

AUSTRALIAN NURSING FEDERATION

FINAL SUBMISSION TO THE

PRODUCTIVITY COMMISSION POSITION PAPER

ON NURSING HOME SUBSIDIES

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This is the Australian Nursing Federation's (ANF) third and final submission to the Productivity Commission Inquiry into Nursing Home Subsidies.

Following our appearance at public hearings in Brisbane, we wish to make final remarks in the following key areas:

1. the justification of a national subsidy regime;
2. convergence of wage rates;
3. costing methodology; and
4. the appropriateness of a productivity discount.

1 The justification of a national subsidy regime

We are disappointed that the Commission did not undertake its own independent assessment of total cost disparities across states.

In the absence of an independent assessment, we must accept the findings of the analysis commissioned by the ACA that suggests wages may differ between states by between 4 and 6 per cent. This suggests that if the national subsidy regime is based on a simple average of wage rates across jurisdictions, high cost jurisdictions will incur a 2 to 3 per cent cost penalty.

We believe the Productivity Commission, in its final report must make it clear why it has decided that it is not appropriate to compensate service providers in high cost regions for this 2 to 3 per cent penalty. The current lack of explanation is perplexing given the Commission's acknowledgement that "an unfunded cost penalty of even a few percentage points can be significant for home viability" (p.34, p. 1).

The ANF would like the Commission to provide an explanation of why it judges the 2 to 3 per cent disparity not worth treating, even though it knows that a cost penalty of this magnitude can affect nursing home viability. For example, does the Commission judge that cost disparities within regions exceed those across regions? Is it too difficult, in practice, to identify individual facilities that would suffer the cost penalty?

The ANF would like to see the Commission specify exactly the variables requiring ongoing monitoring by the responsible Department in future to ensure that the subsidy regime is sufficiently flexible to adjust to fundamental changes in the industry over time.

2. Convergence of wage rates

The ANF does not share the Commission's confidence that wage rates are converging and implied view that differences in wage rates will soon become negligible. At this point, we believe it is impossible to be definitive on whether wage rates will converge or diverge in future.

When the Commission discusses convergence of wage rates in its Position Paper it is not clear whether it is referring to wage rates within the aged care sector or wage rates between the aged care sector and acute care sector.

The ANF believes there is evidence to support divergence in wage rates within the aged care sector and between the aged care and acute care sectors. Indeed, if there is increased enterprise bargaining, it is entirely feasible that these wage rates could in future diverge.

- across jurisdictions; and
- across private, charitable and government sectors.

This is particularly likely in an industry as fragmented as the aged care industry, where there is very little enterprise bargaining at the national level.

3. Costing methodology

The ANF supports, in principle, a standardised costing of agreed input quantities rather than an average costing or a best practice costing method. Best practice costing methodologies are more appropriate in environments where efficiency is the primary concern, not equality of access.

However, the ANF has reservations about how a standardising process would occur in practice. It would therefore be useful if the Commission were to suggest what it considers to be an appropriate standardising methodology. It would also be useful if the Commission were to acknowledge inappropriate practices, to minimise the prospect that standardised results are, in practice inferior, to average results.

There is much confusion about how building and land costs should ideally be treated in a method where costs are standardised. We will be looking to the Commission's final report for its analysis on this issue.

4. Productivity discount

The ANF supports the notion that the subsidy regime should encourage service providers to continually improve efficiency, provided this does not jeopardise equity objectives.

However, the Position Paper does not explain how the proposed productivity discount is justified in an environment where accreditation and certification regulation already imposes continuous improvement obligations on service providers. In other words, regulation already places pressure on providers to improve efficiency. Is it effectively "double counting" to then impose a productivity discount?

5. Accountability and Transparency

The ANF reiterates its concerns over the absence of an effective mechanism that will see nursing home subsidies applied in accord with intent of section 57-2(n) of the Act.

We repeat our experience that substantial and continuing changes in staffing levels and skill mix of a detrimental nature are being made by providers in States such as Queensland.

Should that trend continue then it is difficult to see how consistency in the delivery of quality of care to residents can be achieved.

The ANF has welcomed the opportunity to participate in this inquiry and looks forward to the release of the Productivity Commission's final report.