

Ballarat Health Services

Submission to the Productivity Commission Inquiry into Nursing Home Subsidies

Introduction

The Board of Management of Ballarat Health Services along with the Executive, staff and customers of our aged care service welcome this inquiry into Nursing Home subsidies. It has long been a contentious point of those working within the public sector of aged care that the level of subsidy being paid is insufficient to meet service and community demands. The opportunity to provide some input into this inquiry is both welcomed and applauded.

Background

Ballarat Health Services came into being in October of 1996 and was primarily the culmination of the merger between the 2 major health service providers for Ballarat and the surrounding region, Ballarat Base Hospital and the Queen Elizabeth Centre, Ballarat, the latter being the provider of aged care services. In the aged services area, Ballarat Health Services currently operates 270 nursing home beds, 267 hostel beds, 25 bed sub acute geriatric evaluation and management unit, 30 bed sub acute, inpatient and rehabilitation in the home, 22 independent living units, approved provider for 35 EACH packages and is the auspicing provider for LINKAGES. We are also the regional provider for ACAS services, and domiciliary services

Ballarat Health Services - Queen Elizabeth Centre has long been the main provider for aged services in the Victorian Grampians region and are one of the biggest if not the biggest operators of public nursing home beds in the state. Due in part to our physical size and in part to our concerns with the current levels of nursing home subsidies, we have deep reservations regarding the process of coalescence which would further seek to lower the level of these subsidies. The ramifications of such a move could prove catastrophic to both Ballarat and the region it serves.

State Based Subsidy Determination

Ballarat Health Services supports the concept of state-based subsidies reflecting cost differences beyond the control of providers. However there should be clear definition of what is within the control of providers in the public or private sectors of the industry. Despite changes in workforce legislation, wage determination in the public sector is still centralised and the staff labour force is more highly unionised than is the case in the private sector. Ballarat Health Services accepts that a differential subsidy regime should take account of the full range of differences across various sectors provided that such differences as public sector governance and accountability issues are also given appropriate recognition.

The overall levels of funding for nursing home/high level care, when considered in the context of the dependency levels of the resident themselves, represent an inescapable incentive for cost-effective service.

Sector Based Wage Issues

It has long been the opinion of those working in the Victorian public sector of the aged care industry that nursing home subsidy levels have been somewhat lacking in their ability to satisfactorily meet all operational and recurrent costs associated with the running of a nursing home. There appear to be many factors influencing this.

1. Award Wage Costs

We have been subjected to award wage increases which are often the result of industrial actions being commenced and undertaken in the Victorian acute hospital public sector that have had a flow on effect to the public aged care sector. This is particularly true of the registered nurses (division 1) award. The result being an ever widening gap between wage rates in the public and private sectors (see table 1). If the wage claim by nurses in the private sector which is currently making its way through the industrial relations court is successful, this gap may decrease or even close as applied to base rates of pay.

2. Staff Skill Mix

While the base rate wage gap between the two sectors may close, we don't expect that this gap in terms of the total wages bill to close completely as the public sector does not enjoy the same flexibility with staff skill mixes as our counterparts in the private sector. Predominantly through the actions of nursing unions we have found it difficult to introduce cheaper non-nurse labour into nursing homes as there seems to be a philosophical opposition by the unions to the idea of the use of non-nurses as direct care providers. As a consequence not only are we forced to employ a group of staff which by virtue of their qualifications cost more (Division 2 Registered Nurses), but through the fact that we operating in the public sector we are forced to pay proportionately more for them.

3. Staffing Ratios

Under the current nurses award we are bound by staffing ratios which dictate minimum numbers of nurses to residents, those being 1 to 10 during day and evenings and 1 to 15 during nights. As this stipulates that only nurses may fulfil the ratio requirements this further inhibits our ability to successfully alter the skill mix of care givers.

