

Caring for Older Australians

Subject: 1. Broaden the criteria for accessibility to Zero Interest Loans to include the construction of new sections of aged care facilities to rehouse existing licensed beds.

2. Replace the Commonwealth Own Purpose Outlays indexing method with a Cost Price Index that actually reflects the cost increases experienced by Aged Care Facilities.

3. Introduce Accommodation Bonds for High Care residents on the same basis as Low Care residents.

Submission:

1. Broaden the criteria for accessibility to Zero Interest Loans to include the construction of new sections of aged care facilities to rehouse existing licensed beds.

Capital construction costs are a major cost for Aged Care Facilities (ACFs) and the cost of building replacement facilities to house existing licensed bed is a high risk venture as these projects do not generate any new income from new residents, because these resident places continue to be occupied by existing residents.

The demand for high quality single rooms with ensuites continues to dominate this market and is generally accompanied by a potential resident's determination not to accept a shared room in any circumstances, or when necessary, with a guarantee of moving to the first available single room.

Buildings constructed in 1970's were built for a more mobile clientele, whereas today's facilities focus on providing services to high care residents. The current infrastructure in many ACFs is over 40 years old and no longer meets the criteria basic to the provision of high care services to the frail aged. The space provided in this 1970's style accommodation is inadequate when utilising the equipment needed to provide services to high care residents.

To address the strong demand for high care facilities ACF Boards plan new projects to replace existing structures past their use-by-date. This involves financing loans of significant size which, in turn, creates a high risk to the continued long term operations of each ACF.

Rural providers face higher costs of construction than metropolitan based services, in addition to generally higher operating costs relating to their smaller size and smaller staff pool. In addition to higher construction costs the average level of Accommodation Bonds received by rural and remote providers is significantly less than the average received by metropolitan services. This results in a lower average interest income generated from Bonds for rural providers of high and low residential aged care services.

This combination of factors of higher construction costs and higher operating deficits, places rural and remote providers in a financially disadvantaged position compared to metropolitan based services. Access to interest free loans for rural and remote providers would alleviate some of the financial pressures experienced by these providers and enable a more timely replacement of ageing infrastructure.

2. Replace the Commonwealth Own Purpose Outlays indexing method with a Cost Price Index that actually reflects the cost increases experienced by Aged Care Facility's.

The Stewart Brown Benchmarking service indicates that the operational costs of the Aged Care Facilities (ACFs), covered by the service, are continuing to grow and the number of organisations experiencing larger deficits is also growing. The COPO increase on subsidy levels for 2010/2011 at 1.7% shows a lack of appreciation of the current financial pressure faced by ACF's. This is contrasted with the Fair Work Australia wage and CPI increases in the range of 3% to 4%.

As wage costs constitute over 75% of all operating expenditure in an ACF, and any increase in wage costs through Fair Work Australia or Workplace Agreements will have a significant impact on the operations of each organisation. These wage increases across the industry, along with general goods and service increases, must be included in the annual indexation calculations for aged care so that staffing levels can be maintained at a level which maintains the provision of quality care, while staff receive a fair return for their commitment to the elderly in our community.

3. Introduce Accommodation Bonds for High Care residents on the same basis as Low Care residents.

The Accommodation Bond and Accommodation Charge differences between Low and High care residents add to the complexity for residents and relatives during the admission process and often cause them un-necessary distress. A simplified admission process would be easier for residents and their relatives to understand during this difficult period, which is often rushed due to the shortage of available places, particularly in rural areas.

The number of low care admissions to ACF's is expected to fall due to the impact of Community Support Services maintaining people at home for longer periods. As a result accommodation bonds are also expected to fall. This will impact significantly on bond levels and the capacity of ACF's to accumulate capital funds for construction projects which replace infrastructure inadequate to the work conditions demanded by the increasingly complex care required by frail and dependent residents. The starkest example of this is found in rural areas of low population density.

Admitting low care residents into ACF's is often a priority to accumulate capital reserves to replace infrastructure. By allowing Accommodation Bonds for both High and Low care residents the capital risks associated with replacing infrastructure is significantly reduced.