



6 November 1998

Ms Margaret Di-Michiel  
Productivity Commission  
PO Box 80  
**BELCONNEN ACT 2616**

DIOCESE OF MAITLAND - NEWCASTLE  
**Catholic Care of the Aged**  
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*Re:        Comment on Nursing Home Subsidies - Position Paper*

Dear Ms Di-Michiel,

The opportunity to make comment on your Position Paper is appreciated.

Catholic Care of the Aged (CCA) in the Diocese of Maitland-Newcastle operates four (4) nursing homes, eight (8) hostels, a range of self care villages and community aged care packages. Our services are located throughout the Newcastle, Hunter and Manning Regions of NSW. We accommodate and/or support over 800 aged persons and employ over 600 staff.

We do not propose to address the full range of matters raised in your position paper but rather make comment on some topics on which we have strong views.

#### **Preliminary Proposal 1**

Whilst we agree that coalescence should not proceed, we cannot accept that an alternate nationally uniform subsidy system should replace it when some nursing homes according to your report will have labour costs 6% in excess of the national average. This proposal contradicts your preliminary proposal 2, which recommends a level of funding which supports the standard of care required by accreditation and certification requirements. 6% is not an insignificant variation in available funds and/or staffing.

Proposal 1 also appears at conflict with preliminary proposals 6 and 8. Why are payroll taxpayers and rural and remote services given favourable treatment compared to other providers who also have higher than average costs for reasons beyond their control?

#### **Preliminary Proposal 2**

This proposal is strongly supported. But to effectively implement it both capital and recurrent funding issues need to be addressed. There is currently a funding crisis for hundreds of nursing homes who face closure within 2-3 years for not meeting certification and accreditation requirements or who are no longer financially viable. The Productivity Commission's willingness to address funding issues relating to certification as well as operations is warmly welcomed.

### **Preliminary Proposal 3**

For decades the Australian Government has invited and supported the provision of a range of nursing homes of varying sizes throughout the nation. On the basis of this invitation and support hundreds of providers in urban, rural and remote communities have set up and operated nursing homes.

In this context the suggestion that all nursing homes which are not in the category of an "efficient sized facility" and not rural or remote will receive inadequate funding to meet accreditation and certification requirements is morally suspect.

Providers make investments in this industry which of their very nature are long term extending for many decades. The Productivity Commission should think again before introducing any scheme which aims to systematically put providers out of business.

### **Preliminary Proposal 4**

The justification for continuing productivity discounts in nursing homes is not clear. Let me firstly present a case study.

Case Study: Already under existing funding regimes staff in CCA nursing homes find it difficult to complete their day's work in the available time and often they voluntarily stay beyond their paid shift completion time in order to complete their care in a loving, humane and caring way. If it takes 15 minutes to feed someone properly it can only be improperly done in 14 minutes. Commonwealth accreditation standards require of CCA and its staff that residents are always treated with the dignity befitting any Australian. CCA's Mission, Vision and Values require no less.

CCA has one 67 bed nursing home which is currently incurring \$585 cash loss per day before depreciation and \$1,037 loss per day including depreciation.

The nursing home has an estimated annual income of approximately \$2,900,000. Prior to the introduction of the Aged Care Act on 1 October 1997 the home was generating a cash surplus and was gradually repaying its capital debt. The main reason for the deterioration in the financial performance of the home is the decrease by 10% per bed day in Commonwealth subsidy as a result of moving from the RCI to the RCS system. The RCS does not adequately recognise the care needs of the mainly physically dependent who are heavily represented in the resident mix of this home. In spite of this CCA has maintained its staffing levels at those that were required and funded under the CAM/RCI system. To do otherwise would be to reduce quality of care to unacceptable levels and to levels that the Commonwealth would have ruled unacceptable in September 1997. Whether this lower standard would satisfy the current accreditation requirements is yet to be determined.