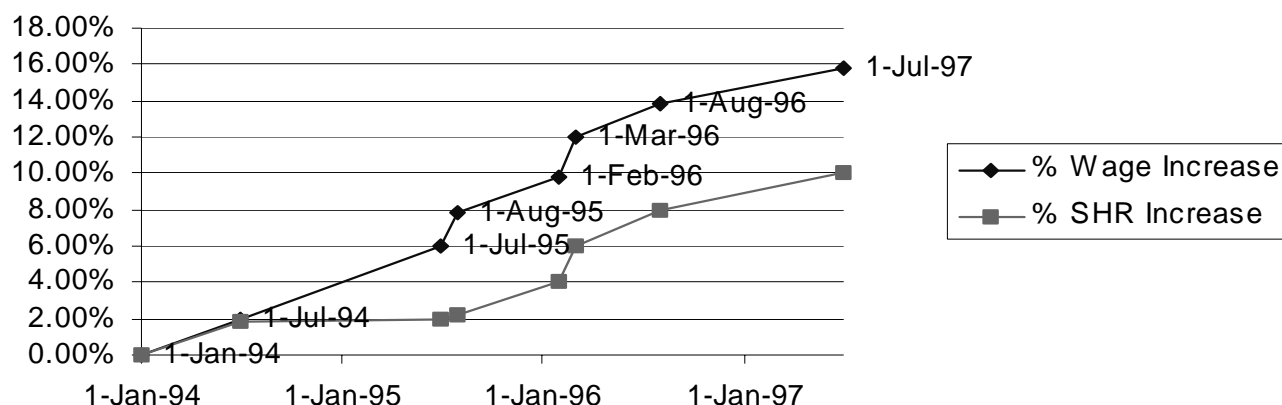
The following table demonstrates the differences in the base rates of pay for some classifications of care providers in both the public and private sector. It also attempts to demonstrate the disparity in the total wages bill for a given roster (2 week period) for a 48 bed nursing home unit.

Table 1

Staff Grp	Payroll Classification	Cost Per Roster		Variance	Variance
		Public	Private	(\$)	(%)
RN4A2FT	YW2	\$ 1,909.56	\$ 1,684.92	\$ 224.64	13.33%
RN3A2FT	YT2	\$ 2,017.28	\$ 1,826.48	\$ 190.80	10.45%
RN3A2PT	YT2	\$ 3,837.94	\$ 3,494.84	\$ 343.10	9.82%
RN3A1CAS	YT1	\$ 1,481.16	\$ 1,347.91	\$ 133.25	9.89%
SENL4FT	IB14	\$ 1,370.23	\$ 1,258.74	\$ 111.49	8.86%
SENL5FT	IB15	\$ 2,644.88	\$ 2,425.22	\$ 219.66	9.06%
SENL5FT(Cert)	IB15	\$ 1,438.12	\$ 1,315.50	\$ 122.62	9.32%
SENL3PT	IB13	\$ 2,152.70	\$ 1,985.77	\$ 166.93	8.41%
SENL4PT	IB14	\$ 2,736.66	\$ 2,526.41	\$ 210.25	8.32%
SENL5PT	IB15	\$ 3,292.72	\$ 3,025.56	\$ 267.16	8.83%
SENL5PT(Cert)	IB15	\$ 982.14	\$ 901.47	\$ 80.67	8.95%
SENL3PT (Ther)	IB13	\$ 710.20	\$ 652.24	\$ 57.96	8.89%
SENL3CAS	IB13	\$ 484.66	\$ 444.09	\$ 40.57	9.14%
TOTALS		\$ 25,058.25	\$ 22,889.15	\$ 2,169.10	9.48%

Jurisdictional Subsidy Parity

Whilst there currently exists a wage disparity between the public and private sectors, Ballarat Health Services as an operator of nursing home beds in the public sector, would argue that the current subsidy level does not equate with the level of expenditure we are required to make in order to deliver the service. While the process of coalescence has commenced, additional coalescence will only serve to further erode our economic viability and raise serious questions as to whether or not we should continue with the provision of a residential aged care service or more specifically nursing home care. Approximately 12 months ago Ballarat Health Services conducted an analysis of award wage increases versus subsidy level increases while still under the RCI system of funding since 1 January, 1994 (see Figure A, for detail on costing see attachment 1).

