

**SUBMISSION FROM**

**ECH INC., ELDERCARE INC. AND RESTHAVEN INC.,  
SOUTH AUSTRALIA**

to

**PRODUCTIVITY COMMISSION STUDY**

of

**THE CONTRIBUTION OF THE**

**NOT FOR PROFIT SECTOR**

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**May 2009**

## About our organisations

ECH, Eldercare and Resthaven are three of South Australia's largest and most experienced not-for-profit providers of residential and community aged care and retirement living options, with services across metropolitan Adelaide and country South Australia.

Our combined operations offer a full range of support to frail older South Australians, including independent living; Home and Community Care (HACC); community care packages; health and well-being services; respite; Transition Care; and residential aged care. In all, we employ more than 3,000 staff and provide services to many thousands of aged care residents and clients each year.

## The approach of the study

The Commission's Issues Paper released in April 2009 states that the study of the Not for Profit (NFP) sector will have regard to relevant previous or concurrent studies and reviews. In relation to the aged care sector, we draw the Commission's attention to its own 2008 research paper, *Trends in Aged Care Services: some implications*, together with the report of the Senate Inquiry into *Residential and Community Aged Care in Australia* (29 April 2009) and the *Aged Care Survey 2008* (Grant Thornton Australia, Second report, January 2009). Links to the latter two reports are provided below.

[http://www.aph.gov.au/Senate/committee/fapa\\_ctte/aged\\_care/report/index.htm](http://www.aph.gov.au/Senate/committee/fapa_ctte/aged_care/report/index.htm)

[http://www.grantthornton.com.au/files/aged\\_care\\_survey\\_2008\\_2nd%20report.pdf](http://www.grantthornton.com.au/files/aged_care_survey_2008_2nd%20report.pdf)

The above mentioned reports highlight a number of issues and challenges facing the aged care industry that are relevant to the current study. In particular:

- Over-regulation and excessive controls that are jeopardising financial sustainability;
- Efficiency and effectiveness considerations in relation to funding and compliance arrangements and the impact on services delivery; and
- Workforce challenges that are not helped by the current legislation and negative government and media portrayal of aged care.

The aged care sector may only represent 1,100 or so not for profit providers of the estimated 700,000 not for profit organisations of all types in Australia but its role as a non-government provider of services and as a major employer place it high on the list of NFP contributors to Australia's economy and the well-being of its citizens.

The Commission's Issues paper recognises that organisations such as aged care providers exist to serve the wider community and not a limited membership. What also sets the aged care sector apart is that while organisations vary widely in size, they are either incorporated associations or companies limited by guarantee, with a paid workforce (although some have other forms of legal status). Aged care providers also receive a significant proportion of their income from government funding and fees, rather than gifts or donations.

These combined characteristics put aged care in the minority of NFP organisations and bring with them a unique set of limitations, as well as potential, which are discussed below. The Commission's study will need to take account of these factors, together with those mentioned below, in differentiating the contribution of the NFP sector from the private, for profit aged care sector.

### **Submission to Senate Inquiry in to Residential and Community Aged Care**

Our three organisations made a joint submission to the Senate Inquiry mentioned above and the link follows:

[http://www.aph.gov.au/Senate/committee/fapa\\_ctte/aged\\_care/submissions/sub85.pdf](http://www.aph.gov.au/Senate/committee/fapa_ctte/aged_care/submissions/sub85.pdf)

Our submission also touches on a number of the issues raised in the Issues Paper, such as costs, funding, regulation, measurement of performance, workforce and potential for growth and innovation.

### **Measuring the contribution of the NFP sector**

In terms of the study's major theme, the contribution of the NFP aged care sector to the achievement of the Australian Government's policy of social inclusion, for older people in this case, is evident in several ways as outlined below. Measuring this contribution is complicated by the fact that aged care services are also provided by private for-profit companies and State and Local Governments. Evaluation of the NFP contribution should perhaps focus on the 'value add' by way of what NFP providers offer or achieve that is different from and in addition to what others may offer or seek to achieve.

NFP service providers are not merely branch offices of government. Many NFP aged care providers, like our own, see themselves not as providers of government funded care or particular services so much as offering opportunities for an improved quality of life through greater lifestyle options, greater levels of community involvement, maintenance of friendships and associations etc. Most government/bureaucratic measures focus on inputs and processes rather than the outcomes achieved for clients or residents. The care and services we provide are merely the means by which we seek to achieve our objectives for older people. Any evaluation of contribution therefore needs to take account of this quite different view of our mission and purpose.

Such considerations also extend to the measurement of efficiency and effectiveness. While larger NFP aged care providers generally operate along company lines and are governed accordingly, they are not necessarily motivated by such considerations. Many decisions might be dictated by business-related imperatives but others are made on the basis of what the outcome might contribute to the community and society.

There are also some very clear differences between provider types in terms of contribution when it comes to such things as:

- service location (very few for-profit providers venture beyond metropolitan areas let alone into remote localities);
- client groups – the NFP sector is much more likely to offer services to disadvantaged individuals and groups such as Indigenous Australians, cultural and linguistic minorities and other socially marginalised older people;

- the range of services and care options – being broader in the NFP sector;
- innovation and experimentation; and
- sponsoring research.

