

# **Submission to the Productivity Commission**

## ***Caring for Older Australians***

Retirement & Aged Care Services  
Manchester Unity Australia - HCF Company

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## Table of Contents

<b>Executive Summary</b> .....	3
<b>Introduction</b> .....	3
<b>1. Suggested Reforms</b> .....	4
1.1 Objectives of the aged care system.....	4
1.2 Funding aged care.....	5
1.3 Aged care services and access.....	6
1.4 Aged care assessment and information.....	7
1.5 Workforce.....	7
<b>Transitional Arrangements</b> .....	7

## Executive summary

Australia like most western nations faces significant challenges in caring for its current and future generations of older people.

The primary challenges are;

- The ageing of the population with the number of Australians over 85 estimated to increase by 400% through 2010 to 2050 and an expected surge in the proportion of these people with high care needs.
- The greater affluence of the coming generation and their higher expectations of service and choice
- The attraction and retention of an appropriately skilled workforce
- An Aged Care industry that is under stress from an onerous compliance regime and a funding system that does not properly reflect the cost of care and does not encourage sustainable investment in the sector.

This submission draws on these issues and in accordance with the Terms of Reference of the Productivity Commission, this document presents Manchester Unity Australia's submission on the reforms needed to secure affordable and sustainable high quality aged care services for all older Australians.

## Introduction

Manchester Unity Australia is part of the HCF Group. HCF is not-for-profit and Australia's third largest private health insurer. The HCF group has over 500,000 policy holders covering more than 1.3million Australians. Since 1949 Manchester Unity has provided aged care services and today owns and operates three Retirement and two aged care facilities across North Western Sydney comprising 182 retirement units and 183 aged care beds providing low, high, extra service and dementia specific care.

The services provided through the Retirement and Aged Care division fulfill HCF groups' mission "...to satisfy the needs for all Australians for access to affordable, high quality health care...". We would welcome substantive change to the structure and funding of the industry, so it is possible for Manchester Unity to continue to fulfill its mission in caring for older Australians.

It is understood that the aged care sector sits within a broader framework and therefore, aged care reform cannot be considered in isolation. A whole of government approach must be taken. Aged care providers facilitate the care obligation that the government has to its older citizens. It is acknowledged that this was recognised by the Commonwealth in *A National Health and Hospitals Network: Further Investments in Australia's Health* and that any reform must be considered within the wider health and hospital system.

Recent Reports highlight the challenges in the provision of aged care, these include:

- Report of the Review of Pricing Arrangements in Residential Aged Care (W P Hogan, April 2004)
- The Future of Community Care (The Allen consulting Group, March 2007)
- Trends in Aged Care Services: Some Implications (Productivity Commission Research Paper, September 2008)
- Residential and Community Aged Care in Australia (Report of the Senate Standing Committee of Finance and Administration, April 2009)
- A Healthier Future for All Australians ( National Health and Hospitals Reform Commission, June 2009)
- Review of Regulatory Burdens: Social and Economic Infrastructure Services (Productivity Commission, September 2009)
- Leading the Way: Our Vision for Support and Care of Older Australians (National Aged Care Alliance, September 2009)

Manchester Unity Retirement and Aged Care division is no different to other Aged Care providers. We have worked very hard to sustain our business whilst ensuring we do not compromise the care we provide to our Residents.

We have maintained our Accreditation standards, experience very high levels of Resident satisfaction and occupancy, hire only qualified staff, and maintain one of the highest staffing ratios in the industry. We provide quality aged care service but we lose money to do so. This is not a sustainable position.

Quality aged care services will not be achieved and investment in the sector will not occur unless the basic economics of the cost of care are addressed.

## **1. Suggested Reform**

### **1.1 Objectives of the aged care system**

The Commonwealth "...aims to ensure that all frail older Australians have timely access to appropriate care and support services as they age... through a safe and secure aged care system". (DoHA 2009, p.xi)

A key principle of this aim is that the Commonwealth will guarantee an acceptable standard of care. In Residential Aged Care, this is essentially defined by the following principles contained within the Aged Care Act, these include;

- Accountability Principles 1998
- Accreditation Grant Principles 1999
- Certification Principles 1997
- Information Principles 1997
- Investigation Principles 2007
- Quality of Care Principles 1997
- Records Principles 1997
- Sanctions Principles 1997
- User Rights Principles 1997

Success in meeting these principles is primarily measured through a compliance regime in which a facility demonstrates it has fulfilled the expectations of the Commonwealth by adhering to the Accreditation Standards.

