



**WA BAPTIST HOSPITAL & HOMES TRUST INC
(BAPTIST CARE)**

PRODUCTIVITY COMMISSION SUBMISSION

PREPARED BY:

**Ken Ridge
Chief Executive Officer
Baptist Care**

PREPARED FOR:

**Mike Woods
Commissioner
Productivity Commission**

DATE:

September 1998

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SUMMARY

PRODUCTIVITY COMMISSION SUBMISSION

INTRODUCTION: Baptist Care

Baptist Care, a charitable benevolent institution is a West Australian service provider in the areas of aged care, disability care and mental health programmes. It operates three 40 bed nursing homes, 6 frail aged hostels (268 beds) which are located on six different sites (two are in country towns). It also maintains 190 self care units spread over those same six sites, and is responsible for 37 community care packages, caring for over 620 senior West Australians. As previously mentioned it also provides care services to 40 people with chronic mental health disabilities as well as operating a hostel for 12 people who have an intellectual disability.

In making its submission Baptist Care is concerned about its ongoing ability to provide access to elderly people who have been assessed for receiving care in a residential aged care facility. The care needs to be appropriate, timely and irrespective of financial status. Baptist Care is committed to continue its provision of quality care, with access to those in need and which is consistent with the Government's required standards and resident outcomes. However, this can only be achieved if each of its residential aged care facilities is viable.

1 THE ISSUE

Baptist Care is deeply concerned about what has been identified as issues of inequities in the funding available to **Nursing Homes and Hostels in Western Australia**. In Western Australia, service providers face issues that make it difficult for them to address, given that they have to participate in a nationally funded and regulated programme.

Baptist Care has participated in cost comparison exercises with the following peak body organisations, Baptist Care Australia Ltd and Aged Care Australia. Its involvement with Aged Care Australia's submission has been extensive therefore that information will not be duplicated in this submission.

In this submission Baptist Care will inform the Commission of a number of issues.

2 FUNDING

Funding Philosophy

Appropriate more flexible indexation arrangements need to be put in place now to ensure that the value of funding reflects market and wage costs and that the quality of care provided is capable of being maintained in the future.

This highlights the importance of the Government's two year review of the restructure and impact on the adequacy of its funding.

Through its aged care reforms the Government promised less red tape and regulatory controls. In fact the opposite has occurred. Beyond any doubt, the documentation and checking process required as a result of the many changes, additional reporting and recording has placed significant demands on the financial and staff resources of nursing home and hostel providers. The current funding makes no recognition of this cost impost it has placed on providers.

Nursing homes (and hostels) thus have their incomes strictly regulated by Government. They have no capacity to increase income to either offset inescapable cost increases not fully compensated through the indexation of residential care subsidies or to improve the quality of care and/or accommodation they can offer.

Capital Funding

The impact of the loss of Capital Funding Subsidies is not going to be satisfactorily picked up by the introduction of accommodation charges in nursing homes together with the new concessional and assisted resident supplements. This source of "capital funding" is not going to assist providers who need to upgrade facilities in order to meet the needs of residents and the Government's accreditation requirements. It will also have the affect of limiting the number of providers who will apply for new residential aged care facility beds. In fact it is this organisation's experience, which it believes is consistent with many other providers, that this funding is being used to meet the short fall in cash flow requirements and funding to meet day to day operating expenses.

Recurrent Funding Subsidies

There must be adequate funding to provide quality care in accordance with agreed standards for older people in residential care throughout Australia. It continues to alarm Baptist Care that funding for higher levels of care is much less for West Australian providers.

According to the Commonwealth Government's report on the Review of the Resident Classification Scale, Western Australia service providers continue to experience inequitable recurrent funding subsidies for residents in the facilities. Please refer to the Table on the following page, which is found on Page 31 of the previously mentioned report.

