

***Response to the Position Paper by the
Productivity Commission***

Nursing Home Subsidies

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Date: 25th November 1998

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A. GENERAL COMMENTS

It is gratifying to see that the Commission has concluded that Queensland has indeed been under funded under the current subsidy arrangement. This is a position that the providers of quality care in this state have been attempting to tell Government for quite some time.

It is also clearly understood however that whilst there is a need for states currently enjoying what appears to be excessive recompense to "tighten their belts" there should be some time allowed for this to occur. The proposition that the indexation money should be used to bring lower funded states up is a sound proposition. This will relieve the current position, introduce effectively a productivity discount into the higher subsidy states, and maintain this all within the Government budgetary context. In this scenario everybody wins -particularly the residents within currently under funded facilities.

The vexed question will be the extent to which political or self-interest forces will muster influence to delay the implementation of these recommendations by asking for further study or other such delaying tactics. We would like to encourage the Commission to be not dissuaded by these appeals, but to make the strongest recommendation possible that the implementation of your proposals take place as a matter of absolute urgency.

Thank you for the opportunity of reviewing the interim findings of the Inquiry.

B. RESPONSES_ON 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.

The basic logic of the coalescence process was fundamentally flawed in as much as it indicated an assumption that unjust practices could be continued for another seven years. It is clear that those states enjoying a higher level of subsidy are vocal about not having their subsidies reduced since they do not believe they could survive on reduced funding. The current application of indexation sees states receiving higher rates of subsidies accelerate the inequities due to the percentile increase. It appears clear that the commission hearings have concluded inequities in the existing funding regime.

As operators in Queensland have been saying for some time, there was no justification for funding other states at such excessively higher rates than Queensland. It is imperative now that the changes necessary in the subsidy regime should occur as a matter of urgency.

It is unconscionable to not take action to redress the blatant discrimination perpetuated on senior Queenslanders.

It is clear from submissions viewed and discussion held that the Commission would come under considerable pressure to support further study or investigation into data for interstate variations. For the sake of justice for older Queenslanders we are hopeful that the Commission will not be swayed from its indicated views.

Equitable funding should recognise that the application date should take effect on the same time scale as the ill-conceived coalescence. It is suggested therefore that the commission propose the funding should be effective from 1st July 1998. The concept of utilising indexation flows to address the inequity will deliver a viable approach, within Government budgetary projections.

Subsidies must be driven by the required outcomes in terms of Accreditation standards.

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.

It is imperative that the method of funding is not used as an excuse for government to "excessively prescribe" inputs such as been the case in the past. The Aged Care Act 1997 absolves Government from its obligation to provide sufficient funds for Aged Care, although there are no circumstances under which a provider is absolved of its responsibility. This blatant inequity therefore must be addressed through the context of this inquiry. The proposition that there should be adequate funding to meet the certification and accreditation demands is fully and enthusiastically supported.

Any attempt by the Department to prescribe inputs must be resisted on the basis that having such demands dictated by those most remote from the care of the resident is absolutely inappropriate.

The methodology being proposed is positive however we must ensure that the focus remains on the required outcome. Funding according to costs of inputs is an extremely tempting precedent for fixing those inputs as requirements rather than variables.

We must maintain focus on the output demands without prescribing inputs. This is the basis of any form of Accreditation system, and this should be consistent in the case of aged care.

It is not unreasonable to conclude that the rate of funding has been the driver for the Department to dictate inputs (including staff qualifications, numbers and hours worked, and introducing industrial demarcation), and the funds available for building infrastructure.

The quality of built fabric therefore is a direct reflection of the funding provided. These demands are dictated by those most distant from the resident. Whilst the industry accepts the need for accountability of public funds, we believe that such accountability should likewise extend to the Department, who should be required to validate claims made about inputs, and substantiate their position in relation to the perceived "improvements" to be made. Specific reference can be made here to the draft Certification requirements. The determination of a resident : toilet / shower ratio which completely ignores the fact that up to 100% (not uncommon in Queensland) of people in Nursing Homes are not able to use these facilities without personal carers is a prime case in point.

