

**ANGLICARE Sydney response to the  
Productivity Commission's Draft  
Report into Caring for Older  
Australians**

**March 2011**

## CONTENTS

<i>PREFACE</i> .....	3
1. <i>FRAMEWORKS FOR ASSESSING AGED CARE</i> .....	3
2. <i>PAYING FOR AGED CARE</i> .....	3
3. <i>MARKET RATIONALISATION</i> .....	6
4. <i>ASSESSMENT ISSUES</i> .....	7
5. <i>COSTS OF CARE</i> .....	8
6. <i>WORKFORCE ISSUES</i> .....	9
7. <i>CARING FOR SPECIAL NEEDS GROUPS</i> .....	10
8. <i>REGULATION</i> .....	10
9. <i>RESEARCH AND EVALUATION</i> .....	11
10. <i>REFORM IMPLEMENTATION</i> .....	11
11. <i>CONCLUSION</i> .....	12
<i>SUMMARY TABLE</i> .....	13
<i>REFERENCES</i> .....	15

## **PREFACE**

ANGLICARE Sydney provided a submission to the initial inquiry into *Caring for Older Australians* in 2010. This submission is a response to the draft Productivity Commission report and therefore supplements the previous ANGLICARE submission.

This submission addresses the key issues and themes raised in the draft report. At the end of this report a summary table indicates which recommendations are fully endorsed by ANGLICARE and which ones are subject to a need for clarification or qualification.

### **1. FRAMEWORKS FOR ASSESSING AGED CARE**

1.1 The aged care industry is historically conservative and risk averse but in order to encourage and embed innovation and new practices the Government and the aged care industry need to work closely together to identify the impediments to innovation and implement strategies to allow the industry to take the necessary risks to bring about innovation and service improvement. Further policy settings need to be provided which ensure a robust and sustainable provider base.

*Recommendation 1: The need for mutually beneficial partnerships between government and the aged care sector should be incorporated into the framework.*

### **2. PAYING FOR AGED CARE**

2.1 Existing providers have invested in long term infrastructure based on a non- competitive model and introducing a market driven model will have serious implications for those providers e.g. potentially lower levels of occupancy. This factor needs to be taken into account in funding models.

2.2 The restriction on the supply of community aged care packages should be removed earlier.

2.3 ANGLICARE Sydney provides qualified support to the concept of ‘unbundling’ but it is difficult to discern what the consequences of such unbundling will be and there appears to be no modelling to determine such consequences.

2.4 The PC recommends that the cost of accommodation should be determined for each region. How will this cost be determined and what will be its components? Will it for example include such items as the cost of land and a return on investment, costs of construction, maintenance costs, ongoing interest charges to service the debt incurred in capital works and depreciation? Will the charge vary across different types of accommodation within a single facility?

2.5 The PC recommends establishing an ‘equivalent bond’ after having determined the cost of accommodation as a daily charge. It is clear that there is a preference to offer potential

residents a daily accommodation charge rather than an accommodation bond. This will have the perverse consequence of draining the cash flows of existing providers who will be required to refund accommodation bonds for departing residents while receiving periodic payments or a reduced level of accommodation bond for incoming residents. How will existing providers be compensated for this cash flow drain?

- 2.6 What the capping of accommodation bonds entails is not clear from the draft report. Will bonds be allowed to vary for different rooms across the facility or will a bond be set for the whole of the facility? How long will the initial cap last and can it be increased at the rate of CPI?
- 2.7 Will 'capping' disadvantage current providers e.g. if a facility currently gets bonds of say \$450,000 for its best rooms, based on a total cost to develop of about \$220,000 per bed, the bond could be capped at half of the current maximum. The incentive is for residents to pay periodic payments rather than lump sum.
- 2.8 How will the capping of the bonds be monitored? Will there be another layer of bureaucracy established?
- 2.9 Government income for Supported residents will still be lower than the cost of provision – will the cap on the bond make allowance for this loss of income?
- 2.10 The components and nature of the periodic payment are unclear – for example does it include an allowance for the interest lost from not holding the bond and the elimination of the retention? Additionally how will providers be compensated for the loss of the retention? – will this be covered in the cost of accommodation to set the bond?
- 2.11 In terms of the 'equivalent bond' how will this be calculated? Is it a lump sum that would earn interest equivalent to the periodic payment each month? Is it a number of periodic payments multiplied by an expected or average length of stay?
- 2.12 There will be issues for providers in terms of cash reserves and future borrowing. By no longer being able to hold bonds, cash reserves will be weakened and providers will need to source further borrowing from the capital market but the ability to borrow will be reduced because of the reduced cash balances and the loss of value of bed licences from the balance sheets. This may be somewhat compensated by the payment of bonds by high care residents but the probability is that the overall median level of bonds will be much lower than current levels. Bonds have acted as a source of capital for expansion and growth in the sector. How does the Commission plan to mitigate this issue for providers?
- 2.13 While the proposed varying of Supported resident supplements based on regional costs of provision of accommodation is positive there are issues with setting the supported resident supplement based on a 2-bed with shared ensuite. New facilities, as required by the 2008 legislation, endorsed the need for all single rooms with ensuites, and consequently all refurbished and new facilities have built their facilities on this basis. The accommodation cost for supported residents is currently cross subsidised by the bonds paid for the same rooms by those

