



Aged & Community Services WA

Aged & Community Services
Western • Australia • Incorporated

**Productivity Commission Inquiry
Into Caring for Older Australians**

Aged & Community Services Western Australia, July 2010

Executive Summary

Aged and Community Services Western Australia Inc (ACSWA) is pleased to make a submission to the Productivity Commission's Inquiry into Caring for Older Australians.

Numerous surveys and reviews into aged care have been undertaken in the past few years and have identified similar themes of regulatory burdens, inadequate indexation of care subsidies to maintain parity with the consumer price index (CPI) and wages resulting in a reduction in community care services, insufficient funding to support further infrastructure development, serious labour shortages, and a fragmentation of health and aged care services. Minimal action has been taken to address the issues identified in those reviews, despite recommendations for major structural reform of the aged care system.

Western Australia, perhaps more than any other State, has been impacted by a workforce crisis that is unparalleled in recent history with dramatic increases in labour costs, and similar rises in building and operational costs, spurred by the mining and resource boom. This has significantly impacted on industry throughout the State, including aged care, which has seen an unprecedented stagnation in the development and provision of services to older Western Australians. The Productivity Commission inquiry provides an opportunity to examine the challenges facing aged care service providers within the context of economic realities in Western Australia.

Aged care providers strive to provide a sustainable and robust service delivery model that is responsive to consumer needs and enables consumer choice about the type of care they receive, and where they receive it. This is becoming increasingly difficult to sustain. Failure to acknowledge and address the challenges that are impacting on aged care service delivery will result in older Western Australians facing an uncertain future with regards to care and accommodation options.

In this submission ACSWA highlights some of the challenges faced by service providers caring for older Western Australians and makes a number of recommendations to more effectively support their care. These include:

- Implementing a new indexation methodology for community and residential care services, which funds the real costs of care based on regional variations and consumer cohorts, linking the assessment of aged care wage rates to those in the broader health system
- Implementing a sustainable capital raising system to ensure the ongoing provision of high quality residential care services that provides choices for older people about how they pay for their accommodation costs, at no cost to the Government
- Removing the distinction between high and low care at no cost to Government
- Uncapping the daily accommodation charge for high income people and increasing it for those on a medium income so it is equivalent to the average building costs of residential care in the relevant region
- Linking government payments (the accommodation subsidy) for concessional residents to the average cost of building residential aged care
- Allowing providers to charge differential room rates based on the quality and type of accommodation at no cost to Government
- Reviewing the migration program to extend the scope of the workforce to include suitable short-term skilled and non-skilled workers who can provide care services in areas of critical labour shortage, such as WA

- Establishing a nationally endorsed education framework for unlicensed workers, including minimum educational requirements, competency standards, and minimum timeframes for educational programs
- Supporting a consumer focussed model of care that includes a multidisciplinary workforce to provide resident focused and holistic care for older people to meet their varying care needs, and which enables complex health care needs to be provided outside acute care settings (where applicable). This may include the establishment of teaching nursing homes, or other innovative models, that more effectively utilise the clinical skills of health professionals and promote more interest in aged care as a profession of choice
- Providing greater flexibility in the Aged Care Approval Rounds (ACAR) to allow variations in the allocation of residential and community care places, based on assessed community needs and client cohorts. This includes ensuring a more transparent approach to the allocation of ACAR places, especially community services
- Establishing a minimum ACFI rate, equivalent to the CACP subsidy to ensure access to residential care for those who require it, particularly for older persons assessed as requiring low care
- Reviewing the subsidy gap between CACP and EACH packages to ensure continuity of care as care needs increase, and
- Ensuring that aged care services, including flexible options such as MPS and transitional care, are operated under a consolidated and uniform aged care system that minimises variances in the quality of care and services for older Australians.

Introduction:

Aged and Community Services Western Australia Inc (ACSWA) is a peak industry body representing the church and charitable, and not-for profit organisations and groups that provide residential and community care for older Western Australians. Our members provide services throughout the State in metropolitan, rural and remote locations, and collectively manage:

- 8653 residential aged care beds
- 7803 independent living units
- 51 day care centres
- 1500 community care packages and over \$61.5 million in Home and Community Care funding.

ACSWA is affiliated with Aged and Community Services Australia (ACSA) who have submitted a national response to address the issues highlighted in the Productivity Commission's Caring for Older Australians Issues Paper. ACSWA supports and endorses the issues raised in their submission, including:

- Aged care funding that does not meet the costs of care
- Regulatory burdens and over-regulation of aged care that stifles further development of aged care services
- Unsustainable capital raising systems that limit future development in aged care
- Difficulty in recruiting and retaining staff
- The increasing demand for community care services
- Incompatibility of fees and charges across residential and community care programs
- Funding for rural and remote services
- An inconsistent assessment process across services, and
- The growing gap in housing availability for older people.

There are a number of geographical, sociological, financial and industrial issues that particularly impact on the provision of care for older Western Australians. These include:

- local issues that impact on financial sustainability
- local issues that impact on the recruitment and retention of the aged care workforce, and
- local factors that relate to accessibility for older Western Australians to aged care services.

