
FACSIMILE TRANSMISSION

Page 1 of 3 pages

TO: MR JIM ROBERTS
INQUIRY INTO NURSING HOME FUNDING
PRODUCTIVITY COMMISSION
PO BOX 80
BELCONNEN ACT 2617

FAX NO: 02/6240 3399

FROM: JIM TOOHEY
MANAGING DIRECTOR - TRICARE LIMITED

DATE: OCTOBER 9,1998

COPY TO. MS ODETTE WAANDERS - POLICY OFFICER
AGED CARE AUSTRALIA (FAX NO. 03/9686 3453)

SUBJECT YOUR LETTER OF 30 SEPTEMBER 1998

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Dear Mr Roberts

Re: Your Letter of 30/9/98 regarding relative labour costs - Nursing Home Funding

I am in receipt of your letter of September 30, 1998 requesting a comment by TriCare on the discrepancies between our findings of relative labour cost differences between states and those of Aged Care Australia.

I have referred the matter to the team who conducted the exercise and discussed the findings at length with them.

From the outset it should be said there is no "correct" methodology to adopt for this exercise. There are a significant number of variables between state industrial awards and staff mixes. Indeed, normal state by state staff mixes may vary as much as a result of different levels of funding as from the dictates of the award. Another important factor is the average size of

nursing homes in each state - this is why our survey used TriCare's smallest and largest stand alone facilities as comparisons.

In essence, we believe the following to be the major differences between the two studies:

- (1) The TriCare study is based on two rosters developed by experienced nursing managers and reflects, we believe, a "realistic" arrangement for a 60 and 148 bed nursing home respectively.

It appears that the ACA study was based on 11 "baskets" of staff mixes drawn from State rosters then aggregated to form notional rosters.

Whilst there is no criticism to be made of this methodology, we attempted to create rosters which reflected *actual* workplace requirements based on realistic resident needs stemming from the Resident Classification Scale. We were advised that no rosters from Queensland were included by ACA.

Finally, as noted in our submission, we contacted providers in various States to confirm the accuracy of the rosters we were using relative to the resident mix and awards requirements of each state. We were determined to compare rosters that were as reflective of "real life" as possible. The names of these contacts are listed in Section 14, page two, of Annexure "A" in the TriCare submission.

- (2) Our study included an estimate of costs related to annual and sick leave replacements and public holiday penalties. Whilst we acknowledge the difficulty in making an estimation of this nature, we relied on the experience of our nursing personnel, and the independent verification of providers in other states to do so. The impacts of these cost are significant and so we believed, they should be included.
- (3) We did not include on-costs such as superannuation, workers compensation and payroll tax. These were deliberately excluded on the basis that recent indexation increases included an allowance for superannuation changes, workers compensation costs can vary dramatically depending upon individual nursing home policy and practice, and there is a different component of funding between the church and charitable sectors and the private sector due to payroll tax.
- (4) Our study included allowances as per State awards such as uniform, laundry, close-call and meal allowances. These do not appear to have been included in the ACA study. Allowances are direct expenses that impact significantly upon roster costs. For example, the cost of allowances for the 148 bed facility in NSW is \$2,419.00 per fortnight compared to \$625.00 per fortnight in South Australia.
- (5) In its study, TriCare used *actual* penalty rates in accordance with the relevant State awards. In comparison, it appears that the ACA study has assumed standard penalty rates across all categories of staff across all states. Again this will create a significant difference in roster costs.

- (6) The rosters used in the TriCare study include all categories all staff required to operate a nursing home (with the exception of physiotherapists who are generally contracted) including catering and cleaning staff.
- (7) Our experience - and the experience of providers we spoke to in other states - is that the vast majority of nursing home staff are on the highest pay rate in the award. On this basis, we have used the highest rates. It appears the ACA study relied on a mid-point within each scale of pay rates for each category of staff.

Thank you for the opportunity to provide this information. I am happy to assist you further if required or to expand on these comments in greater detail if that would be helpful.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jim Toohey', with a stylized, cursive script.

Jim Toohey
Managing Director