The primary issue with this approach is that it is not Resident focused, in as much as it does not measure the standard of service or care from a care recipients perspective and therefore, it does not meet the Commonwealths aims.

### **Recommendations**

- a) Conduct a review of the Commonwealths aims and objectives for aged care. From this determine what constitutes;
  - a. Appropriate Services
  - b. Acceptable Standards
  - c. Timely Access
- b) From this, review the success measures and mechanism/s for compliance with the view to simplify accountability and transparency for the consumer, provider and Commonwealth.

## **1.2 Funding aged care**

Funding in the Aged Care industry is currently fragmented, arbitrarily adjusted with no objective long term basis for setting prices and subsidy levels for the provision of care and accommodation.

The Basic Daily Fee provides revenue to cover the cost of living expenses in residential care and is linked to a percentage of the single basic pension.

The Aged Care Funding Instrument (ACFI) and income tested fees provides revenue for the care of the Resident. Increases in these subsidies are based and subject to minimum wage adjustments. Wage adjustments by the Industrial Relations Commission and subsequently Fairwork Australia, assumes that wage increases are offset by productivity gains. Unfortunately aged care does not have the same capacity as other sectors to achieve productivity gains through the substitution of labour. Further increases in these subsidies are based on Award rates of pay only exacerbates the funding gap, with the majority of the aged care sector paying their staff above award rates of pay. Therefore for adequate staffing ratios to be maintained, care costs overrun revenue.

Accommodation charges are designed to support investment in high care services. These subsidies and prices are independent from Bonds in low care and are inadequate to support new investment.

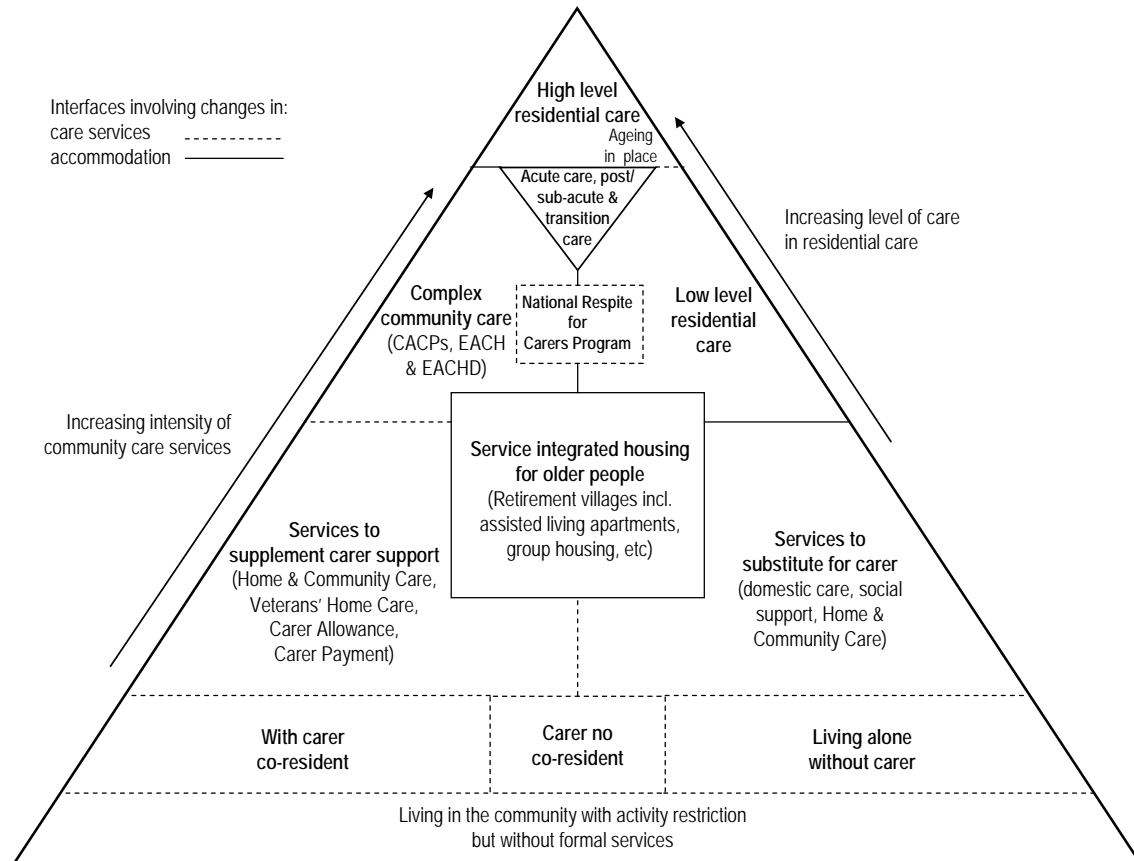
To ensure the supply of sustainable quality aged care services it is our submission that the current highly fragmented system and basis on which funding is set, is changed.

