

AGED CARE VICTORIA'S
RESPONSE TO THE
PRODUCTIVITY
COMMISSION
POSITION PAPER
INTO
NURSING HOME SUBSIDIES

Aged Care Victoria Inc.

November 1988

235a Whitehorse Road
BALWYN VIC 3103
PO Box 399 DEEPDENE DELIVERY CENTRE VIC 3103
Phone: (03) 9816-8033
Fax: (03) 9816-8046
E-mail: acv@smart.net.au

INDEX

Introduction	2
A. Aged Care Australia's Response	2
B. Preliminary Proposals	2
Preliminary Proposal 1	2
Preliminary Proposal 2	4
Preliminary Proposal 3	5
Preliminary Proposal 4	6
Preliminary Proposal 5	7
Preliminary Proposal 6	7
Preliminary Proposal 7	7
Preliminary Proposal 8	7
Preliminary Proposal 9	8
Preliminary Proposal 10	8
Preliminary Proposal 11	8
Preliminary Proposal 12	8
C. Additional Matters for Comment	10

AGED CARE VICTORIA'S RESPONSE TO THE PRODUCTIVITY COMMISSION POSITION PAPER INTO NURSING HOME SUBSIDIES

Introduction

Aged Care Victoria Inc. is pleased to be given the opportunity to provide a written response to the Productivity Commission's Position Paper into Nursing Home Subsidies. We look forward to speaking to our original submission and this response at the Commission's public hearing in Melbourne on Thursday, 19 November 1998.

A. Aged Care Australia's Response

Aged Care Victoria Inc. supports the detailed response submitted by our peak body, Aged Care Australia. This response provides additional information that may have particular relevance to the position in Victoria that may not be included in Aged Care Australia's response.

B. Preliminary Proposals

Preliminary Proposal 1

The coalescence of basic subsidies for high care residents in nursing homes and hostels should not proceed in its current form. Rather a movement to nationally uniform basic subsidy rates should occur as part of a wider package of changes to address deficiencies in the current arrangements.

Aged Care Victoria Inc. strongly agrees with the Commission's proposition that the coalescence of basic subsidies for high care residents in nursing homes and hostels should not proceed in its current form.

Aged Care Victoria Inc. supports immediate relief being given to both Queensland and South Australia. It is also imperative that such relief must come from new monies and not be at the expense of the other States.

It is noted that the Commission refers to Aged Care Australia's submission which suggests that there is a 4 to 6% variation in labour costs. Whilst it is recognised that there is a move to uniform wage rates across all jurisdictions, this is dependent upon the wage rates determined in the acute sector, which are currently determined on a jurisdiction basis.

The labour variation, as noted, results from a review of labour rates at a particular point in time. It did not take into account any projected increases that were in the "pipe-line", when the comparison was undertaken. Therefore, it is considered that the variation in labour rates could be significantly different at times, following the negotiation of Award variations.

Aged Care Victoria is concerned there are flaws in the study on which the 4 to 6% variation in labour costs is based, in that it does not necessarily reflect the classification of staff that have, by legislation, to be employed in nursing homes.

Aged Care Victoria would support a move to a nationally uniform basic subsidy rate provided that rate reflected that standardised cost of delivering nursing home care. Both the standardised cost of delivering nursing home care and the jurisdictional differences should be reviewed, at least, annually.

Aged Care Victoria is concerned that, until the deficiencies in the current arrangements are addressed, that the method of indexing the subsidies will not reflect factual increases in costs of operating residential aged care facilities.

Aged Care Victoria suggests that the Commission recommends an alternative method of increasing the subsidies until a more equitable indexation methodology is developed.

Aged Care Victoria is also concerned that the Government may only re-arrange the existing funding arrangements, possibly at the expense of small facilities and/or hostels rather than providing the necessary additional funding.

Preliminary Proposal 2

In combination with resident charges, Government funding should be sufficient to support the level of care required to meet the Accreditation and Certification requirements.