ACSWA is submitting a supplementary paper to highlight these matters from a WA perspective.

1.0 Issues related to Financial Sustainability

A survey of the financial performance of residential aged care providers throughout Australia in 2009 indicated that only 33.6% of all facilities surveyed achieved an operating profit¹, and that providers of high care beds are losing on average \$13 per day per bed². Clearly this is a disincentive for further investment in aged care. In their annual 2010 survey of the Australian aged care system, Deloitte identified that three quarters of their respondents had no intention of expanding their operations, and 61% have no intention of undertaking any new construction activity on existing facilities or building new facilities.³ While these figures reflect the national crisis in aged care, WA has a number of local issues that directly impact on the financial viability of aged care

¹ *Stewart Brown Business Solutions 2009. Aged Care Financial Performance Survey.*

² *Workforce front and centre of PC inquiry. P3. Insite June/July 2010*

³ *Annual survey into the Australian Aged Care Industry 2010. Deloitte*

providers in this State, beyond those of their counterparts in other States, and these will be addressed in this submission.

1.1 Inflationary Pressures:

WA is experiencing inflationary pressures above most of the nation. Data from the Australian Bureau of Statistics indicates that the Consumer Price Index (CPI) in Perth rose more steeply than the weighted CPI for the other capital cities in the March quarter of 2010, with an overall increase of 3.4% over the year compared to the national CPI of 2.9%. The current model used by the Department of Health and Ageing to calculate indexation increases for care subsidies (the Commonwealth Own Purpose Outlays tool - COPO) has failed to keep pace with the increased costs of operating residential and community aged care services as demonstrated in the recent 1.7% increase in care subsidies in 2010, when compared to the 3.4% per annum CPI increase in Perth.

The resultant impacts of the failure of the indexation formula to adequately fund service provision is evident by minimal development in residential aged care in WA, and a reduction in care provided by community packages. In the Aged Care Approvals Round (ACAR) announced in 2009, of the 1208 residential places available, providers only took up 519 (43%), the second year in a row that residential places in WA were undersubscribed.

In community care the service purchasing capacity of a Community Aged Care Package (CACP) has diminished considerably since 1995. Between 1995/96 and 2005/06 the value of the package increased by 27%, despite the overall increase in ordinary time earnings of full time working adults increasing by 64%, which is more than double the increase in the CACP subsidy. Wage costs represent 72% of total costs of operational expenses for aged care⁴. In community care a higher proportion of its operating costs are associated with labour, and the current indexation formula (COPO) does not adequately reflect the increases in wages.

The Conditional Adjustment Payment (CAP) was introduced to provide medium term financial assistance; however, this payment applied only to residential care providers and not to community care services. For community care providers the only way the costs can be drawn down to match the income is to reduce the amount of services provided to individuals. Community care providers who were previously providing 7 or more hours of support each week are reducing their services to only 5 hours or less a week as they can no longer absorb increasing operational expenditure, including wages and increasing fuel costs. It is expected that the most recent indexation will result in further reductions in services.

1.2 Land Acquisition and Building Costs in WA

Residential aged care providers face issues related to the availability and accessibility of large land lots in metropolitan areas of WA to build new aged care facilities. This is associated with Government and public policy that restricts the supply of land, and regulatory requirements and local taxes that increase the costs of building and development. The impact of land supply shortage is evidenced in housing affordability, which has declined since 2001 and resulted in a 290% increase in the median house price in Perth, of which land costs accounted for 80% of the increase.⁵ Subsequently, aged care service providers and retirement village developers will look to decrease infrastructure costs by moving to outer suburbs where land is more affordable, which will

⁴ Grant Thornton, 2008 Aged Care Survey

⁵ Land Release in Western Australia: An Overview and Analysis of the System and its Effectiveness. Pasqua J. July 2008

relocate older persons to areas some distance from their former community, their friends and relatives, or will limit development projects that will impact the accessibility of aged care placements for older Western Australians.

In addition to rising land prices, construction costs have escalated in WA in recent years due to higher energy costs, material shortages and skilled labour shortages related to the mining resources boom. Regional areas face additional building costs related to the cost of transport, accommodation for workers etc, with the Master's Builders Association of WA suggesting that mark ups of 45 to 50% in north west areas such as Broome and Derby should be expected. These higher development costs further impact on the feasibility of establishing residential services in rural and remote areas, while the factors leading to the higher costs also impact on operating costs for both residential and community care services. People in rural and remote areas who are in need of care often have to choose between moving away from home and losing contact with relatives and friends, or living without their care needs being adequately met.

