

MAY SHAW NURSING CENTRE
WELLINGTON STREET, SWANSEA

All correspondence to be addressed to:

Director of Nursing
Telephone: (03) 6257 8114

THE ADMINISTRATOR
MAY SHAW NURSING CENTRE
COUNCIL CHAMBERS
SWANSEA 7190
TELEPHONE: (03) 6257 8115

OUR REF:

YOUR REF:

PRODUCTIVITY COMMISSION

NURSING HOME SUBSIDIES

A SUBMISSION BY

**MAY SHAW NURSING CENTRE
SWANSEA
TASMANIA**

INDEX

| | |
|------------|-------------------------------------|
| PAGE (11) | INTRODUCTION |
| PAGE 1 | REVENUE |
| PAGE 1-2 | EXPENDITURE |
| PAGE 2 | VIABILITY FUNDING |
| PAGE 2 | COALESCENCE |
| PAGE 3 | ACCOMMODATION BOND |
| PAGE 3 | WAGE AND WAGE RELATED COSTS |
| PAGE 3-4 | ALTERNATIVE FUNDING ARRANGEMENTS |
| ANNEXURE I | DETAILED WAGE COSTS 1997 AND 1998 |
| ANNEXURE 2 | VIABILITY FUNDING ANALYSIS TO 2004. |

(ii)

Introduction:

The May Shaw Nursing Centre is a 16 bed high care and 9 bed low care facility located in the coastal township of Swansea on Tasmania's east coast. It is leased from the Tasmanian Government by the Municipality of Glamorgan/ Spring Bay which manages it.

The Centre is classified as rural and remote. The municipal area is 2552 sq. km., with a total population of 4146. The total rate revenue for 96/97 was \$2.7 million with a total revenue of \$5.6 million. Expenditure in the same year was \$4.9 million.¹

The population is concentrated in its four townships; Bicheno 45 kms north of Swansea, Coles Bay 60 kms east of Swansea at the northern end of the Freycinet Peninsula, and Triabunna/Orford, 50 kms south of Swansea.

Until recently the Centre was deficit funded by the State Government. However, as the level of deficit funding by the State has reduced by 59.9% over the past two years, whilst the funding available from Commonwealth sources will continue to decline, the viability of the Centre is threatened.

The purpose of this submission is to show to the Productivity Commission the financial hardship being experienced by a small rural and remote aged care facility.

¹ Glamorgan/Spring Bay Council Annual Report 1997.

EFFECTS OF FUNDING CHANGES.

REVENUE

Being a small aged care facility, the major sources of revenue are limited to Commonwealth Contributions, State Contributions, and resident fees. The following table shows the effects on the revenue stream for the past three years.

FIG 1

| | 1995/96 | 1996/97 | 1997/98 |
|---------------------------|------------------|------------------|-----------------|
| Commonwealth Contribution | \$676511 | \$732430 | \$658632 |
| State Contribution | \$141898 | \$ 85000 | \$ 85000 |
| Resident fees | <u>\$205316</u> | <u>\$206706</u> | <u>\$176544</u> |
| | <u>\$1023725</u> | <u>\$1024136</u> | <u>\$920716</u> |
| Total Revenue | \$1056183 | \$1073802 | \$930786 |

Anecdotal evidence suggests the decrease in residents fees in 1997/98 was due to a public perception that an accommodation bond was payable by all entrants to an aged care facility regardless of classification.

Note that revenue has decreased from the Commonwealth Contributions in the 1997/98 year; from the State Contribution for the years 1996/97 and 1997/98; and the Residents fees in 1997/98

The Tasmanian Government has advised that (prior to the recent state election and change of government) of its intention to continue to reduce its contributions by 20% per year for the next five years until it would not be making any contributions to deficit funding at the end of that period.

EXPENDITURE.

With the exception of salaries, and superannuation contributions which are a function of salaries the major expenditures have been contained.

FIG 2

| | 1995/96 | 1996/97 | 1997/98 |
|--------------------------------|-----------------|-----------------|-----------------|
| Salaries | \$705801 | \$747439 | \$801051 |
| Superannuation | \$ 56669 | \$ 59455 | \$ 69743 |
| Workers Compensation insurance | \$ 48723 | \$ 57625 | \$ 33000 |
| Kitchen | \$ 34511 | \$ 33879 | \$ 32516 |
| Energy | <u>\$ 31499</u> | <u>\$ 29628</u> | <u>\$ 24477</u> |
| | <u>\$877203</u> | <u>\$928026</u> | <u>\$960787</u> |
| TOTAL EXPENDITURE | \$986106 | \$1057003 | \$1051993 |

Note that the 1997/98 salaries figure of \$801051 includes \$40,000 which in previous years had been costed under Administration.