Figure A

Under the RCI system of funding 100% of the subsidies paid under the CAM banner were to be used to fund nursing and personal care staff. It was therefore relatively easy from a salaries and wages point of view to map income versus expenditure. Of course an assumption has been made that we have come from a zero base on 1st January, 1994 with subsidies matching salaries and wage expenditure when in fact this probably was not the case. As can be seen, calculations show that there was approximately a 5% short fall between the level of subsidy and the corresponding wage bill for nursing and direct care staff at the conclusion of the CAM/SAM system of funding on 31st August, 1997. It is the opinion of Ballarat Health Services that the legislative changes heralded by the New Aged Care Reform Act of 1997 has done nothing to alleviate this gap.

Whilst it is understood that increases in the "standard hourly rates" were primarily to reflect changes in workplace awards as applied to the private sector, this has left little comfort for those in the public sector who have had to cope with much larger wage variations but within the same level of funding. In short, in varying the subsidy levels to date it seems apparent that little recognition has been given to award wage provisions of those operating in the public sector of aged care. It seems apparent that there should indeed be changes to the way the nursing home subsidies are formulated but rather than opt for a coalescence of subsidies into a single national rate, the movement should be in fact in the opposite direction with different rates across jurisdictions. This would allow a much greater recognition of those costs borne by providers which are not within their control. As the greatest single cost in providing residential care is that the salaries and wages of staff, failure to recognise this fact in the funding levels is placing an expectation on the public sector to deliver the same quality of care with less staff.

Conclusion

Current subsidy rates do not correlate well with variations in wage/award structures as seen in Victoria between the private and public sectors. Although the achievements of a flexible labour market arrangement is high on the agenda for both state and federal governments, progress to date has been extremely slow in the public sector. Given the current requirement that any labour agreement cannot have an overall outcome which is less than award, the impact of wage differences will be difficult to overcome. Coalescence to national rates would reduce the potential viability of many nursing homes. Those homes which currently operate in the charitable or public sectors would possibly close or seek to privatise their facilities. Any bed closure would serve to further reduce access to services. Reduction of staffing levels, which would be the inevitable outcome of coalescing to national rates would significantly undermine the quality of residential care which could be offered. Ballarat Health Services are strenuously against any form of funding coalescence and would seek to have further input into any further proposals which would seek to change the current method of nursing home subsidy payments.

Revenue Based on a 48 Bed Unit Occupancy as at 1/7/97

1 st January 1994	SHR	Hrs/Week	Hrs/Day	\$/Day	\$/Week	Resident Mix	Revenue		
							\$/Day	\$/Week	Hrs/Week
Category 1	20.54	27	3.857	\$79.24	\$554.67	5	\$396.20	\$2,806.65	135
Category 2	20.58	23.5	3.357	\$69.10	\$483.70	24	\$1,658.40	\$11,748.12	564
Category 3	20.64	19.5	2.786	\$57.50	\$402.52	18	\$1,035.06	\$7,332.39	351
Category 4	20.83	13	1.857	\$38.68	\$270.79	1	\$38.68	\$274.04	13
Category 5	21.07	9	1.286	\$27.09	\$189.60	0	\$0.00	\$0.00	0
Totals							\$3,128.35	\$22,161.20	1063

1 st July 1994	SHR	Hrs/Week	Hrs/Day	\$/Day	\$/Week	Resident Mix	Revenue		
							\$/Day	\$/Week	Hrs/Week
Category 1	20.79	27	3.857	\$80.19	\$561.33	5	\$400.95	\$2,806.65	135
Category 2	20.83	23.5	3.357	\$69.93	\$489.51	24	\$1,678.30	\$11,748.12	564
Category 3	20.89	19.5	2.786	\$58.19	\$407.36	18	\$1,047.48	\$7,332.39	351
Category 4	21.08	13	1.857	\$39.15	\$274.04	1	\$39.15	\$274.04	13
Category 5	21.32	9	1.286	\$27.41	\$191.88	0	\$0.00	\$0.00	0
Totals							\$3,165.89	\$22,161.20	1063

1 st November 1994	SHR	Hrs/Week	Hrs/Day	\$/Day	\$/Week	Resident Mix	Revenue		
							\$/Day	\$/Week	Hrs/Week
Category 1	21.02	27	3.857	\$81.08	\$567.54	5	\$405.39	\$2,837.70	135
Category 2	21.06	23.5	3.357	\$70.70	\$494.91	24	\$1,696.83	\$11,877.84	564
Category 3	21.12	19.5	2.786	\$58.83	\$411.84	18	\$1,059.02	\$7,413.12	351
Category 4	21.31	13	1.857	\$39.58	\$277.03	1	\$39.58	\$277.03	13
Category 5	21.56	9	1.286	\$27.72	\$194.04	0	\$0.00	\$0.00	0
Totals							\$3,200.81	\$22,405.69	1063

