

## **The case against deregulating Bed Licences through ACAR**

A commentary on Henry Ergas' paper "Providing Aged Care: The Case for Reform"

Following a reading of Henry Ergas' latest paper I would like to submit an alternative viewpoint to the Productivity Commission.

As a provider since 1987 and management consultant to the industry prior to committing finances to investing in Aged Care, I feel I should state from the outset that I do not believe deregulating supply is a necessary nor desirable pre-cursor to reform.

I will deal with each page of Dr Ergas' paper sequentially:

*Page 21 Introduction*

*2<sup>nd</sup> bullet- He states that "...the best means of dealing with the challenges facing demand is by reducing current regulatory constraints on supply... through deregulating the number of aged care places"*

The industry occupancy has been reducing every year over the last 5 in particular and is now 92%. For an average of 92% there are many homes below that figure and also those at full occupancy. The issue is the spread of places not the principle of bed licence allocation. In our case we have a range of 82% to 96% across the group. The home at 96% had 10 empty beds 12 months ago.

At low 90% occupancy there is no pressing need to jeopardise the underlying Balance Sheets of operators by doing away with the bed licence allocation process simply to increase vacancies. **The Department has already achieved this under the current system by over allocating. Whilst this has caused lower occupancy , it has not disturbed the fundamental structure of the system.**\

*Page 23 first para:*

*"...Through these controls over numbers the Commonwealth rations the use of the service, thus controlling its fiscal exposure":*

Should the government remove supply constraints it would then have a model similar to Child Care. I do not have the evidence but suggest the Commission investigated the increase in subsidies to Child Care over the last decade compared to Aged Care. The model is fraught with overcapacity, homes going broke, badly planned supply and high cost to government, not to mention the increased political risk of funding the individual through a Voucher as proposed by Dr Ergas.

Where people believe they have an entitlement, evidenced by a Voucher, they will demand that a suitable place, to their requirements be available where and when they want it and at the price they want to pay. The "philosophy of entitlement" will be unleashed. They will then go to their local members and place pressure on them for

more funding. A large, entitled public, has more political clout than 1200 Aged Care providers !

*Page 23 third para:*

*“...extent of this co-payment depending on highly complicated and opaque income and assets tests...an emphasis on means testing which is complex and extensive for residential care”;*

Inequality- One must first ask, as Dr Ergas does later, where is the equality in testing only Residential Care and not Community Care.? The Income Tested fee is an anathema and a disincentive for families. We have recently had families take home, to inappropriate circumstances, a resident who could not afford the Income Tested fee of \$50+ per day.

The Income Tested Fee, if it is to be continued should be retained by the Proprietor or otherwise hypothecated to Aged Care and not disappear into general revenue. It is a distortion and is reducing the ability of those who can afford to pay for their care and accommodation, to do so.

Further we have the gross unfairness of the government reviewing residents means testing and backdating for years. The money is then taken off the provider's benefit claim and we are expected to recover it from families, most of whom are grieving the loss of their loved one.

*Page 24 1<sup>st</sup> para:*

*“...residential care secures economies in specialised infrastructure (including accommodation that is purpose designed in terms of mobility and safety)and in the use of specialised resources such as **nursing staff**;  
... it is generally cost effective to provide the more intense levels of care in a specialised residential care environment:*

The optimisation of aggregated nursing staff resources in nursing homes is generally overlooked in discussions such as this and those promoting community care. These statements are strongly supported and should be borne in mind as being fundamental to the need for a strong residential care sector.