

PRODUCTIVITY COMMISSION INQUIRY INTO RESIDENTIAL AGED CARE SUBSIDIES

Submitted By:

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PRODUCTIVITY COMMISSION INQUIRY INTO RESIDENTIAL AGED CARE SUBSIDIES

Executive Summary

Aged Care Victoria Inc. is pleased to have this opportunity of making the attached submission to the Productivity Commission Inquiry into Residential Aged Care Subsidies and in particular into the funding methodologies for Nursing Home Subsidies. We look forward to the opportunity of speaking about our submission, at any public hearings convened by the Commission.

Aged Care Victoria Inc. considers that currently on average a thirty (30) bed Victorian Nursing Home would coalesce down by \$62,900 over the coalescence period. This together with proposed increases in costs such as award increases in excess of the indexation amount, new costs such as Accreditation, reduced income from viability funding, compliance with State based legislative requirements, would result in a considerable number of Victorian Nursing Homes being forced to close.

Aged Care Victoria Inc. totally opposes the negative coalescence of the High Care Subsidy Rates for Victorian Nursing Homes.

Listed below are the recommendations set out in this Submission, that will address the issues raised in this Submission.

Recommendation 1 *That differential Subsidy Rates be established to recognise the difference due to size in operating a viable Nursing Home.*

Recommendation 2 *That both the level of funding and eligibility criteria for Viability Supplement be reviewed.*

Recommendation 3 *That all residents admitted to a Nursing Home with an ACAT High approval be funded at a minimum Category 4 classification, irrespective of subsequent RCS classifications.*

Recommendation 4 *That additional requirements, based on changes stemming from both Federal & State legislation be funded through a method of indexation that takes these factors into account.*

Background Information on Aged Care Victoria Inc.

As the largest peak aged care body in the State, Aged Care Victoria (ACV) exists to influence philosophies, policies and programs for the well-being of older Victorians.

ACV comprises 315 not-for-profit organisations providing residential and community care services for an estimated 38,278 residents, occupying 5,733 nursing home beds, 13,338 hostel beds, 6,207 independent living units and 13,000 estimated Community Care Clients.

Members include church, charitable, local Government and community services.

ACV's mission is to be at the forefront in the development and promotion of aged care policy in Victoria which, in turn, translates into the provision of high quality aged care for older Australians "regardless of individual circumstances".

Some of ACV's main objectives are to:

- Provide information, advice and services to support day to day operational needs of members.
- Present the policies, needs and position of members to all levels of governments.
- Disseminate information concerning existing and proposed government legislation. Provide advice on administrative, financial or other matters affecting aged and community care services.
- Develop skills, knowledge and experience to support effectively members providing services across a continuum of care from community to residential services.
- Promote independence of member organisations through education.
- Co-operate with other organisations who provide services and support to older Australians and carers.
- Promote and assist in the welfare of aged and/or disabled persons; and
- Promote understanding of the aged and community care services.

ACV's Purpose

1. To promote our members' services and to service their needs.
2. Policy initiatives based on sound research.
3. Education programs which foster independence.
4. Effective and constructive liaisons with other peak bodies.
5. Government influence at all levels to achieve member needs.

ACV's Vision

Aged Care Victoria's vision includes the following:

- Members value the services and leadership provided by Aged Care Victoria and are committed to its goals and future direction.
- Aged Care Victoria, together with Aged Care Australia, initiates and distributes well researched aged care policies which lead/influence government.
- Aged Care Victoria members who can take full advantage of commercial opportunities (in a business sense) resulting from changes to government policy in an environment which is becoming increasingly competitive, self-funded, and provides audited standards of quality assurance.
- The views of Aged Care Victoria are frequently sought by a variety of media outlets as an authoritative and respected industry leader.
- Aged Care Victoria and Aged Care Australia, in association with other peak bodies, develops and promotes aged care policies which enables the industry to speak with one voice.
- Members of Aged Care Victoria respond readily, willingly and ably to opportunities to innovate or improve the range and provision of services to meet current and emerging consumer needs.

ACV's Mission

The mission of Aged Care Victoria is:

"To be the leading peak organisation in the development and promotion of aged care policy and high quality standards of service delivery resulting in outstanding care for all older persons regardless of individual circumstances."

