional)' and '3 Location of services' sections. The quality rating section includes checkboxes for 3 stars (excellent), 2 stars (good), 1 star (adequate), 0 star (poor), Not yet rated, and Suspended rating. A text box explains that quality ratings are not related to price. The '3 Location of services' section has radio buttons for Region, Local authority area (set to 'All'), and Postcode. The '4 More search options (optional)' section includes checkboxes for Name of establishment, Provider type (Local Authority, Private, Voluntary/Charity, NHS), and Capacity (Under 10, 10-29, 30-49, 50-69, 70-89, Over 90). A '+ Search' button is at the bottom right.

2 Quality rating (optional) [About quality ratings](#)

Quality ratings tell you what quality of care a service provides. They do not relate to price.

3 stars - excellent

2 stars - good

1 star - adequate

0 star - poor

Not yet rated

Suspended rating

3 Location of services

Region ▶

Local authority area ▶ All

Postcode (in full) ▶

4 More search options (optional)

Name of establishment (if known)

Provider type

- Local Authority
- Private
- Voluntary/Charity
- NHS

Capacity (only for care homes)

- Under 10
- 10 - 29
- 30 - 49
- 50 - 69
- 70 - 89
- Over 90