1.3 Utility Costs

Utility costs in WA, including electricity, water and gas, have risen significantly over the past few years. The WA Council of Social Services estimated that between 2003 and 2009 there had been an increase of 27% to household utility costs, with a projected further increase of 32% from 2009/10 to 2013/14. In this year's State budget the cost of water rose 17.7%, electricity rose by 17% with an additional 22% increase next year, the emergency service's levy increased by 18%, sewage charges increased by 4% and gas rose by 7% following on from a rise of 23% last year⁶. Utility costs are budgeted at around 3.5% of a residential care facility's operational costs. The increased costs for utilities alone far exceeds the 1.7% COPO increase for 2010.

Due to the rigid regulation of care fees and care subsidies, aged care service providers are unable to pass these costs on to consumers, even assuming they had a capacity to pay more. Indeed, when an individual is able to pay more than the standard care fee for residential care the Commonwealth 'claws back' the difference by reducing subsidies for that person.

1.4 Inadequate Capital Funding for Future Development

Current capital funding for aged care beds is \$109,000 per bed, compared with the average cost of construction in WA which exceeds \$230,000 per bed (excluding land), and significantly more in rural and regional centres⁷. There is a consumer preference for single room accommodation with en-suite facilities, which contributes to increased building costs and constrains facility design. Regulatory requirements related to the Building Code of Australia and building certification compliance associated with Accreditation also contribute to additional costs for facilities when alterations and upgrades are proposed, particularly where those works exceed 50% of the building, as the entire building will generally be required to be upgraded to meet current BCA requirements. It should be noted that not all residential aged care services are required to meet these same building standards, with MPS facilities accommodating aged care residents being exempt, which has the potential for variances between standards of accommodation for older Western Australians.

1.5 Limited Affordable Housing Options for Older Western Australians

Lack of incentives to invest in accommodation services for older Australians, and Government failure to meet the demand for capital funding of public housing will impact on accommodation

⁶ Lopez J. June 2010 *Western Australian Budget imposes Massive Utility Charge Increases*.

⁷ *The Audaire Report. Issue 2 November 2009*

choices for older Western Australians. A survey of 'baby boomers' demonstrated a strong preference for independent or solo accommodation, as opposed to communal or centralised facilities; however, 42% will be reliant on their pensions and another 38% will require some pension assistance. Female respondents were more likely to rely on a pension for income support, with more rural and regional respondents reporting that they expected a higher reliance on a pension. Data from this survey indicates that a significant sector of the population will have low incomes, few assets and minimal or no superannuation, and will require heavily subsidised accommodation and support as they age⁸. Currently in WA 41% of current social housing tenancies are held by aged pensioners, and 18% of those waiting for social housing are aged pensioners⁹. There is a risk that older persons in the lower socio-economic group will resort to the non-regulated lifestyle and park home sector that does not offer security of tenure, and may represent a potentially 'at-risk' segment with limited housing options. These demographics identify a clear need for strategic planning to meet the needs and expectations of the next generation of older Australians with regards to their housing requirements.

Recently Aged and Community Services WA (ACSWA) representing Not for Profit Organisations, provided comment to the Social Housing Taskforce Report dealing with Social and Affordable Housing in WA by indicating it supported and welcomed the broad thrust of the report in seeking to increase the supply of the State's Social and Affordable Housing stock. Where possible attempts are being brought to the State Governments attention to increase land availability as well as introduce Social and Affordable Housing options in new housing projects, thus increasing greater choice and flexibility in meeting future needs. The importance of the present review of the WA Retirement Village Legislation will mean the long term role of Retirement Villages providing the elderly with better accommodation alternatives and greater choice will continue to fulfil a growing market need.

Issues highlighted to date have shown that there is currently little financial incentive for aged care service providers in Western Australia to invest in modern infrastructure to meet the future demand for aged care accommodation or service delivery. Governments should not underestimate the serious consequences of inaction to ensure ongoing investment in aged care so that older persons in WA have access to appropriate, coordinated and seamless aged care services in the future.

Recommendations:

ACSWA recommends that a new indexation methodology, which funds the real costs of care based on regional variations and consumer cohorts, be developed and applied to all aged and community care services. The methodology should include linking the assessment of aged care wage rates to those in the broader health system.

ACSWA recommends that Government create and adopt a sustainable capital raising system to ensure the ongoing provision of high quality residential care services. Features of such a system should include:

- Choice for older people and their families as to how they pay their accommodation costs at no cost to Government. This requires the introduction of alternative payment options, including refundable accommodation deposits for high care;
- Removing the distinction between high and low care at no cost to Government;

⁸ Fujitsu, 2007. *A Generational Shift. The Next Wave of Aged Care.*

⁹ *Social Housing Taskforce Report December 2009. ACSWA*

- Uncapping the daily accommodation charge for high income people and increasing it for those on a medium income so it is equivalent to the average building costs of residential care in the relevant region;
- Linking government payments (the accommodation subsidy) for concessional residents to the average cost of building residential aged care; and
- Allowing providers to charge differential room rates based on the quality and type of accommodation at no cost to Government.

2.0 Issues related to Workforce

It is widely acknowledged that the demand for aged care workers will increase significantly as a consequence of the ageing population. Health care has now replaced the retail trade as the nation's top employer, accounting for one in nine jobs¹⁰.