1 st July 1995	SHR	Hrs/Week	Hrs/Day	\$/Day	\$/Week	Resident Mix	Revenue		
							\$/Day	\$/Week	Hrs/Week
Category 1	21.1	27	3.857	\$81.39	\$569.70	5	\$406.93	\$2,848.50	135
Category 2	21.14	23.5	3.357	\$70.97	\$496.79	24	\$1,703.28	\$11,922.96	564
Category 3	21.2	19.5	2.786	\$59.06	\$413.40	18	\$1,063.03	\$7,441.20	351
Category 4	21.38	13	1.857	\$39.71	\$277.94	1	\$39.71	\$277.94	13
Category 5	21.63	9	1.286	\$27.81	\$194.67	0	\$0.00	\$0.00	0
Totals							\$3,212.94	\$22,490.60	1063

1 st October 1995	SHR	Hrs/Week	Hrs/Day	\$/Day	\$/Week	Resident Mix	Revenue		
							\$/Day	\$/Week	Hrs/Week
Category 1	21.33	27	3.857	\$82.27	\$575.91	5	\$411.36	\$2,879.55	135
Category 2	21.37	23.5	3.357	\$71.74	\$502.20	24	\$1,721.81	\$12,052.68	564
Category 3	21.43	19.5	2.786	\$59.70	\$417.89	18	\$1,074.56	\$7,521.93	351
Category 4	21.62	13	1.857	\$40.15	\$281.06	1	\$40.15	\$281.06	13
Category 5	21.86	9	1.286	\$28.11	\$196.74	0	\$0.00	\$0.00	0
Totals							\$3,247.89	\$22,735.22	1063

1 st March 1996	SHR	Hrs/Week	Hrs/Day	\$/Day	\$/Week	Resident Mix	Revenue		
							\$/Day	\$/Week	Hrs/Week
Category 1	21.88	27	3.857	\$84.39	\$590.76	5	\$421.97	\$2,953.80	135
Category 2	21.91	23.5	3.357	\$73.56	\$514.89	24	\$1,765.32	\$12,357.24	564
Category 3	21.97	19.5	2.786	\$61.20	\$428.42	18	\$1,101.64	\$7,711.47	351
Category 4	22.14	13	1.857	\$41.12	\$287.82	1	\$41.12	\$287.82	13
Category 5	22.36	9	1.286	\$28.75	\$201.24	0	\$0.00	\$0.00	0
Totals							\$3,330.05	\$23,310.33	1063

1 st July 1996	SHR	Hrs/Week	Hrs/Day	\$/Day	\$/Week	Resident Mix	Revenue		
							\$/Day	\$/Week	Hrs/Week
Category 1	22.27	27	3.857	\$85.90	\$601.29	5	\$429.49	\$3,006.45	135
Category 2	22.3	23.5	3.357	\$74.86	\$524.05	24	\$1,796.74	\$12,577.20	564
Category 3	22.37	19.5	2.786	\$62.32	\$436.22	18	\$1,121.70	\$7,851.87	351
Category 4	22.54	13	1.857	\$41.86	\$293.02	1	\$41.86	\$293.02	13
Category 5	22.76	9	1.286	\$29.26	\$204.84	0	\$0.00	\$0.00	0
Totals							\$3,389.79	\$23,728.54	1063

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1 st July 1997	SHR	Hrs/Week	Hrs/Day	\$/Day	\$/Week	Resident Mix	Revenue		
							\$/Day	\$/Week	Hrs/Week
Category 1	22.65	27	3.857	\$87.36	\$611.55	5	\$436.82	\$3,006.45	135
Category 2	22.68	23.5	3.357	\$76.14	\$532.98	24	\$1,827.36	\$12,577.20	564
Category 3	22.75	19.5	2.786	\$62.38	\$443.63	18	\$1,140.75	\$7,851.87	351
Category 4	22.92	13	1.857	\$42.57	\$297.96	1	\$42.57	\$293.02	13
Category 5	23.15	9	1.286	\$29.76	\$208.35	0	\$0.00	\$0.00	0
Totals							\$3,447.50	\$23,728.54	1063