Table 2.10 Actual distribution of the RCS by state for the available data										
State	Resident Classification Scale category									Total
	1	2	3	4	5	6	7	8		
New South Wales	No	3541	11882	10260	2814	3945	4326	9007	1988	47763
Facility Share	%	7.4	24.9	21.5	5.9	8.3	9.1	18.9	4.2	100
Victoria	No	2712	8230	5671	1285	2333	3474	6917	1521	32143
Facility Share	%	8.4	25.6	17.6	4.0	7.3	10.8	21.5	4.7	100
Queensland	No	1904	5678	4532	1408	2285	2685	4462	1332	24286
Facility Share	%	7.8	23.4	18.7	5.8	9.4	11.1	18.4	5.5	100
Western Australia	No	416	2567	2162	595	796	1157	2886	642	11221
Facility Share	%	3.7	22.9	19.3	5.3	7.1	10.3	25.7	5.7	100
South Australia	No	668	3076	2826	699	1113	1549	2778	422	13131
Facility Share	%	5.1	23.4	21.5	5.3	8.5	11.8	21.2	3.2	100
Tasmania	No	191	790	867	267	364	385	664	134	3662
Facility Share	%	5.2	21.6	23.7	7.3	9.9	10.5	18.1	3.7	100
Australian Capital Territory	No	105	229	206	108	131	150	354	26	1309
Facility Share	%	8.0	17.5	15.7	8.3	10.0	11.5	27.0	2.0	100
Northern Territory	No	12	124	82	20	26	34	47	-	345
Facility Share	%	3.5	35.9	23.8	5.8	7.5	9.9	13.6	-	100
Total	No	9549	32576	26606	7196	10993	13760	27115	6065	133860
Facility Share	%	7.1	24.3	19.9	5.4	8.2	10.3	20.3	4.5	100

*Includes new and existing residents n=90,771). The financial comparison included only existing residents (n=69,365).

Source: Review team analysis from data supplied by the Department of Health & Family Services.

Hostel Funding

Prior to the Aged Care Reforms, the previous Government had established and supported the growth of a very successful hostel model. Service providers were encouraged to charge residents entry contributions and variable fees. However, the new income-tested resident contributions offset the care subsidy payable by the Government, thus, they do not provide any additional income to the service provider. New home like hostels were added to existing purpose built stock, providing senior Australians with good quality residential accommodation facilities. It also meant that the Government was on track for meeting its desired planning ratios.

It is Baptist Care's belief that the Commission should not restrict its inquiries only to the nursing home sector. Baptist Care's experience with its six hostels indicates an initial drop in its care subsidies under the RCS Funding. Baptist Care has taken significant steps to rectify this position. The positive ramification of these actions is still to have an impact. The loss of variable fees, the lack of funding for Level 8 residents together with the overall reduction in funding for Levels 5 to 7 and the restrictions caused by the resident classification scale funding tool have all had an affect on the amount of funding available to Baptist Care.

Infrastructure Costs

Another long standing financial issue that providers have continually brought to the attention of the Government over many years has been the inadequate and minimal funding increases to meet rising infrastructure costs. This claim was supported by Professor Gregory in his findings and report to the Government. In fact each year prior to the move away from CAM and SAM funding, the increases for SAM (infrastructure costs) appeared to have not equated to CPI increases. This of course meant that when the new funding rates applied, from 1 October 1997, providers were not receiving sufficient funding to meet these operating costs.

Funding Model

Residential aged care should continue to be funded in the manner in which it currently is in order to safeguard the interests of all elderly Australians who require care. This is particularly important in a nursing home situation given that they are vulnerable and often care is required directly after discharge from hospital. A significant and growing percentage have cognitive disorders (such as dementia) which limit their capacity to make decisions. Nursing homes and hostels in the charitable/church sector have demonstrated efficiency gains and a quality of care that frequently goes beyond Government's required outcomes and standards.

Financial Structures

WA Baptist Hospital & Homes Trust Inc is concerned at what it believes is the Government's views, firstly, about the perceived more efficient "for profit" service providers as opposed to the less than efficient church and charitable providers and secondly the misconception the government has about the "wealth" of church based service providers.

