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Ms Sue Macri AM
Associate Commissioner - Caring for Older Australians
Australian Government Productivity Commission
PO Box 1428
CANBERRA CITY ACT 2601

Dear Sue

Further to our recent conversation I would like to bring to the Commission's Inquiry an article which I wrote and was subsequently published in the industry periodical "Health and Ageing" almost 12 months ago. Please see attached.

The article highlights the issues facing our smaller rural aged care services across Australia. It draws attention to various issues including workforce factors and scale of business factors which impact adversely on smaller rural providers.

A key factor related to the viability of small rural services which I described in detail in the article is the Commonwealth's Rural Viability Supplement. I described the relatively underpowered nature of the supplement to acquit its intended purpose in comparison to the funding of even just one residential aged care place. To this end I have proposed three solutions to ensure this important mechanism can be enhanced to acquit its purpose more effectively. These are:

- Expanding the criteria from three to five by adding population size and a socio-economic status indicator.
- Equalising the weighting of all criteria
- Multiplying the overall small budget currently committed to the program nationally (\$30mi p.a.) by a factor of 10

In addition, one further component should now be considered to address rural viability operational income issues. That is, to set in place a 'block funding' approach to flexible funding akin to the model currently known as Multi Purpose Services (MPS) but solely focussed on aged and community care services. The aim would be to deliver an appropriate level of 'block funding' certainty in order to provide appropriate base operational funding. Such funding would be flexible across residential, community and respite. Most importantly, there would need to be a 'full cost funding' approach rather than the averaging model set in place for MPS services. Of course, it would be necessary to also set in place a system of annual funding increases which maintain real value by ensuring annual cost increases are met in full through annual indexation. I would be happy to discuss this matter with you further.

Yours sincerely

GERARD MANSOUR
Chief Executive Officer



Rural crisis

Challenge for aged care services

Aged & Community Care Victoria chief executive Gerard Mansour reports on the appalling shortage of healthcare resources for rural Australia and how it is affecting our smaller communities.

Let's not mince words – a crisis now faces our small rural aged care services across Australia. During August, nearly 100 aged and community care providers from across Victoria assembled at the Aged and Community Care Victoria (ACCV) Rural Mini Conference in Echuca to consider the critical viability issues for rural and remote services.

At the outset, our ACCV rural mini conference was a great opportunity to reflect on the enormous commitment and dedication of our aged care services operating in rural communities. There can be no doubt the staff in our residential and community

care services are passionate about their objective to meet their local community needs.

However, the conference also recognised the challenges facing our smaller rural communities in their battle to sustain much needed aged care services. Every stress facing the wider aged and community care industry is far more pronounced and challenging in our smaller rural communities.

The pressures now facing aged and community care providers within numerous rural and small rural communities are now enormous, particularly as they have a far smaller resource base from which to draw. Consider the substantial challenges in

workforce recruitment and retention. Our rural communities naturally have smaller populations, but there are very few incentives available for aged care providers to attract nurses and allied health professionals. How can they continue to recruit and retain nursing professionals when competing with far higher salaries offered in the public health system?

Then there is a shortage of GPs that again is far more severe in our smaller rural communities. These communities must gain improved access to GPs, or fast-track their ability to access innovative professional models such as specialist aged care nurse practitioners.



"This is an industry which is simply not in control of its own destiny and is now stretched taut like a rubber band."

Community Aged Care in Australia, released in April this year, considered in some detail the plight facing our rural and remote communities. This report noted that people living in rural and remote communities often have poorer health than those in major cities and, most importantly, rural people have lower access to healthcare compared with their metropolitan counterparts because of reasons including distance, time factors, costs and transport availability.

It is self evident that our smaller rural communities across Australia normally have lower income generation capacity at all levels. The Senate Standing Committee concluded the demands placed on providers of aged care services in rural and remote Australia are unique. It is now urgent for government to heed the calls of the industry and the Senate, and begin by immediately revising current rural viability supplements for both residential and community care. This has two interrelated requirements – firstly to modify the eligibility criteria, and secondly to substantially increase the level of funding available.

To demonstrate the inadequacy of the current funding system, consider that at the end of June 2008, the average rural viability supplement payment for each eligible aged care facility in Victoria was only \$22,000, while the national average was only \$32,000. Let's put this in simple terms. If only one aged care bed is vacant for four months then the entire value of the 'average' Victorian viability supplement is wiped out. By stark contrast, one vacancy in a high-care bed can result in a loss of over \$60,000 of annual income.

In order to explain the inadequacy of the viability supplement system, it is necessary to understand the design and structure of the funding model itself. The residential aged care rural viability supplement is driven by a point score system (100 points) based on three eligibility criteria. The higher the point score, the greater the payment.

However, the current three criteria are dominated by the application of the Accessibility/Remoteness Index for Australia (ARIA), which simply measures distance from the nearest regional service centre. This one factor alone accounts for nearly two-thirds of the eligibility score (65 points). While this sounds 'reasonable' in theory, the practice is that many isolated or remote communities are

simply ruled ineligible because they are 'theoretically' deemed too close to another larger town.

In practice, it is only the extremely isolated communities which are able to 'score' a reasonable number of points, given the minimum requirement is a score of at least 50 points. This fundamental design problem is further demonstrated by the fact that a key criterion, such as special resident needs, can score a five of the maximum 100 points.

The solution lies in the redesign of the residential aged care rural viability supplement eligibility formula. This would most easily occur by setting in place five criteria of equal weighting. The current criteria of rural remoteness (ARIA), facility size and special needs would be supplemented by two new criteria – the population size of the town as well as socio-economic status. There are existing socio-economic indices which could easily be incorporated into a revised formula. Of course, geographical location is an important factor, but not at the expense of key criteria such as the population of a town and socio-economic factors.

Thus, government has the capacity to set in place a revised viability supplement that recognises the real pressures, lack of resources and costs of providing aged and community care services in rural, regional and remote areas.

It is important to note that the Senate inquiry made a specific recommendation that the government consider the provision of aged care services in rural and remote areas and the effectiveness of the current viability supplement to support service provision. While there was a small increase to the viability supplement in this year's federal budget, it will be of little benefit to Victorian aged care providers because of the design of the funding system. The current system of residential and community care rural viability supplements must now be modified if we are to be serious in our quest to support rural communities across Australia.

But it is not only about the design of the system itself. The current viability supplement languishes at under \$30 million from a federal budget outlay now nearing \$11 billion. Nothing short of a ten-fold increase in funding levels for this viability would be appropriate. **HA**

And yet the most serious battleground is now the financial crisis facing aged and community care providers operating in these smaller rural communities. The move by governments over the last decade to drive efficiencies in the aged and community care industry is now taking its toll. Year after year, annual funding increases have failed to keep pace with rising costs. How many in our government understand that the federal government not only regulates aged care and controls the allocation of places in each community, but also determines the price aged care providers can charge for their services? This is an industry which is simply not in control of its own destiny and is now stretched taut like a rubber band.

The final report of the Senate Standing Committee on Finance and Public Administration Inquiry into Residential and



Gerard Mansour is the CEO of Aged & Community Care Victoria.