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Mr Mike Woods
Commissioner
Nursing Home Subsidies Inquiry
Productivity Commission
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Dear Commissioner Woods

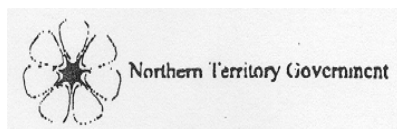
Thank you for the opportunity to comment on the Nursing Home Subsidies Position Paper.

The Northern Territory Government supports the recommendations in your Position Paper, particularly the recommendation not to endorse the current coalescence proposal.

The Commission correctly acknowledges the difficulty in providing aged care services in rural and remote areas highlighting the Intrinsic cost disadvantages and recognising that a much wider range of functions are provided compared to services provided in major population centres. With this in mind, the Northern Territory Government strongly supports special needs funding for high cost rural and remote locations. and at the same time argues that Darwin should be formally accepted as a high cost centre. This is most relevant, particularly when considering that Darwin residential facilities provide services to a large number of consumers from remote communities.

This Issue is also relevant when analysing the effectiveness of the new viability supplement and I was pleased to note that the Commission highlighted this specific issue and the impact it has had on facilities in Darwin.

The Commission has identified many dispersion, isolation and cultural related cost disabilities relevant to the Territory. Additionally, the Commission has stated an intention to recommend the inclusion of additional costs associated with small operations in remote areas in its final report to the Commonwealth.



However, it also stated that It has not yet come to a firm view on all aspects of its proposed regime. Consequently, the Northern Territory reiterates the need for the Commission to take into account the costs associated with providing smaller services with significant cost disabilities in the final paper.

Further, whilst the Position Paper infers that Aboriginal people generate additional costs in service provision, it should be emphasised that Aboriginal people demand aged-care services at higher rates than non-Aboriginal people. It would be useful to expand on this issue by acknowledging that the above average demand is caused by factors such as low health status, relatively low life expectancy and premature ageing. With this in mind, it should be clearly articulated that the high proportion of Aboriginal people residing in the Territory (25% of the Territory population compared to 3% nationally) places an inordinate burden on aged care resources, not only through above average costs in providing services, but also through above average demands for services.

The Commission also sought comment on the impact of input taxes, other than payroll tax, on private providers' costs. As correctly pointed out, the Northern Territory has difficulty in attracting suitable staff to isolated regions and ultimately has to provide non-wage incentives such as rental subsidies and air fares. These benefits attract Fringe. Benefit Tax (FBT). Consequently, the inclusion of FBT in the special needs pool would benefit service providers in isolated regions.

The Commission notes that the Commonwealth's decision to remove accommodation bonds has left the nursing home sector "starved of investment capital". Consequently, many nursing homes have stated that they may not be able to meet the capital requirements for accreditation and certification under the Commission's proposal to link subsidy rates to service levels. Furthermore, the Commission states "estimating the extent of any capital funding shortfall goes well beyond the scope of this inquiry". This could have budgetary implications for the Northern Territory Government. The Territory is at a relatively early stage of development and is currently undergoing a period of rapid growth. Therefore the capital requirements of the Territory will prove to be significant in relation to other Australian States. The Commission believes that, the Commonwealth is responsible for ensuring the quantum of subsidies is sufficient to meet any accreditation requirements. However, in the event of any Commonwealth funding shortfall, it is conceivable that nursing home operators may lobby the Territory Government for assistance to meet the capital requirements of any new accreditation scheme.

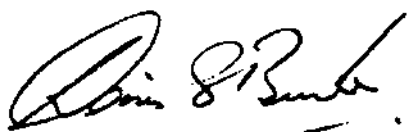
I note that the Commission has not yet commented on the size of the proposed special needs pool, the necessary criterion to qualify for special assistance, nor the methodology on which the distribution of supplementary funding is based.

Consequently, the Northern Territory Government is unable to provide a detailed analysis of the Commission's preliminary proposal. However, the inference is made throughout the paper that a larger proportion of total Commonwealth aged care funding should be allocated to special needs service providers in order to ensure uniform national service levels. Therefore, the Northern Territory Government supports, in-principle the Commission's recommendations in this area. However, the special needs of the Territory in respect to small scale, dispersion, isolation and demographic composition should be emphasised in the final Position Paper.

I thank you again for the opportunity to comment on the Position Paper and express my gratitude, on behalf of the Northern Territory Government, for highlighting those issues which are unique to this jurisdiction.

Yours sincerely

25 NOV 1998

A handwritten signature in black ink, appearing to read 'Denis G. Burke', with a stylized flourish at the end.

DENIS G. BURKE