residents able to pay a bond. This has allowed providers to offer supported residents similar accommodation as those residents who pay bonds and not to discriminate against those who are financially disadvantaged. The cost of building a facility with two bedrooms is considerably cheaper than one with single rooms. It is a smaller construction requiring less land area and less cost. The new proposal will increase the likelihood that supported residents will be accommodated in a shared setting as opposed to a single room thus creating the potential for the development of a 2-tiered system. Concerns have been raised that older buildings with shared bedrooms will be used for supported residents and that congregant housing will develop for this cohort of older people, socially isolating them from those who can afford to pay. Funding should be based on a 1.5 bed with shared ensuite ratio.

- 2.14 If the Government income for Supported Residents is lower than the cost of building– will the cap on the bond make allowance for this loss of income? If not what will be the incentive for providers to build accommodation to meet the care needs of supported residents?
- 2.15 ANGLICARE Sydney supports the view that accommodation supplements should reflect regional variations in costs but there is a need to understand how a region is defined. Within the larger capital cities for example there are significant variations across LGA’s.
- 2.16 ANGLICARE Sydney is concerned about the issues for a spouse who is still resident in the family home. Spousal protection needs to be taken into account in policy formulation.
- 2.17 ANGLICARE Sydney supports the concept of the proposed Australian Aged Care Regulation Commission but maintains that its powers for pricing should go beyond the provision of recommendations to government. They should be mandated to set the pricing of care services.
- 2.18 ANGLICARE Sydney supports the establishment of a government backed Equity Release Scheme but seeks clarification on what constraints will be applied in the use of such equity.
- 2.19 The mechanism for the trading of places is unclear in the draft report as are the cost implications that such trading would involve.

***Recommendation 2: The word “capped” be removed from the report in relation to charging bonds.***

***Recommendation 3: That the price of accommodation includes all components to bring the building to market.***

***Recommendation 4: That the bond price relates to the price of accommodation in the area where the facility is located.***

***Recommendation 5: That there are built incentives for the consumer to pay a lump sum for the bond.***

***Recommendation 6: The indexation of periodic payments during the resident’s stay needs to be clarified.***

*Recommendation 7: The supported resident supplement be calculated on a single room with shared en-suite or individual en-suite in line with the trend of offering to residents quality accommodation regardless of their assets.*

*Recommendation 8: Spousal protection should be given a significant priority in the development of all aged care funding models.*

*Recommendation 8: The Australian Aged Care Regulation Commission should be mandated to set the pricing of care services.*

*Recommendation 9: That the mechanism for the proposed trading of places in relation to supported residents be clarified to ensure that residents and providers are not disadvantaged by this process and regional aged care 'ghettos' do not eventuate as a result of trading practices.*

### **3. MARKET RATIONALISATION**

- 3.1 ANGLICARE Sydney supports the removal on the restrictions of beds and community aged care packages as well as the removal of the distinction between high care and low care and the removal of extra service places.
- 3.2 ANGLICARE Sydney supports the general principle of increased competition and reliance on market forces for consumers. The expected impact of this would be to rationalise the aged care industry – which has been previously referred to as 'cottage' in nature, by the Hogan review – with increased flexibility and capacity to respond to individualised need. However in rural and remote regions the rationalisation will lead to fewer aged care providers and a reduction in choice for consumers.
- 3.3 The current proposals contained in the draft report would see increased access to community aged care although the ageing of the population will still see ongoing and increasing demand for residential aged care. It is likely more people will choose to stay at home with the entitlements to pay for support than move into residential aged care. People who will require residential aged care are likely to be senior persons with medical, accommodation or social issues. However, from the provider perspective this new system will put increased pressure on older and outdated facilities and lead to new acquisitions by other providers.
- 3.4 The model of consumer directed care will enhance consumer outcomes but will increase the cost of providers as they will need to expend more on marketing, brand awareness and reputation.
- 3.5 The move away from block funding to consumer directed care will make it difficult for providers in community aged care to plan ahead and adequately resource services.