## Enhancing the efficiency and effectiveness of the NFP sector

Much has been written and taken in evidence on this subject, most of which is covered by or reflected in the abovementioned reports and inquiries. We will not therefore repeat the arguments in detail but our major concerns remain in the following areas:

- **Access to human resources** – current funding, regulation and pricing controls severely restrict the sector's ability to attract and retain suitably qualified staff;
- **Access to capital** – again, this is severely restricted by current government policies which prohibit access to bonds for residential high care and place a cap on pricing arrangements. For the first time in their history, many aged care providers have been forced to borrow funds to finance new developments and upgrades. Others have simply stopped all plans for growth involving capital-raising. Financial institutions are increasingly reluctant to support projects in the current restrictive environment;
- **Capacity to innovate and use resources to best effect** - growth and innovation is generally limited to all but the largest and best resourced aged care organisations. While there are many examples of best practice, genuine innovation is rather more rare. The majority of NFP providers are small to medium-sized organisations that tend to stick to what they know and do best in what has become an environment of increasing costs and diminishing returns, despite record levels of government funding. The simple truth is that the funding increases have fallen and continue to fall short of the actual costs of providing care and services.

Beyond this however, some organisations, like our own, manage to initiate and sponsor research and evaluation projects and to fund smaller-scale, innovative developments without government funding. This fact is rarely if ever recognised by government.

- **Regulatory environment** – this subject has become particularly controversial because of the Minister for Ageing's single-minded determination to introduce greater and greater regulation of the aged care sector since coming to office. The cost of regulatory compliance and reporting is now as high as \$1 million a year in many organisations. Providers now feel under siege but also feel they cannot openly challenge the Minister's and the Department of Health and Ageing's fault-finding approach for fear of a negative public reaction. This is particularly the case with the Complaints Investigation Scheme and some aspects of the accreditation system. Other matters, affecting the financial state of the sector, are covered in the abovementioned submissions.

The aged care sector is one of the most heavily regulated industries in Australia which has resulted in an unnecessarily high level of financial and resource burden. The limitations and controls, including the compliance regime, come with a high cost to government as well. The Aged Care Standards and Accreditation Agency's expenditure in 2007-08 was some \$27m (fully funded by levies on providers). Over 5,000 audits, reviews and inspections of services

resulted in a mere 1.6% of aged care homes found to be non-compliant in some way.

Likewise, the Department of Health and Ageing's Complaints Investigation Scheme investigated 7,496 complaints in 2007-08 and found breaches in only 12% of cases. Even so, some professional nursing and independent legal advice would suggest that decisions on breaches are not always soundly based but are too resource intensive to challenge.

A review of the efficiency and effectiveness of the government's regulatory structure and operation is needed urgently. On a somewhat related matter, we believe it is important that the proposal to establish a national register of charities does not duplicate in any way, the rigorous and already excessive reporting obligations under the Aged Care Act. We seek complementary expectations, not duplications of reporting and accountability.

## Service delivery

Once again, much of this topic has been covered in the other reports but unfortunately, much of the argument has necessarily focused on financial matters. What has been overlooked in the debate about regulation and compliance, funding and pricing is the enormously positive outcomes that the aged care sector achieves for its many thousands of clients and residents. Government measures of effectiveness and quality have focused almost exclusively on the very small proportion of services that have not met all compliance requirements and this has dictated major policy and legislative responses.

Another often overlooked feature of many NFP service providers is their greater capacity to offer older people an integrated set of services ranging progressively from basic (affordable) housing through various levels of additional support services to sub-acute and palliative care.

We believe this diversity and motivation to provide care and services to older people, irrespective of their level of frailty or wealth, are deserving of more compassion and special attention by Government. They are at the heart of why such NFP organisations fit within the definition of being Public Benevolent Institutions (PBI). The community derives great benefit from such essential services being provided by PBIs, bearing in mind that the Australian Government itself is not a service provider in this field.

Government stipulated conditions in service agreements serve a legitimate purpose in terms of financial accountability but can unwittingly stifle innovation and flexibility and simply lose sight of the objective of the funding.

## Summary

An important opportunity for the Government to outline a vision for aged care in Australia, an 'overarching narrative' if you will, and to make significant improvements in service delivery was lost recently with the introduction of the Aged Care Amendment (2008 Measures no.2) Bill 2008 which simply imposed further regulatory measures.

The government needs to engage with the aged care industry in a sense of true partnership if it hopes to further its social inclusion objectives for older people, none of

which were achieved by the recent changes to the Act. As the Commission itself has argued, the sector is heavily regulated, with severe limitations on its capacity to raise funds and set prices that reflect the true cost of care. As a consequence, services have largely developed within a limited range of traditional models, with very little innovation. The real risk now is that growth in even the existing traditional approaches to service delivery will slow if not virtually cease, particularly in the case of residential aged care. This is already having an impact on the financial health of provider organisations and the employment prospects in the sector but the real 'victims' are the many older Australians who either cannot gain access to services or are restricted in their choices.

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