



## LINBURN NURSING HOME

27 Grantham Street, Burwood, NSW 2134

P (02) 9715 1152 E [linburn@bigpond.net.au](mailto:linburn@bigpond.net.au)

F (02) 9747 6468 (accounts & admin) / (02) 9715 3290 (pharmaceutical & medical)

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### Attention: The Productivity Commission Enquiry into Aged Care Funding

As a manager of a standalone nursing home in the inner west of Sydney, I have a very busy job and I fully intended to prepare a thorough report for the productivity commission. However the deadline has nearly arrived and being so busy I have not had time to prepare what I would have liked. So instead I have decided to just write down a few of the issues that I see as pressing and important to aged care.

Working at the "coalface" so to speak has been a rewarding and frustrating experience for me. I have been involved in aged care for about fifteen years and the last five as manager of a facility. As a manager I am responsible for finances, human resources, customer service, government compliance and the many day to day issues that the manager of a small business would be responsible for. However aged care facilities are not just the normal small business. They are a vital part of the health system that cares for the most vulnerable of our community. It is a sector of the health care industry that has seen major change in the last fifteen years, particularly since 1997 and the Aged Care Act. Let me say that the changes that have come about have been for the most part of great benefit to the industry and its stakeholders. The poor quality facilities that had dilapidated buildings and poor standards of care have mostly gone. In spite of the media and their "exposes" of terrible homes I do believe that the general standard in aged care in Australia is very good. The statistics support this. The staff are generally not well paid and they do a difficult and often thankless job with little recognition. There will always be room for improvement but on the whole and with the resources available we should be thanking our aged care workers.

In our high care facility we receive about \$190 per day in total for our highest category residents. This includes the resident contribution. The problem is that the increasing acuity of residents means that we are in many ways the equivalent of a hospice or a hospital medical ward. When we are caring for very ill palliative patients we are giving them care similar to that they would receive in any hospital. The difference with us is that we are not funded like a hospital. My research tells me that the average hospital bed in a public hospital is funded at around \$700-\$1000 per day. Intensive care beds are funded at around \$3000 to \$4000 per day. It is very clear that we are funded at less than one third of the cheapest hospital beds. What makes things even worse is that we are not only responsible for the medical needs of the resident. We are also responsible for their social, physical and spiritual needs. We have to provide all the material needs of the resident and ensure that we are meeting the many compliance measures that are introduced by the Department of Health and Ageing. In the last five year there has been a tremendous increase in the regulatory burden for providers. A new funding system was introduced in 2008; there has been the introduction of compulsory reporting with its attendant requirements such as police checks, the Food Authorities Australia wide have introduced Food Safety Programmes (Vulnerable Persons Food Safety) and requirements to be eligible for the Conditional Adjustment Payment Funding (CAP). All of these things have added to the administrative burden felt by aged care facilities. Reports by accounting firms such as Bentleys and Stewart Brown that look in detail at aged care profitability have shown that the profitability of facilities has decreased and is on a downward slide. All businesses must be sustainable no matter if they be in the charitable or for profit sectors. The operators of small not for profit facilities have been hit hard as they have no economies of scale. The building standards now mean that new places must have single or double rooms only. These types of facilities are very expensive to run, but they are the type of facilities that the population is expecting.

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There has also been a lot of upheaval on the industrial front as the Modern Award process is one that has meant the Nurses Associations and the Health Services Union have pushed for industrial agreements for their members. There was no increase in 2009 to relevant awards due to the financial crisis and staff do deserve an increase. We begged for an increase in our subsidy that would at least match the 4% we anticipated would be sought in the 2010 year. The indexation in our subsidy was 1.7% for 2010-2011.

The following is taken from evidence submitted to the Senate Standing Committee on Public Finance and Administration in 2009, pertaining to the current indexation formula.

*The significance of indexation for providers was highlighted by Mr Gerard Mansour of Aged and Community Care Victoria:*

*There is a whole range of cost drivers that impact on the industry. So it is not surprising, given that we do not control pricing, that the industry relies very heavily on indexation. It is like a slow death. If indexation is gradually declining over time at any one point of change, then the impact is marginal but the compounding impact of not meeting rising costs is most significant. As I characterised it earlier, I hear very regularly about how stretched and pushed the industry is and I have described it in a number of places as being like the taut rubber band.[6]*

5.9 *It was argued by many providers that the current formula does not adequately recognise the costs of the delivery of aged care services.[7] Aged and Community Services Australia (ACSA) stated, for example, that the indexation formula had resulted in a 'steadily widening gap between the costs of providing a service and the subsidies provided by the Australian Government'.[*

For me as a manager in high care the failure of indexation to keep up with the costs of operating is the biggest disappointment. We had the CAP introduced to keep up with costs and it was supposed to be increasing every year. After the fourth year the increases stopped and it remains unchanged. We have no control over the fees we charge and we cannot increase them to keep up with our rising input costs. As staffing is between 60-80% of the cost of most facilities, the easiest way to save money is to cut staff and operators have had no choice in many cases but to do that. Then the care suffers as a result of this.

I ask the productivity commission to consider what I am saying. We need adequate indexation that keeps up with the real cost increases so that we can continue to provide care that is suitable for these people that have been the backbone of our society. All we ask is a fair go for aged care.

Yours sincerely

Deborah Halla

Manager