Aged Care Australia Submission

Aged Care Victoria Inc. supports the detailed submission, submitted by our peak body, Aged Care Australia and this submission provides additional information that has particular relevance to the position in Victoria that may not be included in the Aged Care Australia Submission.

Victorian Voluntary Sector Nursing Home Profile

Aged Care Victoria Inc. has at the time of this submission a Nursing Home membership of one hundred & fifty eight (158) facilities who provide residential care and accommodation to 5,733 residents, with the size of facilities ranging from four (4) beds to one hundred & ninety (190) beds.

71.50% of our Nursing Home membership, accounting for 49.50% of the Nursing Home beds in our membership, are thirty (30) beds or less. The Nursing Home profile is as follows:-

Size	No. of Nursing Homes	No. of Beds
1-15	21	232
16-29	16	332
30	76	2,280
31-40	6	229
41-50	14	646
51-60	13	770
61-80	5	351
81-100	2	192
101	5	701
	158	5,733

Of these 158 Nursing Homes, 89 are metropolitan based, and 69 are rural based.

Aged Care Victoria Inc. believes that the frail aged who have lived in rural communities should not be required to travel greater distances, and thereby leave family and friends who provide support and assistance to that resident. There is a need to provide Residential Aged Care facilities in rural areas so that residents, in the latter stages of their lives, are not relocated to distant places away from family, friends and possibly local community support.

It is well documented and researched that smaller facilities operate at a higher cost per bed day. For these facilities to remain viable, differential subsidy rates have to be provided which recognise the higher bed day costs of operating a small (say less than thirty 30 beds) facility to that of operating a larger (say sixty 60 beds plus) facility.

Recommendation 1 *That differential Subsidy Rates be established to recognise the difference due to size in operating a viable Nursing Home.*

Loss of Funding for Small Nursing Homes

Under the previous funding arrangements, some small Nursing Homes were entitled to additional funding. This funding was the 24hr Registered Nurse Top-Up Cover and the Designated Nursing Home Funding.

The 24hr Registered Nurse Top-Up Cover was for those Nursing Homes whose Nursing & Personal Care hours, as determined by the Resident Classification Instrument, did not result in at least 24 hours of notional funding per day to employ a Registered Nurse.

The Designated Nursing Home funding was for those homes that were in remote locations, or who catered for special needs groups.

The above funding has been replaced under the new funding arrangements, by the Viability Supplement. This Supplement is provided to facilities in rural, remote and isolated areas, or those facilities predominantly providing care to the financially disadvantaged, or for special needs groups. In order to receive the supplement a facility must apply and be assessed against an eligibility criteria.

With the introduction of the new funding arrangements most of the facilities who were receiving funding under the previous arrangements will be financially penalised when the phasing in process is completed. This is demonstrated by the following:-

Facility	No. of Beds	24hr RN Top-Up \$	Viability Supplement \$	Loss \$
1	10	41,328	11,862	29,466
2	14	42,848	8,760	34,088
3	20	20,476	-	20,476
4	16	34,000	5,728	28,272
5	10	50,413	11,862	38,551
6	20	15,654	-	15,654
7	19	39,949	9,855	30,094
8	10	52,240	11,862	40,378

There is a very significant reduction in the income of the service provider and despite the Commonwealth position, the service provider has to abide by the Nurses (Victorian Health Services) Award 1992 in particular Nurse/Resident ratios and somehow provide for these increased costs from within its own resources. Effectively this means the service provider **has** to provide the same level of nursing care but with significantly reduced funding.

It may be argued that the facilities should relocate with other services within the region but this would be resisted by local communities as the Nursing Homes are an integral part of these communities.

It must be remembered that these Nursing Homes were built with the full support of the Commonwealth and with significant local/community funding input when the Government's policy to encourage small home like Nursing Home units to be co-located with rural hospitals. At the time these facilities were built appropriate levels of recurrent funding were provided to support such units.