### **Recommendations**

- a) An independent review of the cost of aged care be undertaken to provide a accurate view on the true cost of care. This review should form the basis of aged care funding and this in turn should be reviewed periodically for the reassessment of care subsidies.
- b) Aged care funding should be set against a satisfactory rate of return for the operator. For ongoing investment in the industry providers must have a level of assurance that monies invested in the sector will provide a certain level of return and improve their Net Present Value. This in turns allows for sustainable ongoing investment in staff, equipment and technology.
- c) Reduce the controls on the services offered by aged care providers thereby improving the choice and type of accommodation available to residents and through this, the way in which they may contribute to the cost of their aged care. This could include deferred payments against fixed assets e.g. residents home or specific insurance products that provide for individuals aged care needs.

### 1.3 Aged care services and access

As noted in the Productivity Commission Issues Paper Caring for Older Australians the Needs Based Planning Framework is a key feature of the current aged care system.



Source: Howe (1996).

To ensure the supply of consumer oriented flexible age care services it is our submission that the current highly regulated arrangements for the provision of aged care services needs to change.

#### Recommendations

- Provide funding to individuals as an entitlement based on assessed needs, rather than funding places according to a quota of beds. This provides the opportunity for the individual to choose the type of service they desire and the accredited service provider who delivers the service.
- Adjust the criteria and regulations of an accredited provider so that it is service related not associated with the type of bed the Resident occupies. This also provides a level of certainty in the market and an incentive for accredited providers to scale up there service capability therefore ensuring there is no supply gap.
- Align the care services, fees and subsidies for people receiving care in their own home with those applying in residential care for people with similar care needs.
- Review Accreditation Standards with the view to establish benchmarks for care that are scalable and tiered across the sector and cover all service areas including Community, Retirement and Residential Aged Care. These standards should be aligned to the service provided and focus on the competency of the care provided. In short it should be less administrative.

## 1.4 Aged care assessment and information

There is a need for a single integrated aged care assessment service which is independent of the level of care for which people are assessed and also simplifies access to services.

It is acknowledged that the proposal to create 'one stop shops' (National Health and Hospitals Network) would seem to address this need.

### Recommendations

- a) Establish a national network of 'one stop shops', administered and funded by the Commonwealth to simplify access to information and services.
- b) Review the philosophy of ageing in place with the intent of removing the criteria of low or high care status. In turn provide funding to individuals as an entitlement based on assessed needs, rather than funding places according to a quota of beds.

## 1.5 Workforce

An ongoing and significant challenge for the aged care industry is its ability to attract and retain qualified staff. For providers such as Manchester Unity, quality care equals an appropriate number of qualified staff. At the core of this is what is the right qualification, the appropriate number of staff and the right working environment that will ensure there are and will be, sufficient skilled staff to meet the growing demand.

### Recommendations

- a) Conduct an independent review of the Aged Care sector with the intention of developing a bench mark of the required skill, qualification and experience of the workforce. Further, the review should consider staff to resident ratios and recommend a ratio (with tolerance) of staff to Residents.
- b) Provide parity in wages for aged care staff to their acute based equivalent. Currently the Award rate of pay for a RN in aged care is 11% less than their peer in the acute care sector in NSW.
- c) The Commission should review the training pathways available for staff working in the industry with the intention of creating easier access to courses through a partnership between approved providers and course providers. A mechanism must be found where by an AIN can study to become an Enrolled Nurse and subsequently a Registered Nurse within the Aged Care sector.

## Transition arrangements

Any reform of the Aged Care sector needs to be carefully managed to ensure the continuity of care for aged care residents.

Without change a major risk will arise because there is a high probability that the current regulated balance of care ratios which stipulate the proportions of residential low and high care places and community care places provided in the sector will not align with community preferences.

In order to manage the risks to continuity of care for older Australians and allow the sector the capacity and time to adjust to any new arrangements, it is essential that the implementation of any reforms be accompanied by well publicised transition arrangements which phase in the reforms.

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