Aged Care Victoria Inc. suggest that this proposal should read as follows:-

In combination with resident charges, Government funding should be sufficient to support the level of care and administrative support, required to meet the Accreditation and Certification requirements in both nursing homes and hostels, including the cost of Accreditation audit.

As most facilities have commenced work on Accreditation and are incurring considerable costs. The Commission should recommend how and when will the funding arrangements be addressed to ensure that there is sufficient funding to meet the costs between now and Accreditation date, 1 January 2001.

The revised funding arrangements would also need to be flexible enough to meet any State legislative requirements, e.g. changes to Victorian Food Service Act, which have a cost impact on facilities in achieving Accreditation and complying with additional State requirements.

There is also a concern that this Preliminary Proposal does not refer to hostels, where there would be costs that would have a similar impact as in nursing homes. It is recommended that the Preliminary Proposal include a reference to both types (nursing homes and hostels) of Residential Aged Care facilities.

Preliminary Proposal 3

- a. *Basic subsidy rates should be linked to the cost of providing the benchmark level of care in an efficient sized facility using an average input mix. Additional funding support for smaller nursing homes in rural and remote areas should come from a special needs funding pool.*

Aged Care Victoria Inc. suggests that the second sentence of the first part of this preliminary proposal should read as follows:-

Additional funding support for smaller (less than forty (40) beds) nursing homes and hostels (less than forty (40) beds) should come from a special needs funding pool.

Delete "in rural and remote areas"

Additional funding should not be limited to facilities in regional, rural and remote areas.

It is noted in the Commission's second Position Paper, that approximately 50% of nursing homes are forty (40) beds or less. The Commission refers to comments made in one (1) of the submissions, that indicated that "around sixty (60) beds is, at the present, a viable business proposition".

This comment is supported by Aged Care Victoria and industry surveys that have been conducted over the past six (6) or so years.

Whilst it is recognised that the proportion of smaller facilities (less than forty (40) beds) have declined over the last couple of years, a large number of those metropolitan and non metropolitan facilities remaining would not be able to enter into a strategic alliance that would ensure their viability over the next five (5) to ten (10) years.

It should also be noted that it was only a few years ago that the Commonwealth was recommending that potential operators could construct facilities that operated with a home-like environment and effective size of thirty (30) beds.

Whilst Aged Care Victoria Inc. recognises that currently, sixty (60) beds is an efficiently sized Nursing Home facility, additional funding has to be provided to ensure that residents in smaller facilities (both nursing homes and hostels, of say forty (40) beds or less), are not disadvantaged.

- b. The industry cost should reflect nursing wage rates and conditions applicable in the aged care sector rather than in the acute care sector.***

Aged Care Victoria Inc. supports this proposal so long as appropriate indexation arrangements are in place that will recognise award rates and condition variations by jurisdiction. It is important that there is wage parity between the public sector aged care staff and staff employed in the private/not for profit sectors of Aged. Care., so competent and skilled staff can be retained.

Preliminary Proposal 4

- a. Increases in basic subsidies under the new regime should be based on annual increases in the cost of the standardised input bundle necessary to deliver the benchmark level of care, less a productivity discount. When it becomes available, the ABS productivity index for the nursing home sector should be used to determine the discount.***

Aged Care Victoria supports this proposal, but asks the question "How does the productivity discount, applying to the labour component, relate to enterprise bargaining?"

Aged Care Victoria believes that it is difficult to enter into Enterprise Bargaining Agreements (EBAs) in the Aged Care sector because efficiencies have already been introduced over a period of time. It would now be considered difficult to find more efficiencies to offset the wages gains to employees following the loss of benefits, such as shift penalties.

Aged Care Victoria believes that the industry cannot wait to mid 2000 before the new ABS Productivity Index is available.

Whilst the Commission, by its terms of reference, was limited to examining current alternative methodologies for setting Nursing Home Subsidy Rates, this Preliminary Proposal should also include hostels.