Recommendation 2 *That both the level of funding and eligibility criteria for Viability Supplement be reviewed.*

Financial Issues Relating to the Viability of Small Nursing Homes

Under the Nurses (Victorian Health Services) Award 1992, there is a requirement for Nurse/Resident Ratios which are as follows:-

- a. Day and Evening Shift 1 Division 1 (Registered Nurse) or Division 2 (State Enrolled Nurse) for each ten (10) residents or part thereof (see requirement c. also).
- b. Night Shift 1 Division 1 (Registered Nurse) or Division 2 (State Enrolled Nurse) for each fifteen (15) residents or part thereof (see requirement c. also).
- c. **Not less than one (1) of the nursing staff on duty on each shift must be a Division 1 Registered Nurse.**

This Nurse/Resident Ratio was reaffirmed by the Australian Industrial Relations Commission on 11 March 1996 (application for variation S113).

The Award states that a person in charge of a Wing or Ward or the Nursing Home in the absence of the Director of Nursing has to be paid at the Award Rate of Pay equivalent to a Division 1 -Registered Nurse Grade 4A or 4B.

As a result of the above Award requirements, all Nursing Homes in Victoria suffer a significant cost penalty, when compared with the regulations in the other States & Territories which do not stipulate a nurse/resident ratio.

Small Nursing Homes, because of their limited funding are not able to employ specialist Non Nursing Staff. In many cases it is often left to the Director of Nursing to explain, present and collect all of the of the information required under the Aged Care Act, where in larger facilities this would be undertaken by full-time specialist administrative staff.

Nursing Homes, in particular small Nursing Homes have to ensure, wherever possible, that only High Level Care residents, preferably at the highest level of care, are accommodated because of the necessity to maintain a base roster to provide minimum care coverage.

Under the previous system the minimum funding was Category 5 which under the Transitional Funding Arrangements, was \$51.77 per day, compared to the present daily Low Care Funding rates of Category 5 - \$34.29, Category 6 - \$28.41, and Category 7 - \$21.81.

Therefore should a new resident be admitted with an ACAT High approval and the subsequent appraisal under the RCS result in a low care category score this would result in an annualised loss of subsidy income per resident of \$6,380 (Category 5), \$8,526 (Category 6) and \$10,935 (Category 7).

This is particularly a concern in some country areas where High Care Residents may not be available. The question that each facility has to ask is whether they leave a bed empty or admit a Low Care Resident with lower revenue. This is a major dilemma because of the huge financial consequences.

Recommendation 3 *That all residents admitted to a Nursing Home with an ACAT High approval be funded at a minimum Category 4 classification, irrespective of subsequent RCS classifications.*

Continuous Improvement Program Through Achieving High Compliance with Outcome Standards and On-Going Education

There should be recognition that all Victorian Nursing Homes are implementing continuous improvement programs through meeting Outcome Standards and through providing care to more dependent residents.

Over the years the Industry has had to comply with the ever changing requirements of Government. The Standards Monitoring process via monitoring 31 Outcome Standards, evaluated the quality of life and care provided to residents of Nursing Homes. The experience of those who participated in the Standards Monitoring Team evaluations was that in order for each facility to maintain the appropriate quality of life and care levels there was a need to continually review the services provided.

Based on a random sample of twenty (20) homes from both the Not For Profit and the For Profit sectors, it is clearly demonstrated that the Not For Profit sector performed better than the For Profit sector.

The details of the random sample, based on published Standards Monitoring Team Reports during the period 1996 to 1998, are detailed below:-

	Standards			
	Met	Unmet Urgent Action Required	Unmet Action Required	Total
Not For Profit	556	20	44	=620
For Profit	457	87	76	=620

	Not for Profit	Private
% of Standards Met	90	74
% of Urgent Action Required	3	14
% of Action Required	7	12

It is considered that the above supports our belief that the Not for Profit providers contribute more resources in providing care for their residents than does the For Profit sector.

Victoria has traditionally accommodated residents with higher care needs than all the other States & Territories. The complex care required by Victorian residents has been provided through specialised nursing, palliative care and complex pain management. It is considered that further contributing factors in Victoria are early discharge from public hospitals.

This high level of dependent residents is evident under both the previous assessment instrument, the RCI as well as under the new instrument the RCS.

Set out below are comparisons of Victorian dependency levels as compared to the national average, based on the number of residents classified under the RCI, at September 1996 and based on the actual distribution of the RCS as detailed in Table 2.10 of the Review of the Resident Classification Scale (July 1998).

