

NATIONAL ASSOCIATION OF NURSING HOMES AND PRIVATE HOSPITALS INC.



Quality Care For A Fair Return

26 November, 1998

Mr Michael Woods
Commissioner of the Productivity Commission
PO Box 80
BELCONNEN ACT 2616

By Facsimile: (02) 6240 3311

Dear Mr Woods

**Matters arising from the presentation by Bruce Craike and myself at the Commission
Hearings in Hobart on the 13th November 1998 -
Nursing Home Subsidies.**

One of the issues I raised in my response to questions concerned possible options for improving the economics of size for small aged care providers.

Typically I had in mind the small land locked establishments in urban areas in the major capital cities.

It is clear that as there is greater technological change and increasing sophistication in the market requirements for delivering aged care services, there is commensurate need by providers to respond to market differentiation forces and for Government to respond by much greater flexibility in funding and combining of various forms of care available and payable to any one provider.

Some of the options for small sub-economic units are as follows:-

1. To merge with another entity to increase the number of bed places to an economic size, somewhere between 60 and 80 places;
2. To buy or acquire another entity to increase the number of bed places to an economic size, somewhere between 60 to 80 beds;
3. To apply for Community Aged Care Packages to increase the total number of bed places which are serviced from the existing hotel and care services operated by the provider.

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4. To establish a co-operative relationship with a number of other entities for a whole range of goods and services, thus spreading the overhead costs and reducing the per unit cost.
5. To sell the licences and real estate and leave the business of aged care.

Providers should also be encouraged to look at relationships with hospitals and other health care enterprises and to contemplate applying to the Commonwealth Government to "take over" the management of long term aged Care residents currently in public hospitals and service these clients from their own base.

There are a number of other initiatives which are related, which could assist in the economic restructuring of the industry. These include:-

1. Persuading the Commonwealth Government to redefine Aged Care places and revalue them in terms of subsidy. so that a bed place in the Community ranks with comparable level of subsidy available for people on the RCS scale in the mid to lower categories.
2. Allowing an accredited provider of aged care places to hold a mixed portfolio of residential, community aged care, extra service places and specialist high care places in a variety of locations.
3. Providing for any care places to be substituted for any other care places to meet changing community needs, provided that at an times the concessional ratio requirements be met.
4. Allowing aged care places to be held by a provider in multiple locations, transcending planning boundaries, so long as the total number of places in each area are maintained.
5. Providing for all aged care places be accredited by the Aged Care Standards Agency.
6. Allowing the funding for aged care places derived from Community Aged Care Package places to equate to the appropriate levels of the RCS instrument.
7. Making Government policy for the allocation, building and development and operation of innovative systems incorporating hotel services, restaurants, recreational services and integrated and innovative models.

I trust this additional information is useful.

Yours sincerely

Michael Keats
Chief Executive Officer

cc: Reference Group Members