In relation to the claims made by the Department that sufficient funds will be generated through accommodation charges, the Commission might be interested in a real life example. Our 115 bed Nursing Home will need refurbishment (on our current certification understanding) approximating \$1.8m (assuming we don't have to air condition the whole building at around another \$ 700k). With 52% concessional residents, it will take 5 years to repay the loan assuming the current accommodation charge 1 subsidy levels, and will incur interest of around \$ 0.498m. This does not allow for any expenditure at all on equipment or indeed any other capital related improvement. The direct benefit to our residents - virtually none!

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 home in rural and remote areas should come from a special needs funding pool.*

As a basic principle this proposal should not be discounted, however on closer examination there are areas of semantics open to interpretation. It will be critical that the Commission clarify its intention in making reference to such items as "benchmark level of care"; "efficient sized facility"; and "average input mix".

The "benchmark level of care" should directly relate to the Accreditation standards requirements. The government has promised to continually raise the benchmark standard required and therefore should be responsible for funding such decisions as applicable.

The concept of an "efficient sized facility" has a certain amount of elasticity about it. The question should be more about viability, which can be more readily measured. There is no empirical evidence to support a definitive "efficient sized facility". The cost of staffing is the most significant direct influence on the level of efficiency within a facility.

Staffing ratios being pushed by the Queensland Nurses' Union (reflecting those in Victoria) will no doubt bring Queensland operators' facilities to their knees in the same manner as has occurred in Victoria. The astonishingly high number of Victorian Nursing Homes which failed certification, evidences this clearly.

An "average input mix" implies that inputs will vary for the same required outcome. It would be preferable to have a "standard input mix" as mentioned elsewhere in the Commission report and cost accordingly.

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

There is a constant argument that nurses in Aged Care should be recompensed according to the vagaries of the acute sector. It is true that the availability of for example, Registered Nurses is becoming increasingly difficult. Even with the higher wage structure, the acute sector likewise is finding it more difficult to attract such qualified professionals.

The job tasks in the aged care sector are quite different from the acute sector. There are many nurses within the aged care sector who would not move into acute care. The industry is responsible for more bed places than acute care, and is sufficiently mature to demand its own job-related criteria. There should be an abolition of any nexus between conditions in the two sectors, and this must start from government. The most generous gains made to nurses in both the aged care and acute sectors have been made available through State Government. For other industry that cannot simply place their hands directly into the public purse for additional funding, such gains have seen actual hours reduced over time.

It is interesting to see the industrial body which has pushed so hard for increases over time, is now seeking to secure employment through an artificial nurse: resident ratio structure. This has little to do with the quality of care, and everything to do with securing hours for members in spite of ever-spiralling wage and associated costs. There is no known empirical evidence to suggest that prescribed levels of staffing in isolation, in any way contributes to improved levels of care.

Indeed, as outlined in the first submission, the empirical evidence suggests that the reverse is true.

The predominant attempts appear to be towards protecting registered nurses with minimal regard to assistant nurses / personal carers (the residents' direct carers). The focus on assisting with the activities of daily living means that we have to optimise the number of registered nurses, and maximise the number of assistant nurses or personal carers within the funds available.

There are some in the industry who believe that employed Registered Nurses will ultimately disappear from the aged care sector and be replaced by contracted services.

The writer does not agree with this perception and holds the view that the contribution made by these professionals should not be out placed and lost to the industry. The role of the registered nurse within aged care will continue to evolve, with this sector offering a team leader / co-ordinator role for the maintenance of chronic problems. This should be allowed to evolve naturally to reap its own rewards regardless of what occurs in the acute or government sectors.

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.

The basic premise of this recommendation should be supported. It is likewise accepted that a productivity discount should be applied to prevent a recurrence of the CAM situation where there was no incentive to control costs. It is imperative therefore that as an industry we constantly strive for better outcomes, and provide more value per dollar invested by the Australian public.