Viability Funding.

Indicative figures prepared by the Commonwealth Department of Health and Family Services show the financial effects from the viability funding for rural and remote facilities will have an adverse impact on the May Shaw Nursing Centre's financial stream.

High Care.

| 3 year top-up funding | 3 year transition funding | 2001/2004 viability funding | 6 year loss/gain |
|--------------------------|------------------------------|-----------------------------------|---------------------|
| \$348204 | \$199393 | \$18144 | \$-164938 |

Low Care.

| 3 year- top funding | 3 year transition funding | 2001/2004 viability funding | 6 year loss/gain |
|------------------------|------------------------------|-----------------------------------|---------------------|
| \$- | \$12393 | \$9072 | \$21465 |

TOTAL EFFECT -\$143474.

COALESCENCE.

If the subsequent stages of coalescence are implemented in the future there will be an accelerated reduction in the Commonwealth contributions to the finances of the May Shaw Nursing Centre. By averaging out the basic subsidy rates and applying them to Resident categories 2 & 3 the effect would be:

| Category | | No. Residents | Present Subsidy |
|------------|-------|---------------|-----------------|
| Category 2 | \$100 | 16 | \$584000 pa |
| Category 3 | \$86 | 16 | \$502240 pa |

After averaging for coalescence

| | | | |
|------------|---------|----|----------|
| Category 2 | \$92.25 | 16 | \$538740 |
| Category 3 | \$77.75 | 16 | \$454082 |

In other words, assuming all of its high care residents were category 2 the reduction in revenue under coalescence would be \$45260. If they were category 3 the reduction would be \$48158

Accommodation Bonds.

In a rural and remote area it is difficult to attract care recipients to an aged care facility who can afford to pay large accommodation bonds. This is coupled with the fact that our facility, entry is based on need rather than capacity to pay. Therefore we are unable to "reserve" a bed for someone who can pay. It also means we accept residents regardless of their category. The result is we tend to admit those on a low category, for social reasons. In an urban environment their social needs are met by neighbours, social service agencies, and the like. So far we have been able to obtain one accommodation bond of \$20,000. Indications are that it will be a considerable period into the future before accommodation bonds will provide a ready source of revenue for the Centre!

Wage and Wage related costs.

The commonly exposed 75/25 ratio of wage to non-wage costs does not hold true with the May Shaw Nursing Centre experience. Our data for the years 1995/96, and 1996/97 and 1997/98 financial years give ratios of.

| | | |
|-------|-----------|---------------|
| 78/22 | 78.6/21.4 | and 84.5/15.5 |
|-------|-----------|---------------|

Note that in the years 1995/96 and 1996/97 Administration wages were costed to Administration rather than to salaries. "Wages" include salaries, annual leave, long service leave, and employer superannuation contributions.

Annexure 1 gives a breakdown of wages paid to the various categories of employees for the years 1996/97 and 1997/98. Data for the year 1995/96 is not available.

Alternative Funding Arrangements.

The experience of the May Shaw Nursing is that just as there are differences in basic subsidy rates across the states (and a whole range of factors brought them about) so costs vary from one facility to another in the same state. It has frequently been propounded that to be viable a facility must have at least 40 bed capacity. If the figure is not precise it does not matter. There is a "critical mass" which first must be obtained before viability can be considered.

There are certain fixed costs - it is required to have a Registered Nurse on duty at all times for one. In round figures that is a fixed cost of \$192,000. If the bed numbers doubled the cost of employing the Registered Nurses would not alter and the number of additional staff required to provide the required level of care would be minimal! The revenue would double but the only significant cost increase would be to energy and kitchen.

Rural and remote facilities tend to be small. Bulk purchases cannot be made to minimize costs, locally purchased goods tend to be higher priced than in urban areas, time taken to travel to conferences, training courses, and the cost of the associated travel are higher.

May Shaw Nursing Centre in 1997/98 traded at a loss of \$143,000 and after its reserves were taken into account, was subsidised by the Glamorgan/Spring Bay Council to the sum of \$70,000. Such a sum, and under the existing funding arrangements it will grow each year, and will become beyond the capacity of the Council to carry. The elected members at any time may choose to withdraw their support.

Alternative funding arrangements must be put in place which recognised the different cost of doing business between the states, within states and in particular the unique problems faced by small facilities classified as rural and remote.