*Recommendation 10: The Productivity Commission consider a lengthy transition period for the implementation of consumer directed care models of funding in community aged care.*

*Recommendation 11: In the transitioning from the current aged care model to a market based system an orderly and staged process needs to be put in place which could include a 'buy back' and resale of existing bed licences component.*

#### **4. ASSESSMENT ISSUES**

- 4.1 Under the proposed Gateway all information, assessment, care coordination, referral and care records will be regulated by one body. ANGLICARE Sydney broadly supports the Gateway concept. It simplifies processes for both consumer and provider and provides a one stop shop for information on aged care issues. It should improve navigation of the service system and improve service access.
- 4.2 Currently assessment is conducted by the ACATs for which, at least in NSW, there are very long waiting lists. Under the Gateway proposal such assessments need to be conducted in a timely fashion and therefore need to be adequately resourced for this purpose.
- 4.3 Under the current assessment process there is often a considerable gap between the assessment and access to service. Over this time the needs of the person can change and the care services provided are then no longer appropriate. This issue needs to be addressed in the formulation of a new assessment process.
- 4.4 The changeover from ACFI to the Gateway process will also incur costs from providers as they will need to invest in new software, training and development to support the new system.
- 4.5 There may also be issues with emergencies – where clients may need to enter care without the Gateway assessment process.
- 4.6 There are also issues with the assessment process itself. Firstly a single interview is not generally sufficient to determine total care needs or indeed not just establish presenting issues but explore more fully the underlying needs – which are often more critical to the current situation. Not only do the tools of assessment need to be adequate but for clients with complex needs, assessment needs to be an iterative process – sometimes extending over weeks or – in the most difficult of cases which have mental health and addiction issues – many months. Such assessments are also more effective if they occur in the person's home or facility where they are resident.
- 4.7 Residential facilities will maintain ongoing assessment in order to inform the care plans and then have to make decisions around whether the care can be provided for the income being outlaid.
- 4.8 There is no indication in the draft report on how care needs will be upgraded or downgraded – although there is emphasis on rehabilitation and recovery. It would seem that funding will be based on some sort of validation of the assessment but again this process is not clear.

4.9 It is also unclear from the draft report whether the entitlements to care can be transferred between residential care and community care without passing through the Gateway again.

***Recommendation 12: The Commission needs to provide greater clarity on the nature and type of assessment carried out by the Gateway and consider the need for reassessment, case management and case coordination and the inclusion of providers and other health professionals in this process.***

***Recommendation 13: The expected increase in costs to providers inherent in the new assessment process needs to be taken into account in new funding models.***

## **5. COSTS OF CARE**

5.1 The Commission is seeking feedback on the adequacy of an 84% draw down of the aged care pension to cover everyday living expenses. ANGLICARE Sydney needs clarification as to whether this percentage would only cover the 'hotel' services or whether it would also cover administrative overheads, property repairs, maintenance and depreciation. If the latter, then the 84% level would be deemed insufficient. It is also unclear as to whether community aged care services are included. However, ANGLICARE Sydney also recognises that raising the cost for full pensioners beyond the 84% may further disadvantage this group and prevent them from being able to purchase additional services, again forcing a 2-tier system.

5.2 The ability to charge for extras (e.g. newspapers, cable TV, and room service meals) is a positive.

5.3 In setting the cost of care subsidies, aligning resident and community subsidies may not be realistic. In community care, care is given on an individual basis with the carer being required to travel between clients' homes, sometimes over long distances. The cost of care in the community needs to include cost of travel, both car expenses and staff travel time.

5.4 The draft report refers to a transparent and independent setting of care costs. This process needs to include the cost of care staff wages at an appropriate setting which is considerably more than what is currently being paid. A comprehensive review of care staff wage settings is recommended under the section on Workforce Issues.