On 25 August 1998 the State Alert Response Team visited this nursing home and in comment made on that occasion acknowledged the above-mentioned subsidy reductions and financial and quality dilemmas.

What justification can the Productivity Commission produce for an annual productivity discount applied to this nursing home? I challenge the Productivity Commission to face and resolve this real life example. If you can't, do you have a rational justification for any productivity discount on nursing homes?

Acts of Faith: the Productivity Commission's arguments in favour of a productivity discount are based on at least three (3) acts of faith:

1. current funding is sufficient to support the level of care necessary to meet accreditation and certification requirements,
2. real reductions in costs are achievable across the industry without standards simultaneously deteriorating, and
3. the inefficient providers who are forced out will be replaced by more efficient providers.

In respect of act of faith number one (1) there is no current study or hard evidence demonstrating that existing funding is sufficient to meet accreditation and certification requirements. This is assumed! But it is not established!

In fact to be consistent with preliminary proposal number two (2) and to be fair dinkum the Productivity Commission should await the outcome of implementing Proposal 2 before deciding whether an increase or decrease in nursing home funding is warranted.

In respect of act of faith number two (2) it is acknowledged that some individual nursing homes will be able to absorb some productivity discounts without reducing quality of care. But there is no evidence that such discounts are generally applicable without reducing quality to unacceptable levels.

Similarly for act of faith number three (3) it is highly likely that some providers who close their doors will be replaced but it is also highly likely that many will not be replaced by more efficient providers. Nursing home closures could quickly lead to a gross unavailability of nursing home places and be disastrous for Australia's frail aged.

Unless there is sound and rational justification for all 3 acts of faith it will be frail aged Australians who will suffer. For the sake of our aged the Productivity Commissioner is urged to be more consistent, rational and thorough in its deliberations.

### **Preliminary Proposal 7**

Workers compensation premiums are now levied in a manner which suggests that workers compensation performance is principally influenced by the management performance of providers. There are in fact many influences on the workers compensation experience of providers and most are beyond the control of providers. To name a few:

- local area culture - some communities have a culture that encourages excess compensation claiming;
- advertising and soliciting by solicitors; and
- random factors.

In short regardless of attention to management of safety and claims, nursing homes can have their financial viability threatened by excess workers compensation costs caused by factors beyond their control. As a very minimum the Productivity Commission needs to carefully consider this matter and either vary subsidy rates to cover these random and uncontrollable cost variations or make strong references on the topic to relevant State and Territory authorities.

### Some Achievable Efficiencies

As already emphasised achieving productivity improvements in the nursing home industry is difficult because of the long term investment of providers, the labour-intensive nature of the industry and the likelihood of deterioration in quality as income is reduced.

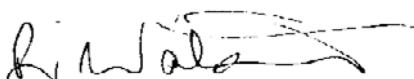
An approach with a greater chance of producing efficiencies without these unintended consequences and difficulties is to pursue alternative models of care and support for frail aged persons:

- Nursing Home Packages are currently being trialed across Australia and they may be a less expensive means of providing nursing care because no capital expenditure is required. The fact that many aged people also prefer to remain at home is also a major advantage.
- Self Care Plus as a further expansion of the self care 1 independent living accommodation model is also worth further consideration and perhaps piloting. Under this arrangements self care accommodation is located, designed, managed and supported in a manner which aims, as far as humanly possible to maintain aged persons in their self care accommodation for the rest of their life. Services such as community care packages, nursing home packages, HACC services etc can be provided into the units when required. The units will be designed prior to construction to expedite the provision of community type care and support whilst not destroying their appeal as a self care option. Such an approach has the advantage of removing the need to find capital funds and also will be appealing to the aged who will be less likely to have to relocate to hostels or nursing homes.

These two (2) innovative options are recommended to the Productivity Commission as practical methods of making the industry more efficient whilst at the same time meeting the preferences of the aged and not diminishing the quality of care.

Thank you for the opportunity to provide comment.

Yours sincerely,



**RALPH B WATSON**

Chief Executive Officer