- b. There should also be periodic reviews of the industry's cost base and of the adequacy of subsidies, in the light of changes in care requirements.***

Aged Care Victoria supports this proposal as well as Aged Care Australia's recommendations.

Preliminary Proposal 5

The pensioner, oxygen, enteral feeding, respite and hardship supplements should be retained in their current form in the new subsidy regime.

Aged Care Victoria supports this proposal. The only matter of concern is to ensure that the supplements are indexed by an appropriate related indexation factor rather than the current method which is based on the COPO index.

Preliminary Proposal 6

The Commonwealth should take steps to ensure that the Payroll Tax supplement is only payable to facilities that are registered to pay Payroll Tax on their primary payroll.

Aged Care Victoria does not support the Commission's proposal. Instead, the recommendation made by Aged Care Australia is supported.

Preliminary Proposal 7

Commonwealth contributions towards Workers' Compensation costs should continue to be provided through the basic subsidy regime.

Aged Care Victoria does not support this proposal. It is recommended that Workers' Compensation costs be cost reimbursed to actual costs or a State average cost, whichever is lower. Then a non-reimbursable amount, with the balance, over the State average, should be fully reimbursed.

Preliminary Proposal 8

Government run homes and those transferred to the Non-Government sector should continue to be provided with the same level of basic subsidy as their private and charitable counterparts.

Aged Care Victoria supports this proposal, but, wishes to point out, as a practical issue, that this will result in a large expense to the Commonwealth, and that there has to be an appropriate increase in overall funds rather than a re-arrangement of the existing funding pool.

Preliminary Proposal 9

There should be a re-balancing of Commonwealth support for residential aged care towards special needs funding for services in rural and remote areas. To this end, the Commonwealth should develop and cost new special needs funding arrangements in consultation with providers, resident groups and States & Territory Governments.

Aged Care Victoria requests that the rural and remote areas be clearly defined on an individual basis and what applies to each. Not only should the special needs funding address the recurrent funding arrangements, it should also address the capital requirements due to the fact that in the rural areas the ability to receive high Accommodation Bonds/Charges, is a lot less than those received in metropolitan areas. Again, Aged Care Victoria would stress that additional funding be added to the existing pool rather than a rearrangement of existing funding.

Preliminary Proposal 10

There should be no requirement for providers to acquit subsidy payments under the proposed regime.

Aged Care Victoria supports this proposal, but recognises that in regard to our recommendations at Preliminary Proposals 6 & 7, there will be a need to acquit subsidy payments for Payroll Tax and Workers' Compensation.

Preliminary Proposal 11

Subsidies should continue to be paid to providers rather than to residents.

Aged Care Victoria supports this proposal.

Preliminary Proposal 12

Regulation of extra services provision should be reduced:

- *the controls on what constitutes an extra service; where in a facility extra services are provided; and the price for such services should be abolished;*

- *the current reduction in the basic subsidy for residents receiving extra service should be abolished - this defacto income tested charge should be incorporated in a budget neutral way into an income test applying to the basic subsidy;*
- *the Commonwealth Government should give consideration to replacing the current quota on extra service places with a monitoring system aimed at identifying any cases where extra service provision is reducing access to basic care. It should also look at the scope to simplify Concessional Resident ratios.*

Aged Care Victoria supports this proposal. However, it must not compromise the access to care for prospective residents unable to meet the cost of extra service places.

Aged Care Victoria maintains the current Concessional Resident ratios are satisfactory for the present.

C. Additional Matters for Comment

1. Are there more efficient alternatives to varying payments to homes each time a new resident replaces a previous resident with a different RCS classification?

Aged Care Victoria supports Aged Care Australia's proposal- that there be no change to the current funding of the Subsidy through the RCS. Aged Care Victoria considers that the two (2) year review will address this issue.

2. Is the current two (2) tier Concessional Resident Supplement appropriate and what are the implications of any changes in the supplement for the resident and Transitional Resident Supplements.

