



18th September, 1998

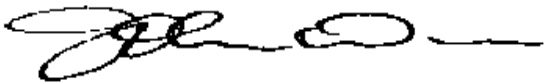
The Secretary  
Productivity commission  
P.O. BOX 80  
Belconnen ACT 2616

Dear Sir,

Thank you for the opportunity to respond to the inquiry into Nursing Home Subsidies.

Our submission seeks to demonstrate the need for a variable funding structure that allows for state cost variations.

Yours sincerely



John Wise  
General Manager Aged Services  
Melbourne City Mission  
Diamond Street  
Eltham.

**SUBMISSION TO**

**PRODUCTIVITY COMMISSION**

**MELBOURNE CITYMISSION**

## **BACKGROUND**

The Melbourne Citymission was established in 1854 as a charity to provide support to needy residents of inner Melbourne. It has continued to offer a wide range of services to people in need with a particular emphasis on the frail elderly.

The primary focus of the Mission is to work alongside people who are marginalised, at risk disadvantaged, frail or denied access to other services in order to improve and enhance their well being and maximise their human potential.

Programmes which enhance, care for and support people within a community environment rather than an institutional context should be a prime criteria for the delivery and provision of service.

The Mission currently provides services in the following areas:-

- Homelessness
- Employment and training
- Children and families
- Disability and special needs
- Hospice
- Aged services

The Melbourne Citymission has been an active provider of residential care services to the elderly for over forty years. It currently provides the following services to this target group:-

- 50 bed Nursing Home  
(Harold McCracken House) North Fitzroy
- 48 bed Hostel  
(Ravenswood) Reservoir
- Judge Book Retirement Village Eltham comprising:-
  - 45 bed Nursing Home
  - 50 bed Hostel
  - 48 bed Hostel
  - 122 independent Living Units
  - Day Therapy Centre

## **ORGANISATIONAL POSITION**

The Melbourne Citymission provides assistance to approximately 330 people within its service range. In 1997/98 the residential cue services operated at a combined deficit of \$153,900.00. We believe that while some economics could be made to our operations without unduly impacting on service quality the capacity to do so is quite limited.

The organisation has a range of factors that significantly impact on its capacity to make the level of adjustment needed under the proposed coalescence.

It is our position that any funding arrangements must take into account historical, regional and structural factors that shape the nature of service provided. In particular such matters as are substantially beyond the capacity of individual providers to effect. We would specifically request a continuation of a variable formula that takes into account state, costing, industrial structures and operational variables such as WorkCover.

## **KEY ISSUES**

The Melbourne Citymission has identified a number of key issues that impinge on its capacity to absorb the impact of any change to Victorian funding levels.

## **BUILDING QUALITY**

The Mission has building and plant that was substantially developed over 30 - 40 years ago. Apart from one new facility all our facilities are in constant need of substantial maintenance. In the case of our two Nursing Homes one needs to be completely rebuilt and the other requires a major upgrade. The funds available under new funding arrangements are demonstrably inadequate to meet costs associated with a total rebuild.

The Mission would be required to make a substantial contribution from its own funds even with existing operational funding arrangements. A substantial contraction in operational subsidies as envisaged would eliminate any capacity for the Mission to upgrade its facilities.

## **WAGE COSTS**

By far the most significant factor in determining relative operational costs relates to specific staffing ratios set in Victoria but not applying elsewhere in Australia. It can be easily demonstrated that compliance with state specific ratios substantially increase the unit cost of labour.

Victoria specifies criteria that affects salary cost in at least two ways.

(a) Nurse Mix

In Victoria, Nursing Home operators are required to employ either Division one or two Nurses according to a particular formula. Less qualified and consequently less paid staff can only be utilised in a limited way.

(b) Nurse / Resident Ratios

As the Productivity Commission is aware the ratios have a significant impact on staff where bed numbers fall outside specific ratios ie. 30 - 60 -90 beds. A facility with 50 beds is required to provide minimum qualified staff equivalent to a 60 bed Nursing Home.

Melbourne Citymission has a 50 bed facility but is unable due to site restraints to increase numbers to the most efficient level ie. 60 beds.

The Mission has undertaken a comparative analysis of its 50 bed Nursing Home. It has compared the labour unit cost under the 'constraints of the Victorian system with that needed under Commonwealth regulations. It demonstrates a core unit differential of \$215.32 per day or \$78,591.00 per annum.

We don't argue for a substantial change to the Victorian arrangement. It is our view that given the level of frailty of Nursing Home residents we need the experience that qualified Nurses in the numbers specified bring to the service. We strongly believe that to ensure continuity of quality that staffing and qualification levels as specified need to be maintained.

## **OTHER COSTS**

A cost variable that is difficult to control relates to Work Cover premiums. While we are not aware of systems applying in other states work cover charges in this state are highly volatile. Even with the best Occupational Health and Safety system in place, serious accidents can occur. A Nursing Home only requires one or two serious claims to face extremely high premium charges. One of our Nursing Homes pays a premium of 9.1% due to two serious claims that were substantially beyond our control.

## **SUMMARY**

The Melbourne Citymission operates its Aged Care facilities in an efficient / cost effective way We do however recognise that some economies need to be made if we are to be able to meet the future service demands of an ageing population. Our position however is that much of the responsibility for the control of inputs and outputs rests elsewhere. We don't oppose the need for additional financial support for other states but don't believe this should be at the expense of states such as Victoria.

## **CURRENT ROSTER**

State Staffing Levels

National Minimum Requirement

|                      | <b>Classification</b> | <b>Hours</b> | <b>Hourly Rate</b> | <b>\$</b> | <b>Classification</b> | <b>Hours</b> | <b>Hourly Rate</b> | <b>Gross Cost</b> |
|----------------------|-----------------------|--------------|--------------------|-----------|-----------------------|--------------|--------------------|-------------------|
| Morning<br>8 Staff   | Div. 1/4 Yr. 2        | 16           | 21.55              | 344.80    | Div. 1/4 Yr. 2        | 8            | 21.55              | 172.40            |
|                      | Div. 2/(4)            | 50           | 13.30              | 665.00    | S.E.N.                | 16           | 13.30              | 212.80            |
|                      |                       |              |                    |           | Nursing Assistant     | 42           | 12.10              | 508.20            |
| Afternoon<br>5 Staff | Div. 1/4a (2)         | 6            | 21.55              | 129.30    | Div. 1/4 Yr. 2.       | 6            | 21.55              | 129.30            |
|                      | Div. 1/2              | 6            | 16.07              | 96.42     | S.E.N.                | 6            | 13.30              | 79.80             |
|                      | S.E.N.                | 26           | 13.30              | 345.80    | Nursing Assistant     | 26           | 12.10              | 314.60            |
| Evening<br>4 Staff   | Div. 1/4a (2)         | 10           | 21.55              | 215.50    | Div. 1/4 Yr. 2.       | 10           | 21.55              | 215.50            |
|                      | Div. 1/2              | 10           | 16.07              | 160.70    | S.E.N.                | 10           | 13.30              | 133.00            |
|                      | S.E.N.                | 19.5         | 13.30              | 259.35    | Nursing Assistant     | 19.5         | 12.10              | 235.95            |
| Total                |                       |              |                    | 2216.87   |                       |              |                    | 2001.55           |

**Net Difference**  
**25% on Costs**

**\$215.32**    **\$78,591.00**  
**\$269.15**    **\$98,239.00**

