



WESLEY

UNITING MISSION INC

WE EXIST TO SERVE

15 September. 1998

Nursing home subsidies enquiry  
Productivity Commission  
PO Box 80  
BELCONNEN ACT 2616

### **Nursing Homes Subsidies Inquiry**

Throughout the 1960's, 1970's and 1980's wages were usually controlled through State based Awards and this resulted in a range of variations of costs for the provision of Nursing Home Care. The past few years have seen a change to Federal based Awards and a narrowing of the cost differential because of the high wage component 70-80% in Nursing Home Care.

The 1986/87 reform of the Nursing Home Funding system acknowledged this factor and provided for variable subsidy rates across the States for the Care Aggregated Module. That basis is no longer valid in the late 1990's, and in fairness to the lower funded States that have to deliver the same levels of care, and meet the same Certification and Accreditation Standards, must be modified to provide similar levels of funding for similar needs residents.

The Resident Classification Scale Review Final Report notes that there are varying responses financially across states as a result of the Aged Care Reform process. The report cites high level care funding reductions in Queensland (\$0.16 per resident day) and South Australia (\$0.57 per resident day). This is in part due to the resident mix, but also must have some relationship to the subsidy variance. The ranking of the subsidies by State is:

<b>State/Territory</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Level 4</b>
Tasmania	\$108.13	\$97.82	\$84.42	\$60.39
Victoria	\$106.63	\$96.20	\$82.70	\$58.51
Northern Territory	\$103.60	\$93.62	\$80.48	\$56.96
New South Wales	\$101.69	\$91.82	\$78.98	\$56.03
Western Australia	\$98.45	\$88.85	\$76.35	\$53.98
Australia Capital Territory	\$98.26	\$88.93	\$76.86	\$55.18
South Australia	\$95.13	\$86.09	\$74.26	\$53.14
Queensland	\$87.74	\$79.15	\$67.98	\$48.01

### **Wesley Uniting Mission**

This Mission operates a 45 bed 'Nursing Home' at Kilburn in South Australia.

This is situated in one of the western suburbs that are much more impoverished than many other suburbs of Adelaide.

The resident classification profile is:

<b>Classification</b>	<b>Percentage</b>
Level 1	4.4%
Level 2	33.3%
Level 3	46.7%
Level 4	6.7%
Low Level Care	8.9%
Total	100.0%

This year the operational cost per bed day is \$113.19. It is expected that there will be a deficit of \$4.57 per bed day and that is the financing interest on borrowings cost of building the facility.

Were we funded at the level of other States the annual increase based on our present resident mix would be:

<b>State/Territory</b>	<b>Increase</b>
Tasmania	\$90,177
Victoria	\$134,320
Northern Territory	\$99,269
New South Wales	\$75,504
Western Australia	\$34,474
<u>Australia Capital Territory</u>	<u>\$39,997</u>
Queensland - Decrease	-\$97,145

### **Wage and Wage-related Costs**

Any increase in the subsidy should reflect the real cost increases for the provision of care. The ratio of 75/25 of wage to non-wage costs can often create a shortfall for specific organisations and for the Industry.

Ideally each facilities increase should increase according to the varying years of service that its staff have achieved. Unless this happens, an organisation that has more rapid staff turnover and a policy of employing cheaper staff will be disadvantaged whilst those retaining staff will always lose funds.

The ratio is reasonable if the mix is taken out on the Nursing Home type staff increases and the basket of goods used through the nursing homes, and not just generic indices.

The Commission needs to undertake cost comparisons across the States and Territories to reflect the various nursing home staff Awards and the proportion of the staff that are employed in the sector

Over-award payments are not common in the sector because of the funding base. Increases in payments above the Awards would result in an increased deficit for facilities. Variations between Public Sector hospitals and Aged Care create increased difficulty in attracting the right type of staff.

Enterprise bargains and certified agreements are becoming more common as the Unions seek to gain increases in wages, and this can now only be achieved through enterprise bargains or certified agreements.

### **Future Trends**

Whilst there will always be a disparity of costs across jurisdictions, it is my belief that this is likely to be less than it has been previously because of the national awards already in place.

### **Non-Wage Costs**

Various surveys over the years have shown significant variations for non-wage costs but they have not been logically explained. For example an older building should be higher in maintenance costs, newer facilities have more surface area to clean etc, but the variations that I have seen do not necessarily reflect such rationality!

I have been involved in the Industry for over thirty years, predominantly in the finance / administration / peak body areas.

A handwritten signature in black ink, appearing to read 'Kelvin Dickens', with a stylized flourish at the end.

*Kelvin Dickens*  
Director of Aged Care Services