Aged Care Victoria contends that the Concessional, Assisted and Transitional Supplements are non-operating (capital) income.

a. Transitional Supplement

Aged Care Victoria supports Aged Care Australia's proposal, that the Transitional Resident Supplement be replaced by the Concessional Resident Supplement. There is also the issue involving the transfer of residents from one facility to another, as they currently lose the Transitional status and cannot be deemed to be a Concessional Resident.

Also if a person enters a facility after 1 October 1997 and transfers to another facility the financial status does not alter. In some circumstances such a resident may have qualified as a Concessional Resident at time of transfer.

b. The Concessional Supplement - Is the Level Right?

Aged Care Victoria considers that the level is not correct. The Concessional Resident Supplement is supposed to take the place of a person paying a Bond or Charge. For a person paying a Bond the facility may retain a maximum of \$2,600.00 per annum or approximately \$7.12 per bed day. On top of this the facility has the use of the money which could earn interest at approximately 4-4.5% per annum, which on a bond of say \$93,000, would earn interest of approximately \$10.19 (based on 4%). This would give daily capital income of approximately \$17.31.

Whilst \$93,000 has been used above, it is noted in the Commission's second Position Paper that the average Bond is currently around \$54,000. The average Bond includes metropolitan and rural areas and in most cases bonds in rural areas are less than the average.

Unfortunately, the cost to build, upgrade or refurbish facilities does not vary, between metropolitan and non metropolitan areas, in accordance to the variance of average Bonds.

Also High Care facilities should be allowed to request a maximum accommodation charge equivalent to the level of income provided by the Bond, in this case \$17.31 per bed day.

c. The Concessional Supplement - should there be two tiers?

Aged Care Victoria agrees that the rate should be set at an adequate level, to provide the funding necessary to upgrade, refurbish and eventually replace, the facility. Aged Care Victoria also agrees that there should only be one (1) rate across the board (Low and High Care), and that this rate should reflect the equivalent to the income that a Bond of \$93,000 would generate.

d. The Assisted Resident Supplement

Aged Care Victoria recommends that the Assisted Resident Supplement reflects the amount of Bond or Charge that the facility may receive together with a Supplement that is the equivalent to the total of the single Concessional Resident Supplement.

3. Should the impact of input taxes, other than payroll tax, on private providers' costs be recognised in the subsidy arrangements?

Aged Care Victoria supports Aged Care Australia's proposal.

4. Are there strong arguments against moving to a cost-reimbursement system for payroll tax payments?

Aged Care Victoria supports a cost-reimbursement approach for Payroll Tax and Workers' Compensation.

5. In moving to a new subsidy regime, should another round of changes to income and asset tested resident charges be contemplated?

Aged Care Victoria supports Aged Care Australia's recommendations.

6. *What is the scope for and the merits of combining the resident daily fee and the accommodation charge?*

a. *Transparency of capital and care funding components*

Aged Care Victoria strongly oppose Centrelink being involved with the assessment and collection of the Accommodation Bond.

b. *Different arrangements for high and low level care residents*

Aged Care Victoria agrees that the current Accommodation Bond arrangements for Low Care facilities should not be compromised in any changes.

c. *Potential to integrate the assessment of accommodation charges and resident daily fees*

In this regard we believe that the current arrangements for calculating Bonds or Charges are inadequate to prevent situations occurring such as the issue raised in Queensland.

7. *What are the likely effects of the Commission's preliminary subsidy proposals?*

Aged Care Victoria supports Aged Care Australia's views.

8. *What would be an appropriate timeframe for implementation of the full proposals; what should be the inter-relationship with the Residential Aged Care Review; should new arrangements be phased-in or simply introduced after a grace period?*

Aged Care Victoria would support a phasing in over a two (2) year period. Aged Care Victoria would also support the use of the \$128 million so long as it is not to the detriment of Victorian facilities, both nursing homes and hostels.

In addition, the Commonwealth now has access to substantial funds collected from income tested fees.