Dealing with the first point, the question must be asked, how do you define efficient? is it about meeting standards and presenting a service on a day to day basis which satisfies these standards? Or is it about being able to pay wages to owners as well as providing acceptable returns on investments? Or is it about providing quality service, every day, meeting residents' needs through a better physical stock environment, adequate staffing hours, health care, quality meals, residents rights, and policies and procedures that provide the necessary incontinence aides, replacement of linen, crockery, cutlery etc as well as a number of social and other community services.

It is important for the Government to realise that WA Baptist Hospital and Homes Trust Inc is a separately incorporated body that does not receive any funds, nor does it give any funds to the Baptist Family of Churches in WA. It does not have any operational involvement with similar Baptist Organisations in other states apart from a networking alliance. Nor does the organisation receive any significant donations, receives no bequests or is able to rely on foundations for fund raising.

Baptist Churches are all based on local congregational government, each being a separate entity and self governing. Whilst they may own individual properties, there is not a central organisation that has ownership of significant parcels of land, property holdings or central investments.

3 STATE CONCERNS

Lack of Funding for Registered Nurse (RN) Salary Increases

From July 1996 most other States were given funding to cover a previous 10% increase in salary levels for RN's in the aged care sector. WA did not receive this additional funding. There is already a critical shortage of Registered Nurses in WA, which has been particularly felt by aged care facilities that traditionally find it difficult to attract RN's. Our concern is that facilities will have to increase their RN wages up to 19% to maintain and attract staff. Most facilities, however, cannot afford this additional cost which is not factored into the Commonwealth's residential care funding. Currently another issue for providers is the need to employ registered nurses in hostels in order to perform duties which were previously deemed as being appropriate for hostel carers to do. As a result funding to hostels which do not employ RN's has been greatly reduced. Yet another financial impact for providers.

Qualified Nurse Definition

In WA a registered nurse is the only "qualified" nurse, whereas in many other states in keeping with the spirit of the aged care reforms this definition has a wider application.,,,. This has a significant impact on the operating costs of hostels as providers have to pay the much higher costs of employing a registered nurse to carry out those duties designated to be done by a qualified nurse.

Number of Beds

In the past the number of new hostel and nursing home beds which have been allocated to service providers in Western Australia (acknowledging difference in population spread etc) appears to be less than the number of beds offered to providers in other states. Baptist Care has included hostel bed numbers as many providers in the church, charitable and not for profit sector operate hostels which can be co-located with a nursing home or stand alone on an entirely separate location. Bed numbers have a considerable impact on the viability of facilities. This is another important issue that the Commission needs to take into account when considering recurrent funding.

Occupational Health and Safety

The State Government has been very active in its monitoring of the aged care sector in Western Australia. Baptist Care has a responsibility to residents and staff to ensure that it complies with both the State and Commonwealth Government requirements. This has meant an increase in the budget for training and education purposes. Another demand on financial resources. (See following page for details).

• Purchase of Duress Alarms and Transmitters	\$8077
• Annual Monitoring Charges	\$2184
• Annual Maintenance Charges	\$ 990
• OSH Representatives Training 1997/98	\$3377
• OSH Specific Manual Handling Training 1997/98	\$4477
• OSH Budget for 1998/99	\$31840

Workers' Compensation

On 1 July 1998 premium rates for Workers' Compensation policies increased from 3.68% to 5.15% (a 40% increase) for residential facilities. Insurers had the ability to load this rate by an additional 50% if they considered the claims experience warrants this. There is also legislation before Parliament which includes a proviso allowing insurers to increase the maximum loading to 100%. Again, this is an additional cost that most facilities will have difficulty in affording. Baptist Care understands that the Commonwealth has not factored this into the new subsidies for providers which have just been published. Baptist Care's premium incurred the additional 50%. It has had to put in a Risk Manager at one of its sites at a net cost of \$13,000 in addition to its premium increase of \$279,648.57.

