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AUSTRALIAN NURSING FEDERATION

RESPONSE TO OUTLINE TO THE

PRODUCTIVITY COMMISSION POSITION PAPER

ON NURSING HOME SUBSIDIES

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ANF response in outline to the Productivity Commission Position Paper on Nursing Home Subsidies

This outline identifies seven key issues that the ANF (Federal Office) intends to focus on when responding to the recently released Productivity Commission Position Paper at the public hearing in Brisbane on November 16.

1. The appropriateness of a uniform national rate when data suggests some variability

The ANF is concerned that the Productivity Commission has not demonstrated that there is a low dispersion in cost differences within and across jurisdictions. The ANF will ask the productivity commission to indicate how it intends to establish the case for a uniform subsidy, as the ANF believes there are:

- Internal inconsistencies in the Position Paper: The Productivity Commission's analysis of available data suggests there is at least a 4 to 6 per cent variation in standardised labour costs across States and Territories. The variation for total costs is likely to be greater. Implicit to the Productivity Commission's endorsement of a uniform national rate is an assumption that this variation is not significant. Yet the Productivity Commission acknowledges that "an unfunded cost penalty of even a few percentage points can be significant for home viability" (P.34, para 1). This is not consistent with a view that variations of greater than 4 to 6 per cent are not significant,
- Our concern that high cost services are limited to small rural and remote areas yet the Productivity Commission implies this is the case by targeting only these facilities with special needs funding;
- That problems will arise if "special needs" funding is drawn from other areas of the current aged care budget rather than an additional component to the current budget; and
- That consideration should be given to the provision of a funding supplement to the basic subsidy rate to take into account differences in costs across jurisdictions.

2. Concept of an efficient sized facility

- The Productivity Commission proposes to base a new subsidy regime on care costs for an efficient sized facility, if this is the major criteria then:
- What does it consider is an efficient size, (is that 40 beds? 50 beds? 60 beds?)
- Will the Commission establish what the Department considers is an efficient size?
- The implications for the industry if the "efficient size" that the subsidy regime is to be based on, is in fact an inefficient size (ie. it will create unnecessary cost pressures on service providers and may lead to staff redundancies).

3. Concept of a benchmark level of care

The Productivity Commission assumes that a benchmark level of care can be specified and enforced through accreditation arrangements. Given the history of the delivery of care, we will request the Commission to detail how it is possible to rigorously specify, monitor and enforce such requirement in practice in 3,000 facilities.

4. Concept of an average Input mix

This concept is of great concern to the ANF.

The basic subsidy rate will be tied to the average cost of providing care across service providers in Australia. Does this mean that high cost service providers will have to:

- (a) increase efficiency (ie. achieve some outcome with fewer inputs);
- (b) absorb the cost *residual* (ie. difference between actual costs and the subsidy);
- (c) avoid "high cost" residents; or
- (d) go out of business.

Providers now assert there is not sufficient latitude in current operations for service providers to find opportunities to significantly improve performance and that profit levels are too low. It is more likely that the proposed arrangement would lead to discrimination in the admission of some residents as well as facility closures.

Average costs must be defined for a representative resident under each dependency classification. There is a danger that some residents may become "unattractive" and service providers will seek to avoid these residents.

5. Proposed indexing method

The Productivity Commission implies that there are widespread and perhaps substantial opportunities for service providers to improve performance (ie. achieve the same outcome with fewer staff, less capital, less equipment, fewer supplies, less energy, etc). We will ask the Productivity Commission to identify the areas where the opportunity to improve performance is greatest.

6. Inadequate transparency *and* accountability arrangements

The ANF believes the Productivity Commission should be more prescriptive in relation to what it means by desirable transparency and accountability arrangements. The Productivity Commission should specify the Department's reporting obligations and even individual performance indicators that the Department should release publicly on a regular basis.

7. Appropriateness of proposed interim arrangements

The Commission proposes that funds earmarked for indexing current subsidies should be redirected to increasing basic rates for the currently low subsidy states. The ANF believes this is very much a second best outcome. While good news for States such as Queensland and South Australia, it will come at the expense of other States.

It would be preferable for the indexation funds to be allocated to reflect increased costs across all states and the top-up of low subsidy states treated separately.