Resident Classification Instrument

Category	Victoria		Nationally	
	No.	%	No.	%
1	1,115	6.89	4,623	6.78
2	7,429	45.89	28,970	42.47
3	6,429	39.72	25,988	38.10
4	1,098	6.78	7,262	10.65
5	116	0.72	1,363	2.00
Total	16,187	100.00	68,206	100.00

Resident Classification Scale

Category	Victoria		Nationally	
	No.	%	No.	%
1	2,712	15.15	9,549	12.58
2	8,230	45.98	32,576	42.90
3	5,671	31.69	26,606	35.04
4	1,285	7.18	7,196	9.48
Total	17,898	100.00	75,927	100.00

Victorian Nursing Homes have for a number of years provided care to more dependent residents than other States & Territories. This has been reflected over the years through a resident mix comprising a greater proportion of higher care than the national average.

Whilst there has been a higher level than the National average of more dependent residents in Victoria who have attracted greater subsidy income, unfortunately with the changes to the indexation methodology together with additional and new costs, this greater income has not kept pace with the increase in cost of care.

Government emphasis on not accommodating long term in acute beds as may be the practice in other States and also the actual availability of Nursing Home beds on a per capita basis is less than some other States.

Recognition should be given to the Not For Profit Sector for commitment to continuous improvement through high achievement in the Standards Monitoring process and through providing care to more dependent residents.

Aged Care Victoria Inc. offers a wide range of seminars and workshops as part of a continuing education and development program. These seminars and workshops are offered in metropolitan and rural areas.

Some of the course offered in the last twelve (12) months have been:-

- Manutention
- Human Resources Management
- Food Hygiene (at 21 metropolitan and country locations)
- 5 Board of Management Dinner Seminars (with various speakers)
- Managing Change (at 8 metropolitan and country venues)
- Community Care Conference
- 14 RCS Workshops (both country and metropolitan venues)
- NH20 Workshop
- Funding, RCS and Accreditation
- OH&S in Community Care
- Day Care Co-ordinators Workshop
- Staff/Performance Appraisal Workshops
- External Suppliers Workshop
- Financial Management (including Budget and Accommodation Bond Workshops)
- held at 8 locations across Victoria)
- Quality Tendering Seminar
- Documentation and Improvement (at 7 venues across Victoria)
- Enterprise Bargaining

- Accreditation and Auditing
- Lifestyles
- Duty of Care (various metropolitan and country venues)
- Dementia Care
- 2020 Vision Seminar.

Increases in Cost that Have Not Been Included in the Funding

The current funding arrangements are an extension of the previous CAM/SAM funding arrangements. When CAM/SAM was introduced in July 1987, SAM costs were based on costs that were current in 1984/85 which were indexed to 1987/88.

In 1991 the then Department of Health, Housing & Community Services undertook a review of the Standard Aggregated Module (SAM) funding arrangements. This review amongst other matters "examined the appropriateness of the level of SAM in providing the infrastructure resources to Nursing Homes, having regard to:-

- the adequacy of factors used in indexing SAM since 1984/85;
- the impact of changes in the Nursing Home program since 1984/85 on the provision of infrastructure services and costs; and
- matters raised in the submission.

The Report provided evidence that there should have been an increase in SAM, based on a number of factors, which would have been equivalent to about \$1.53 per resident per day, in 1991/92 prices. (Refer to Department of Health, Housing and Community Services report September 1991)

Professor Gregory in his Review of the Structure of Nursing Home Funding Arrangements Stage 1 posed the question "Should SAM vary by State?"ⁱ. Professor Gregory concluded that "a uniform level of SAM on the basis of these calculations disadvantages Victorian Homes to the extent of \$ 1.11 per bed day".

The \$1.11 was arrived at by determining the differences from the average for the total costs for labour, rates & taxes, waste disposal, fuel, light, power and gas.

These additional non funded costs of \$1.53 and \$1.11 per bed day had to be funded through efficiency increases, so there is now little room for further efficiency increases.

ⁱ *Review the Structure of Nursing Home Funding Arrangements - Stage 1 (Prof. R Gregory) Department of Health, Housing, Local Government and Communities - Act and Community Care Division No. 11 August 1993.*

Further Cost Imposts to be Provided from Current Funding

- a. CAM/SAM saw an increase in services to be provided. The Aged Care Act has introduced Building Certification and Accreditation putting further cost pressures on facilities.

