



Government of **Western Australia**
Department of the **Premier and Cabinet**
Office of the **Director General**

Our Ref: D1000904
Enquiries: Lyn Genoni

Mr Mike Woods
Presiding Commissioner
Productivity Commission
Caring for Older Australians
Productivity Commission
PO Box 1428
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Dear Mr Woods

The Western Australian Government welcomes the opportunity to address the Commission's Inquiry into Australia's Aged Care System. In this regard, we seek the Commission's appropriate consideration of the critical and complex issues facing the aged care sector in Western Australia and the growing impact on the health and community care sector.

The State's growing and ageing population is driving a significant increase in the demand for a range of health and ageing services including residential aged care services, public hospital services, palliative care services and primary health care services. Currently, Western Australia is experiencing the highest population growth of any state, at 3.1% in the past two years, with life expectancies for Western Australian's above the national average. The demographic trend shows that the proportion of those aged in the over sixty five years population in Western Australia has increased to 12.02 per cent (from 11.09 per cent in 2001) and is forecast to continue rising. Similarly, the proportion of very old people (aged eight five and over) is projected to treble over the next forty years from 1.7 per cent in 2007 towards 5.6 per cent in 2047.

There is significant pressure on all levels of government, the aged care sector and the community to meet the growing demand for high quality care, support, services and accommodation for greater numbers of older people in Western Australia. However, the aged care sector in Western Australia is facing a critical shortfall in funding, the majority of which is regulated and allocated by the Commonwealth Government as part of an antiquated and unworkable system. At the core of this issue is the Commonwealth Government's inadequate approach to providing sustainable and viable capital and recurrent funding streams and appropriate indexation arrangements for aged care services. The lack of financial resources is threatening access, choice and sustainability of aged care services in Western Australia.

Capital Funding

In Western Australia, the cost of the construction of aged care facilities has further escalated the challenges experienced by the industry. For example, the industry is currently funded by the Commonwealth Government at \$109,000 per bed, whilst the average cost of construction ranges from \$200,000 - \$240,000. In regional and remote

areas, the cost increases exponentially. In addition, the industry faces up to a five year time delay between the allocation of beds to service providers and the actual operationalisation of the bed. Some of the major disincentive and delaying factors include difficulties in raising capital to build facilities, building industry capacity constraints and the ability to attract a flexible and suitably skilled labour force at a time of 'aged induced' tightening of the labour force market.

This is further reflected in the significant under subscription for bed licenses by Western Australian aged care providers. Following the outcome of the 2007 Aged Care Approvals Round (ACAR) the Western Australian residential aged care sector was allocated only 644 out of a total of 1006 places due to a lack of suitable applications from existing and new residential aged care providers. This represented 362 (36%) residential places available but not allocated.

This has resulted in a significant shortfall in the supply of residential aged care beds or community care equivalents in Western Australia. Since 2005 there has been a 4.8 per cent decrease in the number of operational aged care places in Western Australia, as compared with a 1.7 per cent increase nationally. This shortfall extends from metropolitan areas into rural and remote areas also. The estimated number of non-operational aged care places in metropolitan Perth is 2,189 and 352 places in rural and remote areas, which represents a total shortfall of 2,541 operational aged care places for 2009-10. This resulted in a \$90 million annual saving to the Federal Government. Similarly, Western Australia has the lowest rate of operational high care residential places in Australia as well as the second lowest rate of operational residential places overall.

Western Australia also has the third lowest Commonwealth Government real expenditure on residential services per person. In 2008/09 this had a value of \$2,799 per target population aged 70 years and over (nationally, the value is \$3,082). This reflects the lower rate of operational aged care beds in Western Australia.

Indexation Arrangements

Whilst the Commonwealth Government recently announced a 1.7 per cent funding adjustment to annual funding to aged care services, it falls far short of the increasing costs associated with the workforce and daily expenses such as food, transport, equipment and medical supplies. Approximately forty per cent of residential aged care service providers are operating at a loss, whilst the remaining 60 per cent are not financially viable. The Commonwealth Government's failure to recognise the real cost of providing aged care services and accommodation is threatening the sustainability of the aged care sector in Western Australia.

Whilst the aged care industry has achieved much efficiency in recent years, it is at breaking point. Industry sources are warning that that many providers are actively considering withdrawing services, due to inadequate funding and poor returns on investment. This will have severe consequences for the State's public hospital system which is already experiencing continued pressure as the demand for public hospital services continues to increase. Between 2001-02 and 2008-09, the number of people

presenting to our metropolitan public hospital emergency departments has been increasing at 5.3% per annum. Despite service redesign and additional State funding for demand management initiatives, in 2009 there were on average 368 older patients a day who were assessed as 'care awaiting placement' (CAP), ready for discharge from State funded care, however unable to be placed in aged care residential accommodation due to a shortage of beds in the residential aged care sector. The recurrent cost to the State Government of accommodating CAP patients on a State-wide basis, as a direct result of the shortfall, was approximately \$60 million in 2009. Similarly, the shortfall represents a significant impediment to the timely access to care by emergency and elective surgery patients.

The health and wellbeing of older Western Australians is of growing concern. Older Western Australians are entitled to access high quality services and exercise choice in how their needs are met whilst not having to endure lengthy hospital stays due to a lack of appropriate residential aged care. However, the models employed to deliver these services must be responsive to demand as well as being economically viable and sustainable. In this light, the Commission's inquiry, must firmly establish a sustainable system which is focussed on delivering access and choice to older people and their families, whilst also providing viable and sustainable funding streams for providers to meet the increasing costs of providing quality care.

In particular, if we are to succeed in meeting the challenge of caring for a growing ageing population, the aged care sector in Western Australia needs a viable capital and recurrent funding stream and indexation arrangements that appropriately reflect the cost of providing care. This will support aged care providers in Western Australia to achieve the appropriate returns necessary to ensure continued investment in new facilities as well as maintain existing facilities. However, without the support from the Commonwealth Government to achieve these outcomes in Western Australia, the aged care sector will be unable to continue to provide care and support for older people.

The Western Australian Government welcomes the opportunity to discuss our submission with the Commission. We look forward to your favourable consideration of the significant issues facing the Western Australian aged care sector and the associated growing impact on the State's health system.

Yours sincerely



Peter Conran
DIRECTOR GENERAL