In the aged care residential care sector alone, there is a predicted growth in the workforce of 300% between 2003 and 2021 to staff new bed licenses allocated by the Department of Health and Ageing nationally. This level of demand sits on top of the workforce losses being generated by the ageing of the industry workforce and the competitive pressures for labour in the WA economy¹¹.

2.1 Workforce Issues in a 'boom economy'

WA has recently emerged from a 'boom' economy associated with the resources sector. While this has slowed in recent times as a result of the global financial crisis, the WA economy is gearing up again with the development and expansion of major resource projects in the north-west. Economic modelling indicates that if economic growth is maintained at the average rate experienced over the past six years, WA will require an additional 400,000 workers over the next 10 years, resulting in a shortfall of 150,000 workers in WA by 2017¹². The aged care sector in WA has experienced significant competition in attracting and retaining staff in a robust economic climate when the resources sector offers higher remuneration and perceived better working conditions. During the peak of the resources boom (2005 - 2008) there was such a severe shortage of both skilled and unskilled workers that aged care providers in WA were at times unable to source labour even through staffing agencies to fill short term or shift replacements.

This is highlighted in the ACSWA Workforce Action Review (WAR) Taskforce Report (2008)¹³ and in a report commissioned by the WA Chamber of Commerce, which identified that serious labour shortages have impacted on the aged care sector, particularly in rural and remote areas. The CCI attributes this problem to:

- The economic conditions in WA meaning that the aged care sector cannot compete with other sectors for labour;
- An undersupply of aged care residential places, causing pressure on public hospitals, themselves requiring staff;
- Changing social and demographic trends requiring additional paid care for the aged population;

¹⁰ *Access Economics (2009) Making Choices – Future dementia care; projections, problems and preferences*

¹¹ *Hugo G 2007 Contextualising the 'Crisis in aged care' in Australia. Australian Journal of Social Issues, 42, p169 – 182*

¹² *CCI WA March 2009. Caring for tomorrow. A health workforce discussion paper*

¹³ ACSWA Workforce Action Review (WAR) 2008. (Click on following link to access paper)
http://www.acswa.org.au/Images/user_images/resources/war%20report%20-%20%20final.pdf

- An ageing workforce;
- The relatively poor image of the sector making attraction and recruitment difficult; and
- The increasing number of administrative, regulatory and compliance burdens being placed on an already stretched workforce¹⁴.

2.2 Remuneration Issues

The lack of wage parity is a significant issue in attracting and retaining aged care staff. The Australian Nursing Federation identified that in 2009 the wage gap between nurses employed in the aged care sector and those in other health sectors was 13-14% lower for aged care nurses¹⁵. Under a new industry award that came into effect in July 2010, personal carers and aged care workers are paid a minimum hourly rate of \$15.92, which is less than an unqualified entry level zookeeper at Perth Zoo who receives \$19.50 per hour. It reflects the values inherent in the current funding model that allows the value of the care of caged animals to be rewarded over the care of older Australians.

Existing funding arrangements for aged care limits the capacity for employers to offer competitive wages. The COPO indexation formula has not maintained parity with salary increases as demonstrated in a comparison of COPO index rises and average weekly earnings, which showed a 21.6% overall increase in subsidies from 1996/97 to 2009/10, while ordinary time earnings for adult females (the majority of the health workforce) increased 62.53% during the same period¹⁶. WA providers are particularly disadvantaged by the current funding model by being unable to offer competitive remuneration to attract and retain skilled staff in the current economic climate.

2.3 Restructuring of the Workforce

In an attempt to control wage factors, there has been a shift in the staffing and skill mix in aged care, with an increasing proportion of less qualified care staff and a decrease in the number of nursing hours in care services. This is within the context of increasing numbers of residents with complex care needs. Currently, 76% of residential beds are occupied by residents receiving high care. There are obvious benefits in terms of improved care outcomes for aged residents that come from registered nurse and allied health involvement in the residential setting, including sub-acute and restorative care, and end of life care, than can occur outside the acute care hospital setting. This is both beneficial for the resident who can be cared for in a familiar environment and cost effective for the Government by preventing hospital admission. However, the registered nursing workforce in residential aged care decreased from 21% to 17% from 2003 to 2007, and allied health workers (including occupational therapists, physiotherapists, dietitians etc) fell from 7.6% to 6.6% in the same period¹⁷. This may be the result of nurse and allied health shortages, cost cutting, or because registered staff are not attracted to aged care because of image and remuneration issues.