It is anticipated that Accreditation will result in further pressure on operational viability because of the cost of educating staff and implementing and maintaining requirements for Accreditation.

This is considered mainly a short term problem for many Homes however, it could well be a major problem for many small operators, because of the lack of available staff time, bearing in mind the pressures on staff time and the limited staff numbers.

- b. The Victorian Food Act 1998, requires all food premises and vehicles, to put into place a food safety program. Premises, such as Nursing Homes have to implement a schedule for Food Safety Program compliance. The requirements of the Food Safety Program are:-

Requirement	Implementation Date
Training Plan	30 September 1999
Hazard Analysis	31 December 1999
Hazard Control	31 March 2000
Recall Procedure	30 June 2000

At this stage it is too early to assess the likely cost of implementing this compliance program.

- c. By 31 July 2002, all Victorian Nursing Homes will have to comply with the Building (Amendment) Regulations 1997, which states that a residential type five sprinkler system that complies with Australian Standard AS2118.4 - 1995 must be installed.

It has been estimated by Health Science Planning Consultants and Architects, who specialise in the Aged Care field that it costs an existing thirty (30) bed Nursing Home approximately \$50,000 to comply with this legislation.

Obviously, recognition is required through Government Subsidies to take into account the regulatory costs outside the other operational costs of the Nursing Home.

Indexation

Approximately 95% of the staff employed in Victorian Nursing Homes are employed under either the Nurses (Victorian Health Services) Award 1992 (Registered & State Enrolled Nurses) or Health & Allied Services - Victoria Consolidated Award 1995.

Since the introduction, on 1 July 1996, of the current indexation methodology, which is based on a weighted cocktail index of the Safety Net Adjustment (as a measure of the change in wage costs) and the Treasury Measure of Underlying Inflation (as a measure of changes in non wage costs) the only wage increases have been the flow-on from the Safety Net Adjustment.

Currently, the Australian Nurses Federation has tabled a log of claims, which will result, over a period of time, in an increase to Registered & State Enrolled Nurses, of 13%. Currently a difference of \$103.30 per week for a Grade 4 Registered Nurse exists between the Public & Private Nursing Homes. The difference for State Enrolled Nurses (Division 2) is currently \$45.85 per week.

	Rates in Public Nursing Homes	Rates in Private Nursing Home	Difference Now	Difference by 2000
Grade 4A	\$901.80	\$798.50	\$103.30	\$148.39
Division 2 Nurse Pay Point 3	\$542.00	\$496.15	\$45.85	\$72.95

Based on the current award requirements, this log of claims will result, over a two or three year period, in an additional cost of \$49,960 for a thirty (30) bed facility. This does not include any increases in shift allowances. This additional cost would exceed any subsidy increase as a result of the indexation methodology and unless additional subsidy income is provided the viability of nursing homes is problematical.

Whilst this differential is a problem in recruiting good staff there are also difficulties in retaining high quality staff in the Private sector on a long term basis and provide continuity of care.

At the time of making this submission, Aged Care Victoria Inc. is not aware of any Nursing Homes in Victoria, in the Not for Profit sector, that have entered into an Enterprise Agreement. Additionally, it is understood the Australian Nursing Federation (ANF) will not enter into an Enterprise Agreement until the Commonwealth Government has clarified its position on the ongoing funding of wage increases for Nursing Home staff.

Due to the generally small size of facilities and the lack of funds to meet the consequential wage increases there is little prospect of any efficiency offsets or productivity gains.

The 1991 SAM Review recommended a new indexation procedure under which-

- the base non labour cost to be indexed be recalculated each year using a Nursing Home specific index and that this then be indexed using the then Department of Treasury CP1 forecasts;
- the base labour costs to be indexed be recalculated each year according to the applicable award wage index and that this be indexed using the Department of the Treasury forecasts of Average Award Wages; and
- Return on Investment (R01) will continue to be indexed according to the movement in the CP1.

Recommendation 4 *That additional requirements, based on changes stemming from both Federal & State legislation be funded through a method of indexation that takes these factors into account.*