



THE UNITING CHURCH IN AUSTRALIA - QUEENSLAND SYNOD
DIVISION OF AGED CARE & DOMICILIARY SERVICES
(Incorporating Blue Nursing Service Council)

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16 September 1998

Mr Mike Woods,
Commissioner,
Productivity Commission
PO Box 80 BELCONNEN ACT 2617

Dear Mr Woods,

SUBMISSION TO INQUIRY INTO NURSING HOME SUBSIDIES

The Uniting Church Division of Aged Care and Domiciliary Services (DACADS) is one of the largest providers of nursing home care in Queensland and is vitally concerned with the outcome of this Inquiry. We have been closely involved with the preparation of both the Aged Care Queensland (ACQ) and the Uniting Community Services Australia (UCSA) submissions to the Inquiry. As such, we wish, with this submission to strongly endorse the content and recommendations of these two submissions. The Aged Care Australia (ACA) submission contains valuable research findings and recommendations which we also endorse but it lacks some of the urgency and emphases which are critical to Queensland service providers seeking to have the funding inequity addressed. These Queensland perspectives are well covered in the ACQ submission.

Specifically, we would make the following submissions:

1. That a fair analysis of nursing home costs can only be done by examining the costs of providing care and services with exactly the same basket of goods and services in each State. Basing subsidies simply on current cost structures only serves to lock in state differentials that arise out of staffing mixes in 1984/85 which were used as the basis of CAM funding since 1987. These staffing mixes bear no relationship to equality of care quality for residents and the current subsidy differentials bear no relationship with the costs of providing equivalent care quality in the different states.
2. The evidence gathered by Aged Care Australia shows that nursing homes will expend funds on staffing costs to the extent that these funds are available and that higher subsidy rates lead inevitably to higher qualified staffing levels. Aged Care Queensland alleges that the corollary is also true and that lower funding rates in some States only serve to restrict qualified staffing levels in those States. Our own practice is to seek to live within our means and therefore to limit all expenditure to within income levels. As staff costs are the predominant costs (See Attachment A),

the result is a reduction in staffing levels to the funds available. With recent reductions in subsidies for high care residents, additional cost impositions relating accreditation and new administrative arrangements, and clarification of State requirements for poisons and medications, our current staffing levels while gallantly seeking to provide high quality care to residents, do leave us dangerously exposed to incidents that may compromise our ability to meet our duty of care to both residents and staff.

3. We submit that, whatever may have been the situation over a decade ago, there is no longer any justification for the maintenance of the nation's lowest nursing home subsidy levels for Queensland. In fact much of the evidence (such as that from the research commissioned by ACA) suggests that Queensland is a higher cost State being regularly at or above the national average for costs.
4. We believe that the evidence of cost differentials, both wage and non-wage costs, between States is not sufficient to warrant different subsidy rates between the States. We therefore support the Coalition Government's policy of a national rate of subsidy for all levels of care as presently exists for hostels and community aged care packages.
5. We submit that once evidence substantiates the justice of a national funding rate, (or even a narrower differential) movement towards that national rate (or new differential) should be immediate and substantial for those States below the national rate. We have no objection to a slower period of reduction for States that must reduce.
6. We would agree with ACQ in the submission that the use of excessive regulation to control an industry such as nursing homes leads to monotony, sameness and minimum standards of quality rather than experimentation, innovation and increasing quality through competition. Federal regulation should be limited to quality of outcomes rather than control of inputs through subsidy levels. We believe that the current regulatory and funding system that totally controls income to providers, specifies outcomes, and requires continuous improvements in buildings and outcomes through certification and accreditation, with absolutely no linkage to the unavoidable costs of achieving those outcomes is unsustainable.
7. We support the model proposed by ACQ (utilising indexation funds) as a mechanism of transition from current to proposed new subsidy levels.
8. We support fully the recommendations and the details of the submission by ACA.

We thank you for the opportunity to meet with you in Canberra with UCSA and to make this submission. We will certainly be interested in receiving a copy of your draft report and providing feedback on it at the appropriate time.

Yours faithfully,
David Angell
Corporate Services Manager

ATTACHMENT A

Wages Percentage of Total Recurrent Expenditure

Using a sample of 26 Uniting Church Nursing Homes in Queensland, varying in size from 24 beds to 128 beds and a total of 1581 beds, the 96/97 expenditure (total \$59.9m) comprised:

| | |
|---|---------------|
| Nursing & Personal Care Wages | 52.30% |
| Other Staff Wages | 18.01% |
| Wages while Training | 0.47% |
| Staff Oncosts (AL, SL, LSL, WCI, Super) | <u>10.49%</u> |
| Sub Total | 81.27% |

We are not big users of commercial contract services such as laundry, maintenance and catering but some of our facilities act as central laundries and/or central kitchens for a group of our facilities. These costs are then brought in as contract laundry or contract catering costs rather than wages plus food etc. Similar comments can be made for management, accounting, payroll services - sometimes these are provided using staff on site (which show up predominantly as wages, others facilities operate as part of groups and distribute these costs as administrative overheads rather than wages. In an attempt to quantify the total wages, these "contract" services are shown below, together with an approximate wages proportion and their resulting contribution to the total wages component of expenditure.

| ITEM | % of Total Exp. | Wages component | Wages % of Total Expenditure |
|------------------------|-----------------|-----------------|------------------------------|
| "Contract" Laundry | 1.99% | 70% | 1.39% |
| Central Catering | 1.80% | 50% | 0.90% |
| Central Administration | 1.10% | 75% | 0.83% |
| TOTAL | | | 3.12% |

When the wages component of these centrally provided services are added to the direct on-site wages, costs, the total wages proportion of total recurrent expenditure is 84.39%

This figure is significantly different from the 75% discussed in the Issues Paper and used by the Department as the basis of the indexation cocktail. The 1997/98 figures are still being collated but indications at this stage are that because of wage rises since 96/97 and some increase in resident dependency, the 97/98 percentage will be at least 85% and probably higher.