Subsequently there has been a significant restructuring of the aged care workforce, with approximately 64% of the residential aged care workforce now comprising personal carers, and 69% in community care services¹⁸. The scope of nursing practice in WA has changed to enable delegation of some aspects of care to less qualified people, including personal carers. Personal carers are unlicensed workers who generally have vocational qualifications and undertake routine

¹⁴ *The Chamber of Commerce and Industry of Western Australia. June 2009. Aged and Community Care Workforce. Grave concerns for the future.*

¹⁵ *Access Economics 2009. Nurses in Residential Aged Care*

¹⁶ *Aged Care Industry Council 2010. 2010-2011 Federal Budget Submission*

¹⁷ *Access Economics, 2009 Nurses in Residential Aged Care*

¹⁸ *Health and Community Services Workforce Council, 2010*

tasks in the provision of services to assist clients with their daily living activities. Staff employed as personal carers usually complete a Certificate III in Aged Care (CHC30208 course) or Certificate III in Home and Community Care (CHC 30202). There is variability in the duration of the courses between training organisations, ranging from courses that can be completed with as little as 11 days coursework and 12 days clinical placement, with others taking up to 2 years including 610 hours of coursework.

2.4 Quality of Training for Unlicensed Workers

The quality of some training courses, particularly those offering short course or 'fast track' options for completing basic aged care training such as Certificate III in Aged Care has been raised as an issue by many of our members. ACSWA members also expressed concern that some long-term unemployed people are being directed into these courses by Government agencies as a means to meet Departmental key performance indicators, without adequate consideration of their suitability, or propensity to work with the aged. A survey conducted by ACSWA in May 2010 indicated that 90.5% of respondents (aged care service providers) did not believe that graduates from these 'fast track' courses received adequate training for their roles as personal carers for the aged. Respondents also expressed concern that 'fast track' courses put pressure on aged care providers to provide practical placements for students, requiring services to invest significant amounts of time supervising students, although there is no financial incentive for them to offset their associated costs.

The Federal Government has recently announced an increase in funding to provide training for aged care workers. There are concerns that the additional funding may result in an increase in the number of short courses or 'fast track' courses on offer as registered training organisations take advantage of the funding, which may not contribute to ensuring a skilled aged care workforce for the future, and ultimately devalues the role of the personal care worker.

A more effective way of ensuring that the required training is developed and delivered is to put service providers in charge of establishing the training 'agenda' and selecting the individuals to receive training based on their aptitude and personal attributes, in much the same way as tradesman and employers recruit apprentices. It is imperative that a nationally endorsed framework is established to include competency standards and minimum educational requirements for unlicensed aged care workers to ensure the provision of quality care to older Australians.

2.5 Multicultural Workforce

The cultural mix of the aged care workforce has changed considerably over the past 5 years. In WA this is in part due to the low unemployment levels in WA, recruitment of skilled overseas trained workers who are brought to WA on temporary migration visas, and an increase in recently arrived migrants who are permitted to work under their visa arrangements, including overseas students who are studying in WA. For the 12 months ending 30 June 2009, Western Australia's population grew by 3 per cent or 65,700 people, the highest annual growth rate in Australia and well above the national increase of 2.1 per cent. During this period, overseas migration was again the main driver of population growth in the State, contributing 42,800 persons to the rise¹⁹. The temporary migration program includes 25 health professions that can apply for this program; however, given that WA has experienced the lowest unemployment rate for the last three years the temporary migration program should acknowledge regional differences in skill requirements and be extended to accommodate the need for aged care workers, skilled and unskilled, in WA.

¹⁹ *WA Population Profile. March 2010. Dept. of Training and Workforce Development*

Some residential aged care facilities in WA report that their complement of multi-cultural workforce is as high as 90%. While this workforce is welcome, there are some issues related to cross cultural differences, language barriers, and a general lack of understanding of the regulatory issues related to aged care that impacts on their employment. As there is likely to be increased global competition for skilled workers as the relative size of the world's workforce population decreases, there are significant opportunities to develop training strategies to better prepare the multicultural workforce for caring for older Australians.

2.6 Rural and Remote Issues

WA is a geographically expansive and diverse state and many rural and remote locations could easily be categorised as special needs areas, both due to the many cost factors associated with their isolation, and the high proportion of remote indigenous populations. There are extreme workforce issues associated with these areas, including attracting and retaining nurses and aged care workers. Reasons for the high turnover of staff include the cost of renting accommodation in these areas, (for example the cost of a modest rental property in Port Hedland is currently \$1400 per week), a lack of professional development opportunities, and professional isolation. Without a workforce to provide care for older Western Australians in rural and remote areas, there will be little choice about the type of care they are offered. Older Australians in regional, rural and remote areas have been shown to have higher levels of disease risk factors than their city counterparts²⁰ and should be entitled to appropriate health and aged care services within their communities. There is no incentive for future investment in aged care services in rural and remote areas of WA without reform to the current funding model that lacks sensitivity to the true costs of building, operating and staffing rural and remote services.

2.7 Image Issues

Aged care is plagued by image issues that are perpetrated by media stories that highlight isolated incidents of poor quality care, while not balancing their views with positive aspects about the contribution of aged care workers to the care of older Australians. These stories influence and reinforce the public stereotype about aged care, and contribute to the perceived low status of the aged care workforce and poor morale amongst aged care workers. Much of this poor performance on the part of aged care services can be directly related to financial constraints due to inadequate funding, which in turn causes staffing issues. The Federal Government and the Department of Health and Ageing are the architects of this situation through years of underfunding, but it is the service providers who get the bad press. Other issues such as the high incidence of workplace violence related to behavioural disorders that are associated with dementia, chronic psychiatric disorders and long-term addictions, contribute to the image issue and subsequent lack of attraction as a career option.