***Recommendation 14: Care costs for community care need to take into account the cost of travel – both in terms of car expenses and travel time taken by staff.***



## 6. WORKFORCE ISSUES

- 6.1 The serious problem of recruitment and retention into the nursing profession has been extensively documented and was the subject of Government inquiries in 2002. Before that, concern about the recruitment and retention of nurses in aged care led to the Aged Care Workforce Committee being established in 1996 by the Minister for Aged Care. Pearson *et al* (2001) and Stein (2002) suggest that the primary reasons registered nurses choose not to work in the aged care sector include a lack of wage parity between nurses in the aged care and other sectors; demanding workloads; excessive levels of documentation; lateral violence in the workplace; and the lack of a clear career path.
- 6.2 These reasons are strong enough to counter most efforts to attract, recruit and retain registered nurses in the sector. Acute shortages of registered nurses have been reported across the sector, causing heavy reliance on agency nurses to meet the care requirements of a more frail, older, confronting, and co-morbid constituency (Stein 2002:5). The above factors mean that the aged care workforce is characterised by low morale and high rates of staff turnover.
- 6.3 ANGLICARE Sydney notes the response of the Australian Nursing Federation to the Productivity Commission's draft report: that the Commission has 'ignored calls for urgent workforce reform' and needs to address issues of staffing levels and closing the wages gap between nurses in the public system and aged care nurses. ANGLICARE Sydney recognises that aged care facilities are not simply medical facilities, but are meant to provide a whole-of-life response to ageing where community and well-being are equally important outcomes for residents and service users apart from health outcomes. However aged care nurses are an essential part of the aged care system; ANGLICARE Sydney is therefore concerned about these workforce issues that contribute to difficulties in recruitment and retention of nurses and will ultimately result in the erosion of the aged care workforce.
- 6.4 ANGLICARE Sydney is concerned about the large gap in wages reported to be, on average, up to \$340 per week less for aged care nurses than their colleagues in other sectors (ANF, 2009). We consider that in order to arrive at 'competitive wages', this gap will need to be more specifically addressed by the Commission.
- 6.5 The implications of the workforce recommendations are dependent on the pricing and subsidy levels that are agreed to and whether these levels are maintained to keep pace with rising costs – this is a real unknown.
- 6.6 There needs to be a comprehensive approach to workforce issues in aged care incorporating health professionals, care workers and hospitality staff. All of these are included in collective agreements. Separating them would only complicate workforce planning and addressing competitive wages in aged care.
- 6.7 There needs to be more rigor around the quality of the provision of accredited training of staff by certain RTOs.

*Recommendation 15: The proposed Australian Aged Care Regulation Commission conduct a fair and transparent review of aged care nurses' wages to establish a more equitable rate of pay relative to public system nurses.*

*Recommendation 16: Aged care nurses rates of pay be indexed against rates of pay for nurses in the public system.*

## **7. CARING FOR SPECIAL NEEDS GROUPS**

7.1 ANGLICARE Sydney has serious concerns for the long term welfare of people who demonstrate a multiplicity of need including psychiatric disability, homelessness, drug and alcohol addiction and challenging behaviours. The current system provides little options for such people and with the implementation of the proposed new aged care system there is the opportunity to address the needs of such people in a holistic, structured way. Their often challenging behaviours makes it difficult for them to be accommodated in mainstream facilities and they require intensive case management and support which is largely unfunded by current mechanisms. If a new aged care system works for the most disadvantaged and the most vulnerable then it will work for everyone.

*Recommendation 17: The Productivity Commission in its final report needs to acknowledge the scale and scope of the problem for these people and the issues in relation to equity of access. It needs to establish appropriate assessment modelling and links to a price function which has to incorporate the specific needs of this group of people.*

## **8. REGULATION**

8.1 ANGLICARE Sydney supports the establishment of a new independent regulatory authority (AACRC) that would have pricing, compliance and accreditation roles. However we note that there is potential conflict of interest for a body which is controlling both pricing and quality of care functions.

8.2 The AACRC would be a positive move if this initiative improves transparency, streamlines reporting requirements and results in subsidy levels that keep pace with real costs.

8.3 ANGLICARE Sydney welcomes the simplification of the audit/compliance process.

8.4 ANGLICARE Sydney welcomes the proposed easing of reporting restrictions.

8.5 ANGLICARE Sydney notes there is a lack of clarity of the purpose and procedure at the Department with regard to mandatory reporting. Mandatory reporting has been in place for some time and the legislation has never been evaluated or reviewed. This is well overdue.