Commonwealth and State Legislation Duplication

In Western Australia the State Health Department's Licencing process is a duplication of the requirements in place for approved providers of aged care under the Commonwealth Aged Care Act 1997 and other State and Commonwealth legislation and regulations. These requirements are inconsistent with the spirit of the Aged Care Act, which sees the residential aged care sector as a whole. Duplication exists between the care standards required by the Health Department of WA and those required under the Commonwealth's accreditation process. This duplication also occurs between the State's building standards, and the Commonwealth certification process and the requirements which are administered by Local Government. This duplication has created confusion and imposed in some cases additional, unfunded costs to the sector. The Retirement Villages Act with its Code of Practice requirements is another example of where State and Commonwealth legislation overlaps and impacts on both residents and service providers.

Productivity Gains

Baptist Cares initiative in developing an Enterprise Bargaining Agreement for its Registered Nurses was unsuccessful. The agreement was an attempt to recognise the value of its nursing staff and offered an increase in salary which was offset by a number of productivity gains. Whilst the agreement appeared to have received initial support from the nurses, the ANF very aggressively campaigned against it.

4 GENERAL COMMENTS

Taxation Status of Church and Charitable Providers

This sector has already been subject to an inquiry in 1995. The Government considered its findings and recognised the unique commitment by this sector to meet the care needs of all people. We respectfully request that the Commission suggests no changes to the present taxation arrangements for the above and refer this Commission to the previous 1995 inquiry and the Government's subsequent conclusion and actions.

Resident Classification Scale

Providers have had to allocate extra funding to their education and training budget in order that all staff, both nurses and carers are competent in the use of this funding tool. As it is the only means of providing income it is essential that staff are familiar with its application and regulatory requirements.

Accreditation 1 January 2001

The process known as accreditation has already had a very significant financial impact on providers' operating budgets. Three main areas can be identified for the purpose of supporting this claim.

Certification

Providers have paid an average of \$15.00 per head for the certification inspection and process. Baptist Care costs \$5,180.00.

Accreditation Standards

Service providers must be able to demonstrate continuous improvement in all aspects of service delivery. An organisation must be able to provide evidence that the combination of the services structure, policies, procedures, resources and activities will ensure that it can meet the quality requirements of its residents. In order to prepare and ensure that service providers fulfil this Government requirement, they have had to invest in some form of quality assurance, continuous quality improvement system.

Baptist Care costs to date \$ 27,993 with a budget of \$41,500 for 1998/99.

Audit Fees

At this stage the Government has not seen fit to confirm or deny the suggested costs which vary from a sum of \$4,000.00 per facility to a possible high of \$8,000.00 per facility.

The agency will also charge providers for periodic visits and any follow up visits that it may make.

Aged Care Reform Costs

Service providers have incurred costs in meeting criteria required by the legislation, only to have the Government change the Act and its Principles. A particular significant cost was that of meeting the Government requirements for the Prudential Arrangements for Accommodation Bonds. A rough conservative estimate for this requirement together with other work done for this organisation exceeds \$15,000. A cost which has been met without any financial recompense by the Government and all to no avail.

SUMMARY

This inquiry should address quantum and not form.

Funding must be sufficient to enable providers in each State to provide the required level of care in order to meet the nationally agreed and applied standards of care. In order to achieve this inescapable local cost variables and differentials must be taken into account, including an increase in the total funding pool to make up for losses due to under indexation.

There needs to be a commitment by the Commonwealth Government to regularly review the funding arrangements to ensure that funding is adequate having regard to outcome standards and that any funding differentials reflect relative costs beyond the control of service providers, are appropriate and fair.

The Government needs to address the estimated \$1 billion capital shortfall required to bring existing stock up to required standards. Its current capital funding mechanism will not meet this urgent need nor will it provide sufficient capital funding in order to satisfy its own projected demands for residential accommodation.

Without additional funding how does the Government expect service providers to meet these new additional costs? The Government needs to match its rhetoric for what it wants for senior Australians with a system that works, and, is financially viable for service providers.