2.8 The Ageing Workforce

In addition to the above issues that provide challenges for the aged care workforce, the average age of the workforce itself is increasing with the average age of registered nurses working in this area being currently 50 years. The overall percentage of aged care workers aged above 55 years was 22.5% in 2007²¹. This highlights the need to attract a younger generation of employees into the aged care sector, which is currently hampered by remuneration and image factors.

ACSWA has developed strategies to address some of the issues, including forming a Workforce Action Review Taskforce to examine and action recruitment and retention strategies, launching of

²⁰ Australian's Health 2010

²¹ *Access Economics, 2009 Making Choice. Future Dementia Care: projections, problems and preferences.*

a website recruitment portal (www.agedcarejobs.org), publishing a resource booklet '50 Ways to Achieve Staff Cover', and participating in an IMAGE campaign to attract young people to work in aged care.

Notwithstanding the efforts of ACSWA to assist its' members find solutions to their workforce issues, there remains significant challenges for the aged care industry in ensuring a sustainable workforce for the future. While many of the financial and regulatory elements of the system can be rectified, without a sustainable workforce in WA the aged care crisis will only grow.

Recommendations:

- Priority Action - ACSWA recommends that a new indexation methodology, which funds the real costs of providing care and which is sensitive to the cost of labour in competitive markets, be developed and introduced to enable flexibility in remuneration to ensure an adequate supply of aged care staff in areas of critical labour shortage, such as WA.
- Priority Action – ACSWA recommends a review of the migration program to extend the scope of the workforce to include suitable short-term skilled and non-skilled workers who can provide care services in areas of critical labour supply, such as WA.
- ACSWA recommends the development of specific training programs for multi-cultural staff to appropriately prepare them for aged care work in Australia.
- ACSWA recommends that a nationally endorsed education framework is established for unlicensed workers, including minimum educational requirements, competency standards, and minimum timeframes for educational programs.
- ACSWA recommends the introduction of a system that empowers service providers to directly manage the training of existing or new staff through direct subsidies or access to accredited training.
- ACSWA advocates a consumer focussed model of care that includes a multidisciplinary workforce to provide resident focused and holistic care for older people to meet their varying care needs, and which enables complex health care needs to be provided outside acute care settings (where applicable). This may include the establishment of teaching nursing homes, or other innovative models, that more effectively utilise the clinical skills of health professionals and promote more interest in aged care as a profession of choice.

3.0 Issues related to Access

3.1 Under-subscription of Beds in WA

The allocation of aged care services is regulated by the Government who use a formula to allocate places based on the provision of 113 aged care places for every 1000 people aged 70 years or over. The total number of places is divided between residential and community care on the prescribed formula. Aged care service providers undertake a complex application process to apply for allocated services through the Aged Care Approval Rounds process (ACAR) conducted annually.

WA has seen an unprecedented decline in the uptake of residential aged care beds through the ACAR process. In 2007, only 644 (or 64%) of the 1006 beds available in WA were allocated, and in 2008/2009 only 519 (or 43%) of the available 1208 beds were taken up by WA residential aged care providers. Additionally there are reported to be approximately 1000 beds yet to be built from allocations made from previous years, and bed licenses being handed back in record numbers for the first time in Australian history. In the period between December 2007 and March 2009, 283 of the 786 bed licenses that were handed back to the Government came from WA. This is disproportionately higher than other States and this submission has previously highlighted reasons why this has occurred, including primarily the lack of any business case to invest further in an industry that provides such a poor return on investment.

There are significant concerns over the inequitable allocation of aged care places that occurred in WA during the 2008/2009 ACAR that has implications for choice and accessibility to care for older Western Australians. The advertised available places during the 2008/2009 round included 1208 residential aged care places and 336 community care packages. As there was limited interest in investing in residential care during this round, only 519 residential places were allocated. The remaining 689 residential places that were not allocated were transferred to community care places without appropriate consultation or transparency, or with reference to the recognised planning ratio. Those community care places were allocated to service providers who had lodged an application for community care packages. Service providers who had not lodged an application for community aged care packages, but who may have done if larger numbers of places were available earlier, were excluded from the process. Subsequently the planning formula that ensures the appropriate and equitable distribution of places based on community need was overlooked with a resultant disparity between metropolitan and rural allocations, and between metropolitan regions that was based on assessed need. This response demonstrated a short-sighted head in the sand approach that failed to address or acknowledge the fundamental issues of an industry in crisis. In 2009/2010 there are 1564 residential aged care beds available. While the allocation of these beds is not due to be announced until October 2010 there is likely to be little interest in the uptake of these beds without major structural reform that makes residential aged care viable.