Date of Increase	Average SHR	% Increase	Cumul Inc
1 -Jan-94	20.73	0.00%	0.00%
1 -Jul-94	20.982	1.20%	1.20%
1 -Nov-94	21.214	1.11%	2.32%
1-Jul-95	21.29	0.36%	2.69%
1 -Oct-95	21.522	1.09%	3.80%
1-Mar-96	22.052	2.46%	6.36%
1-Jul-96	22.448	1.80%	8.27%
1-Jul-97	22.83	1.70%	10.11%
Overall Increase		10.11%	

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CAM Expenditure - Analysis of Award Increases

Date of Increase	1-Jan-94	18-May-94	1-Jul-95	11-Aug-95	1-Feb-96	1-Aug-96	1-Aug-96	1-Jul-97
Type of Increase								
SEN Actual Wage Cost Typical Pay Per.	\$20,096.92	\$20,427.89	\$21,356.36	\$21,687.32	\$22,088.35	\$22,649.60	Restructure	\$23,431.36
Sick Leave Loading (%3.00)	\$ 602.91	\$ 612.84	\$ 640.69	\$ 650.62	\$ 662.65	\$ 679.49	\$ 690.48	\$ 702.94
Annual Leave Relief Loading (%9.62)	\$ 1,932.40	\$ 1,964.22	\$ 2,053.50	\$ 2,085.32	\$ 2,123.88	\$ 2,177.85	\$ 2,213.07	\$ 2,253.02
Public Holiday Loading (%9.14)	\$ 1,836.70	\$ 1,866.95	\$ 1,951.80	\$ 1,982.05	\$ 2,018.70	\$ 2,069.99	\$ 2,103.47	\$ 2,141.44
Sub Total	\$24,468.92	\$24,871.89	\$26,002.35	\$26,405.31	\$26,893.58	\$27,576.93	\$28,022.96	\$ 28,528.76
Date of Increase	1-Jan-94	4-Oct-94	1-Jul-95	1-Aug-95	1-Feb-96	1-Aug-96	1-Aug-96	1-Jul-97
Type of Increase								
RN Actual Wage Cost Typical Pay Per.	10148.34	\$10,386.97	\$10,873.86	\$10,983.46	\$11,188.15	\$11,504.77	\$11,504.77	\$11,829.79
Sick Leave Loading	\$ 304.45	\$ 311.61	\$ 326.22	\$ 329.50	\$ 335.64	\$ 345.14	\$ 345.14	\$ 354.89
Annual Leave Relief Loading	\$ 975.80	\$ 998.75	\$ 1,045.56	\$ 1,056.10	\$ 1,075.78	\$ 1,106.23	\$ 1,106.23	\$ 1,137.48
Public Holiday Loading	\$ 927.48	\$ 949.29	\$ 993.78	\$ 1,003.80	\$ 1,022.51	\$ 1,051.44	\$ 1,051.44	\$ 1,081.15
Sub Total	\$12,356.07	\$12,646.61	\$13,239.42	\$13,372.87	\$13,622.09	\$14,007.58	\$14,007.58	\$14,403.31
DON Hrs (48hrs x \$35.00 x 2wks)	\$ 3,360.00	\$ 3,360.00	\$ 3,360.00	\$ 3,360.00	\$ 3,360.00	\$ 3,360.00	\$ 3,360.00	\$ 3,360.00
Therapy Costs (Wages)	\$ 1,433.80	\$ 1,480.70	\$ 1,508.00	\$ 1,583.40	\$ 1,610.70	\$ 1,643.20	\$ 1,747.20	\$ 1,748.20
Total CAM Cost / Pay Period	\$41,618.79	\$42,359.20	\$44,109.77	\$44,721.57	\$45,486.36	\$46,587.71	\$47,137.75	\$48,040.27
Percentage Increase	0.00%	1.78%	4.13%	1.39%	1.71%	2.42%	1.18%	3.12%
Cumulative Increase	0.00%	1.78%	5.99%	7.46%	9.29%	11.94%	13.26%	15.43%