Whilst this submission has been prepared using the May Shaw Nursing Centre data, the sentiments contained in it are endorsed by the Administrators of the Nubeena and Esperance Centres, Tasmania.

ANNEXURE 1

| | Hostel | | | Home | | |
|--------------|--------|-------|-------|--------|--------|--------|
| | 1996 | 1997 | TOTAL | 1996 | 1997 | TOTAL |
| DoN Wages | | 5942 | 6277 | 43917 | 46336 | 90253 |
| RN Wages | | 25489 | 25196 | 181125 | 187972 | 369097 |
| EN Wages | | 4542 | 2429 | 97547 | 104724 | 202271 |
| PC Wages | | 28731 | 30142 | 105390 | 107235 | 212625 |
| Kitchen Wg. | | 7434 | 7443 | 44897 | 46030 | 90927 |
| Dom. Wages | | 15578 | 24087 | 74142 | 71778 | 145920 |
| Bld. & Grds | | | | 5176 | 4891 | 10067 |
| Admin Wgs. | | | | 14341 | 37384 | 51725 |
| DoN a/l | | 129 | 367 | 3552 | 3995 | 7547 |
| RN all | | 1810 | 1942 | 15424 | 13726 | 29150 |
| En all | | 2978 | 101 | 16640 | 11715 | 28355 |
| PC all | | | | 4128 | 8570 | 12698 |
| Services all | | 476 | 2965 | 3332 | 7065 | 10397 |
| Admin all | | | | | 1952 | 1952 |
| DoN s/l | | | 26 | 618 | 1623 | 2241 |
| RN s/l | | | 82 | 4540 | 6972 | 11512 |
| EN s/l | | | | 2266 | 2099 | 4365 |
| PC s/l | | | | 1338 | 2049 | 33897 |
| Services s/l | | | | 266 | 4533 | 4799 |
| Admin s/l | | | | | | |
| DoN p/h | | 207 | 157 | 1863 | 1309 | 3172 |
| RN p/h | | 758 | 538 | 5339 | 3986 | 9325 |
| EN p/h | | | | 796 | 1010 | 1806 |
| PC p/h | | 572 | 682 | 2973 | 1807 | 4780 |
| Services p/h | | 979 | 1170 | 5398 | 5133 | 10531 |
| Admin p/h | | | | | | |
| DoN training | | 103 | 26 | 1435 | 183 | 1618 |
| RN training | | 110 | 117 | 2343 | 983 | 3326 |
| EN training | | 13 | | 837 | 380 | 1217 |
| PC training | | 13 | | 1129 | 2712 | 3841 |
| Services tr. | | 28 | | 1337 | 417 | 1754 |
| Admin trning | | | | | 123 | 123 |
| Emer. Wage | | | | 7200 | 9974 | 17174 |
| W/comp Wg | | 28 | 28 | 638 | 676 | 1314 |



Facsimile

Date: 14 July, 1998
TO: May Shaw
Attention: K Reid
Regarding:

Total pages. 1
Telephone:
Facsimile.

FROM:
Branch/Div.:

Telephone: (06) 289 1555
Facsimile: (06) 281 6946

If you do not receive all pages, please telephone the sender immediately

MESSAGE:

Ken.

regarding our phone call today, I can confirm that the financial effect on May Shaw Nursing Home from the Viability Funding for rural & Remote communities will have a negative impact on May Shaws finance stream.

HIGH CARE:

| 3 year Top Up Funding | 3 year Transition Funding | 2001-2004 Viability Funding | 6 Year Loss/Gain |
|-----------------------------|---------------------------------|-----------------------------------|---------------------|
| \$348,204 | \$199,393 | \$18,144 | -\$164,938.26 |

LOW CARE:

| 3 year Top Up Funding | 3 year Transition Funding | 2001-2004 Viability Funding | 6 year Loss/Gain |
|-----------------------------|---------------------------------|-----------------------------------|---------------------|
| -\$ | \$12,393 | \$9072 | \$21,465.00 |
| TOTAL = | | | -\$143,474.52 |

NB These figures are indicative only, calculations are based on 100% occupancy until September 2004

Pls. give me a call if I can be of further assistance

Nick

ⁱConfidentiality Note: The information contained in this facsimile is legally privileged and confidential information intended only for the use of the individual or entity named above. If the receiver of this transmission is not the intended recipient the receiver is hereby notified that any dissemination, distribution or copy of this facsimile is strictly prohibited. If this facsimile is received in error please notify the sender by telephone and return to the sender at the above address. Thank you