The current lack of infrastructure consolidation in the WA residential care sector will have severe future ramifications for the health system as an increased number of aged people with complex care needs are accommodated in public hospital settings while they await access to a residential aged care facility or community care. The National Health and Hospital Reform Commission (2009) estimated that 3% of public hospital beds are occupied by older persons waiting to access residential aged care. Given the disproportionate costs of caring for an older person in a hospital setting (\$1117 a day) in comparison to a residential care facility (\$200 per day) this is a major cost shift that has ramifications for health funding. The Australian Nursing Federation estimated that \$1 billion a year could be saved if aged people occupying a bed in a public hospital were relocated to residential aged care facilities²². This amounts to an additional investment of 10% that could be allocated to the \$10.8 billion budget to be provided for aged and community services in 2010–11.²³

The annual population growth rates for Western Australia as compared to the whole of Australia, for the period 1949 – 2009, shows that Western Australia's growth has been comparatively higher than for the overall Australian growth rate. The proportion of the WA population aged 70 and over is projected to increase quite substantially in comparison to all other ages, from 8.2 per cent (168,078 persons) of the total population in 2006 to 16.8 per cent (722,880 persons) in 2056. Of

²² *Sydney Morning Herald*. March 28 2010. *We're nursing a costly time bomb*. Rachel Browne

²³ *The Budget Review 2010/2011*

those, approximately 125,300 are projected to have dementia, and the number of people aged over 85 is expected to increase four-fold. As identified in the Productivity Commission's Issues Paper the intensity and type of aged care services increase with frailty, with around 54% of people aged over 70, and 85% aged over 85, requiring assistance with personal and everyday activities. Additionally, there appears to be a population drift of retirees from the eastern states towards the south west of WA (and also Queensland) which will place an increased burden on aged care services in WA²⁴. It is therefore imperative to stop delaying the necessary reforms that are inhibiting the development of aged care services in WA that will be required to meet this demand.

3.2 Increased demand for community care

The increasing population of older persons is likely to be compounded by the increased social isolation and loss of independence experienced by many of Australia's 'Baby Boomers' who will be ageing in communities with built environments initially designed for low density, stand alone, family living, primarily serviced by cars. It is anticipated that many people will seek residential care because they live in poorly designed communities which have failed to address their needs, rather than because of their support needs²⁵. Research has demonstrated that the majority of older Australians clearly prefer independent living, with the support of community care services until their health has significantly deteriorated and they require 'high-level' residential care.

There has been an increase in demand for community care, not only related to an increase in the number of ageing persons, but also because approved providers are forced to deny access to residential care for residents who have been assessed as eligible for residential care, but for whom the care subsidy is insufficient for them to remain financially viable. The Aged Care Funding Instrument (ACFI) that determines the care subsidy for residents often attracts little or no funding for low care residents, with approximately 7-8 % of low care residents currently receiving no funding at all. If however, the individual was cared for at home through a CACP package, Government would provide \$36.05 per day for their care and support. There is anecdotal evidence that to maximise the chance for prospective residents to be accepted into residential care that they are being assessed as requiring high level care prior to admission. Clearly, there is a need to ensure that low care residents have access to the services they need, and that a minimum subsidy be established to pay for their care in a residential facility that is equivalent to the subsidy received for their care in the community.

At the same time an attempt should be made to bridge the large subsidy gap between CACPs and EACH packages. The CACP subsidy is currently \$36.05 per person per day, the EACH subsidy is \$120.50 per person per day, and the EACHD subsidy is \$132.89 per person per day. The huge differential between the CACP subsidy and the EACH subsidy makes it very difficult to provide continuity of care for people as their care needs increase. Service providers need to have a combination of all three subsidies which they can then pool, in order to cater for the client's increasing care needs. Ideally there would be a single community care system that would provide a range of flexible funding levels options to meet the individual and changing needs of community clients.

²⁴ *Davis Langton. Will we meet the needs? Info Data. Maximising value from Property and Construction*

²⁵ *Dept of Health and Ageing. 2007. Evaluation of the impact of accreditation on the delivery of quality of care and quality of life to residents in Australian Government subsidised residential aged care homes - Final Report*

The Commission is urged to take a broad overview to ensure coordination and integration of support services and accommodation in its many forms to ensure a seamless transition between health, community and residential aged care services.

3.3 Special Needs Groups

There are several special needs groups that need consideration in the forward planning of aged care services. These include culturally and linguistically diverse groups, younger disabled people with acquired brain disorders, physical or neurological conditions who are accommodated in residential aged care, and the under 60 year group with chronic psychiatric disorders and long-term addiction disorders that are currently accommodated in residential aged care. There is some query as to why it is presumed that the aged care model is appropriate for these diverse client groups, many of whom are not aged, and who clearly have specialised care needs. The assumption that those with behavioural disorders associated with long term addiction or other psychiatric disorders, or those younger persons with acquired brain injury, can be successfully accommodated alongside the frail and aged is erroneous. There is not a 'one size fits all' model that can successfully meet the range of needs of multiple client groups given existing Government regulatory and funding systems, and service providers should have flexibility to direct their service model to the needs of specific client groups to achieve maximum outcomes for clients.