*Recommendation 18 The new independent AACRC needs to ensure transparency, streamline reporting requirements and ensure subsidy levels keep pace with real costs.*

*Recommendation 19: The Commission needs to ensure that sufficient protocols are put in place to prevent conflicts of interest arising within the AACRC in relation to its pricing and care quality functions.*

## **9. RESEARCH AND EVALUATION**

9.1 Knowledge transfer, that is research findings that are used for service improvement and innovation, is integral to continuous improvement and ANGLICARE Sydney welcomes the Commission's recommendations that research findings should be publicly released and made available in a timely manner. However this does not go far enough. The proposed Australian Aged Care Regulation Commission should not only be a clearinghouse for aged care data, but this role should be expanded to undertake the role of a clearinghouse for research findings on ageing and service evaluations.

9.2 Also while there is mention of Government funding for various large research centres it overlooks the need for Government support to develop researchers in ageing and specific targeting of funding for obtaining evidence for service improvement and innovation.

*Recommendation 20: The proposed AACRC should act as a clearinghouse for research and evaluation findings in relation to aged care.*

## **10. REFORM IMPLEMENTATION**

10.1 The removal of restrictions as part of Stage 3 is estimated to occur 5 years out from the onset of the implementation process. ANGLICARE Sydney is concerned that five years may not be realistic because of the extent of the changes and the impacts they will have on the industry.

10.2 There needs to be sound transitional arrangements from the current accommodation bond arrangements to the new system to allow organisations to change their financial systems and ensure that their financial basis remains secure.

10.3 It is imperative that extensive financial modelling is conducted before full implementation occurs to determine the impact on the sector and to provide capacity to mitigate risk.

10.4 The full costs of the implementation of the new aged care system are not addressed in the draft report.

*Recommendation 21: The Productivity Commission should commission extensive financial modelling to determine the impact of a substantial reduction in the quantum and level of lump*

*sum payments, of an open market and abolition of the ACAR round, the feasibility of a 'free market model' and the impact of bond dilution.*

## **11. CONCLUSION**

Anglicare SYDNEY appreciates the opportunity to contribute to this national consultation and looks forward to the final report on Caring for Older Australians.

Peter Kell

Chief Executive Officer

ANGLICARE Sydney

## SUMMARY TABLE

### Endorsement by ANGLICARE Sydney of Productivity Commission report recommendations

	Recommendations	Supported	Qualified /Supplem ented	Issue	
<b>Frameworks</b>	4.1		X	Additions to framework principles	
<b>Paying for Aged care</b>	6.1	X			
	6.2	X			
	6.3		X	Earlier release	
	6.4		X	Clarification re bonds	
	6.5	X			
	6.6		X	Spousal protection	
	6.7		X	Ratio of 2 bed ensuite	
	6.8	X			
	6.9	X			
	6.10	X			
	6.11			X	Mandatory price setting
<b>Funding Base</b>	7.1		X	Constraints on use of equity	
<b>Care and Support</b>	8.1		X	Assessment issues	
	8.2	X			
	8.3	X			
	8.4	X			
	8.5	X			
<b>Catering for diversity</b>	9.1		X	Additional considerations	
	9.2	X			
<b>Retirement Villages</b>	10.1	X			
	10.2	X			
	10.3	X			
	10.4	X			
	10.5	X			
<b>Workforce</b>	11.1	X			
	11.2	X			
	11.3	X			
	11.4			X	Additional considerations
	11.5	X			

<b>Regulation</b>	12.1		X	Conflicts of Interest
	12.2	X		
	12.3	X		
	12.4	X		
	12.5	X		
	12.6	X		
	12.7	X		
	12.8	X		
	12.9	X		
<b>Research and Evaluation</b>	13.1		X	Additional considerations
<b>Reform and Implementation</b>	14.1		X	Additional considerations

## REFERENCES

Australian Nurses Federation (2009) *Fact sheet 4 – a snapshot of residential aged care*.

Pearson A, Nay R, Koch S, Ward C, & Tucker A. (2001) "Australian Aged care Nursing: A critical review of education, training, training, recruitment and retention in residential and community settings", *National Review of Nursing Education*, at [http://www.dest.gov.au/archive/HIGHERED/nursing/pubs/aust\\_aged\\_care/1.htm](http://www.dest.gov.au/archive/HIGHERED/nursing/pubs/aust_aged_care/1.htm)

Stein I. (2002) "Why stay in aged care?" *Geriatrics* Volume 20 (3) September 2002.