It is understood however that in reaching Certified Agreements, the experience in Queensland is that it is extremely difficult to achieve productivity offsets. This has been the case due to the fact that Queensland providers have had to endure real reductions in funding for many years. Other states have not had to react to such discriminatory funding practices. Consequently, not all states are at the same level, and this needs to be considered when applying the principal of productivity discounts. The application of such discounts should therefore only apply from the point when national rates are achieved. Such discounts should only have relevance to the year's funding rate increase, and not have any affect on the base subsidy level.

It is likewise important that all facilities should be subject to any productivity discount, inclusive of Government operated facilities. In principal it is agreed that they should receive the same level of funding, however as a consequence there should not be the ability for Government to cross subsidise expenditure between the aged care sector and acute care.

(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.

This recommendation is supported. It should be noted that State Governments are able to exercise cost shifting to the Commonwealth through early and premature discharge of elderly residents. Consequently nursing homes are expected to fulfil a role of support for the health system without the comparable funding base.

PRELIMINARY PROPOSAL 5

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

This recommendation is supported.

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.

The basic thrust behind this recommendation is supported, however we must ensure that where an organisation does not pay payroll tax directly, there is some protection for the circumstances where contract labour is utilised. Under these circumstances the payroll tax supplement should be paid to ensure parity between service providers.

PRELIMINARY PROPOSAL 7

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

This is indeed a perplexed issue since State Government has generated the escalation of some costs in this area through mis management of the Workers' Compensation system. There are clear examples of where State Governments have increased premiums to cover a liquidity short fall. It is suggested that the Commonwealth should not have to fund such a shortfall, however it is important that the real costs of Workers' Compensation need to be addressed through the subsidy regime. This could result in real gains in

safety being recognised indirectly, as facilities which have focused improvement attention will have reduced risk and hence premiums. Taking the national average will reward these and penalise those who have ignored safety. The impact of such an approach will be to bring attention to this very important aspect of our operations.

Perhaps an equitable way in which to address this cost item is to take the national average rate for Workers' Compensation and bring this into the subsidy calculation.

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.

This proposal is supported however there should be a proviso, which quarantines aged care subsidy from other forms of funding. There is a compelling case that Government operated facilities should not be discriminated against in terms of funding, but we need to ensure that the discrimination does not come about through the opposite avenue.

Providers of aged care services do not have the ability to simply make up shortfalls through ready access to the public purse. With respect to government run facilities this can be done. We only need to witness the level of capital injected into the Queensland Government facilities after the building Certification results were made known. Suddenly there was an amount (from memory about \$ 18m) which was made available to these facilities. Government operated facilities cannot and should not have it both ways.

PRELIMINARY PROPOSAL 9

There should be a rebalancing of commonwealth support for residential aged care towards special 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 State and Territory governments.

This concept should be addressed through the principle of costing a "standard basket" of inputs, and should not be additionally subsidised beyond that principle. The costing of inputs as suggested by the Commission provides a manifestly transparent process, which is consistent. This should also avoid the perplexed question of defining what is "rural and remote". Certainly a facility in Tasmania within two hours drive from a major centre could regard themselves as remote, whereas the definition in Queensland or West Australia would be "suburban".

PRELIMINARY PROPOSAL 10

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

This proposal is supported.

PRELIMINARY PROPOSAL 11

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

This proposal is supported.

PRELIMINARY PROPOSAL 12

Regulation of extra service provision should be reduced:

- *The controls on what constitutes an extra service; where in a facility extra services are provided; and the price charged for such service 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.*

This proposal is strongly supported. The approach taken with extra service places indicates just how remote the decision-makers are from the real world of service delivery. There is an inherent assumption that only those who have the funds will require extra services. It is true that this is the case, however there are many residents who would like something more individual, and their family supplies the necessary funds. The existing system places undue pressure on residents by taking funds directly out of their pockets without any sense of justice or freedom of choice.

On the one hand there is a clear understanding that Government has insufficient funds to support aged care. In any other industry innovation would be encouraged given these circumstances. In this instance the Department has so effectively eliminated the opportunity for operators to

improve their income so as to effectively stifle innovation and improvement. The irony is that this same Department preaches a doctrine of "continuous improvement".