3.4 Flexible Care Options

Flexible care options, including transition care, have been established to enable older persons a time-limited and therapy focused stay following a hospital admission. While this relieves the pressure on hospital beds, it also enables older persons up to 12-weeks to assess options for their future accommodation and care needs. Prospective residents have demonstrated a preference for single room accommodation with recreational amenities in newer facilities²⁶. Subsequently, older residential care facilities with shared rooms (shown to be the most cost effective accommodation model) may have difficulty in attracting prospective residents, particularly residents who are eligible to pay an Accommodation Bond, which assists the fiscal viability of care facilities. Approved providers in WA who own older buildings with shared accommodation have advised that the current care subsidies are insufficient to enable them to upgrade their buildings, and unoccupied beds further impact on their financial viability, such that closure of the facilities may be required if they cannot attract residents, with a resultant further decrease in residential accommodation options. There is some credence to the possibility that the design of residential aged care facilities of the future will be quite different to the current preference for single room with en-suite facility accommodation, as care facilities of the future will accommodate the very frail-aged complex high care resident, whose needs will be more clinical and palliative.

The Government intends to expand multi-purpose funding to support the provision of health services in rural and remote areas, creating an additional 300 aged care places in those regions. A number of country health services in WA have funded aged care beds within their hospitals to maintain their workforce and viability, which has led to a decrease in admissions to the community residential care facilities within the region, not affiliated with the MPS. This creates a form of monopoly, as there are no requirements to pay accommodation bonds (if applicable) at an MPS facility, while residents entering a community home may need to meet a number of financial requirements not applicable in an MPS facility. Additionally, MPS facilities are funded through an agreement process that presumes beds are 100% occupied, therefore do not face the same financial pressures as community homes who lose subsidies for unoccupied beds. Again this may lead to the closure of small rural facilities that cannot remain financially viable, leading to limited

²⁶ *Aged Care Survey. Grant Thornton, 2008*

options and accessibility in the future for older West Australians in rural and remote areas. This is despite the fact that as a proportion of total population, regional areas will encounter the most significant ageing population, flowing on from the long term exodus of younger people from these areas²⁷.

There is concern that existing transitional options and MPS facilities do not have the same regulatory requirements as other Commonwealth funded aged care services. There is no requirement for MPS facilities to meet existing building certification standards or comply with Accreditation standards to demonstrate quality of care. This creates inequity between different aged care services and may result in variances between the standards of care and facilities for older aged persons, particularly those in rural and regional areas where alternatives are not available, and demonstrates that the aged care system is inconsistent and fragmented.

Recommendations:

- ACSWA recommends greater flexibility in the Aged Care Allocation Rounds (ACAR) to allow variations in the allocation of residential and community care places, based on assessed community needs and client cohorts. This includes ensuring a more transparent approach to the allocation of ACAR places, especially community care services.
- ACSWA recommends that Government create and adopt a sustainable capital raising system to encourage approved providers to invest in residential aged care and ensure access to, and the ongoing provision of, high quality residential care services. Features of such a system should include:
 - Choice for older people and their families as to how they pay their accommodation costs at no cost to Government. This requires the introduction of alternative payment options, including refundable accommodation deposits for high care;
 - Removing the distinction between high and low care at no cost to Government;
 - Uncapping the daily accommodation charge for high income people and increasing it for those on a medium income so it is equivalent to the average building costs of residential care in the relevant region;
 - Linking government payments (the accommodation subsidy) for concessional residents to the average cost of building residential aged care; and
 - Allowing providers to charge differential room rates based on the quality and type of accommodation at no cost to Government.
- ACSWA recommends that a minimum ACFI rate be established, equivalent to the CACP subsidy to ensure access to residential care for those who require it, particularly for older persons assessed as requiring low care.
- ACSWA recommends that the subsidy gap between CACP and EACH packages be reviewed to ensure continuity of care as care needs increase.
- ACSWA recommends that aged care services, including flexible options such as MPS and transitional care, are operated under a consolidated and uniform aged care system that minimises variances in the quality of care and services for older Australians.

Conclusion:

This submission acknowledges that caring for older persons is a complex issue within the context of an ageing population, shifts in the type of care required, an ageing and shrinking workforce, and

²⁷ Davis Langdon. *Aged Care: Will we meet the needs*

budgetary constraints in funding the care of older Australians. Numerous reports and Government reviews conducted over recent years have consistently highlighted the same issues and the need for major structural reform. The aged care industry is currently in crisis as a result of inaction by various Governments to respond to the issues highlighted in those reviews.

In this submission ACSWA has outlined some specific issues that particularly impact on the future of aged care in this state. We urgently await the Productivity Commission's report on future directions that should direct Government action in meeting the challenges for the future to ensure that older Western Australians receive quality care within an integrated and seamless aged care model.