The Commonwealth has already seen through the concessional resident ratio situation that the industry will look after resident need. The concessional resident ratio was a political decision to satisfy those with no appreciation for how this industry works. The government simply needs to put in place a basic monitoring system and allow this to be addressed through the subsidy processing system. Any reduction of basic subsidy funding for extra service places should be completely abolished.

PRELIMINARY PROPOSAL 13

Subject to any recommendation from the Residential Aged Care Review for an increase in total Commonwealth funding for residential aged care, funds earmarked for indexing current subsidies should be redirected to increasing basic rates for the current low subsidy States.

This proposal is supported. It is gratifying to see that the Commission has picked up this basic principle which was placed before the previous Minister several months ago.

There is no doubt that there will be some states who will resist such a move on the basis that they "cannot manage" on lower funds. This proposal places these states in a reasonable situation, as they will not see reductions, although they will likewise not see increases through indexation. This will leave them with the option to improve their productivity levels and efficiency, to match the funds available. Likewise any artificial increases in costs through industry structures (such as nurse: resident ratios) should be dismantled to ensure that facilities are staffed to match the needs of the resident, and not the needs of the industrial organisation. The funding regime should not be expected to support the costs of antiquated and out-moded industrial arrangements to the detriment of the national network of care for senior Australians.

C. ADDITIONAL MATTERS FOR COMMENT

Q.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?

The current system provides that the subsidy level follows the care needs of the resident. While it may not be the most efficient administratively, it is indeed fair and equitable. The same applies to the fact that as a resident's care needs change, so too can the subsidy rate (providing the care needs have moved at least two category places).

There is an argument however, which relates to the humanitarian side of beds becoming available. It is often not recognised that the reason the bed is available is that someone's loved one has passed away. The last thing that they should be faced with is a priority demand to remove the personal effects from the room so it can be reoccupied. Unfortunately the facility must fill the bed as soon as possible to avoid ramifications to its funding and viability. Perhaps some consideration can be given to allow an extra subsidy allowance (say two or three days) to avoid the impetus to reallocate the bed. Such an allowance should not be available if the bed place has been filled in that time. This will avoid any assertion of "double dipping" on the part of the facility.

Q.2 Is the current two tier concessional resident supplement appropriate and what are the implications of any changes in the supplement for the resident and transitional supplements?

The two tiered approach is related to the capacity of people to contribute towards capital. The Gregory report recommended a figure in excess of \$ 12 per day to achieve improvements in our built fabric. Accordingly the principle of the concessional 1 assisted resident supplement is supported however it is suggested that it should reflect a singular quantum of \$ 12 per resident day.

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

Yes

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

Cost reimbursement would provide more accurate compensation for payroll tax costs than the current inflexible system. We need a system that can recognise the use of contract labour by the not-for-profit organisations.

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

The principle that those with resources should contribute to their costs is fully supported. The removal of this premise was a political determination during the time of "policy ad hococracy". The payment of additional fees however gives rise to an expectation of "better services". The proceeds of income tested fees should be returned at least in part to the service provider to satisfy the demands for the "better services".

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

There appears little reason or impetus to support this contention.

Q.7 What are the likely effects of the commission's preliminary subsidy proposals?

The additional subsidy available to operators in Queensland will improve viability of the services and increase direct care hours. "Under funded" states would be able to apply increased funds towards resident care. "Over funded" states will not loose out on base funding, but effectively will be immediately introduced to a productivity discount of around 1.7% (the loss of the indexation).

The proposed approach is a fair and just one. Regrettably the determination will be a political decision which history shows reflects little in terms of justice and equity, and much more on the prospects of the next election.

Q. 8 What would be an appropriate time frame 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?

The Residential Aged Care Review is a shameless and transparent scam being perpetuated on the industry and the public. The Department with clear intent has scripted this whole process. Questions asked by this review are designed to elicit responses that support the nominated answers. The process has started with the answers and then moves to asking the questions to match these answers. Consequently there should be no inclusion of this review in relation to the consideration of the Commission in this inquiry.

The situation of lower funded states needs urgent attention. The conclusions of this inquiry should become legislated with effect from 1st July 1998 for Queensland to coincide with the start of the doomed "coalescence process".

Thank you for your consideration of the above views.