

***Productivity Commission  
Nursing Home Subsidies - Position Paper,  
October 1998***

**Submission**

***November 1998***



**Australian Nursing Homes  
& Extended Care Association - SA Inc**

# CONTENTS

	<b>Page No.</b>
<b>INTRODUCTION</b>	<b>2</b>
<b>(i) PAYROLL TAX</b>	<b>3</b>
<b>(ii) PARITY WITH PUBLIC SECTOR</b>	<b>4</b>
<b>(iii) PRODUCTIVITY DISCOUNT CONCEPT</b>	<b>5</b>
<b>(iv) WORKERS COMPENSATION</b>	<b>6</b>
<b>(v) TIMEFRAME FOR IMPLEMENTATION</b>	<b>7</b>
<b>(vi) FUNDING SEPARATION</b>	<b>7</b>

## Introduction

This Submission has been prepared by ANHECA SA in response to calls for comment on the Position Paper on Nursing Home Subsidies issued by the Productivity Commission.

ANHECA SA welcomes the Commission's views that **uniform national subsidy rates** should apply in respect of the Aged Care Subsidy Scheme. In particular, we support the view expressed by the Commission that the Subsidy regime should "support a uniform quality of care across Australia". The most significant result following the implementation of this proposition will be that certain States ( eg, Queensland and South Australia), will no longer have to subsidise higher staffing ratios in other States. As such, residents across Australia can expect to receive uniform quality of care.

In addition, we will now have a system whereby future subsidy rates will not be driven by Industrial Relations Award outcomes. Hereafter, wage rates in the sector will be determined by subsidy rates, increases in productivity, creative enterprise agreements, available Commonwealth funding, etc. Such an outcome would be consistent with the Industrial Relations Policy agenda set out by the government.

ANHECA SA would like to comment specifically on the following issues:

- (i) Payroll Tax
- (ii) Parity with the Public Sector
- (iii) Productivity Discount Concept
- (iv) Workers Compensation
- (v) Timeframe for Implementation.
- (vi) Funding Separation

## **(i) Payroll Tax**

*ANHECA SA supports the proposal that payroll tax payments should be on a cost reimbursements basis for the reasons highlighted by the commission.*

If this funding method is implemented of course it should also apply to low care funding for the same reasons under the ageing in place principles.

Group operators are severely penalised under the present system and 'one ANHECA SA member is losing \$73,000 per annum. since the introduction of the current scheme on 1/10/97. There is also evidence of single operators in the lower end of the bed range that are not receiving adequate funding for Payroll Tax payments. This is the end where one would expect to find the winners in the present funding methodology.

*ANHECA SA recommends that the Commission seeks immediate relief for such operators by obtaining an undertaking that these anomalies will be corrected with reimbursement for the current 98/99 financial year.*

Such an undertaking will ensure Payroll Tax paying providers will not be forced to compromise care outcomes.

## **(ii) Parity with Public Sector**

### Preliminary proposal 3, Second Paragraph

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

The ANHECA SA submission **Pricing the model** referred to the need to maintain a parity link for the qualified Staff namely the Registered Nurses in the public sector.

This did not apply to other staff in the sector.

The rational of this proposal and failure to adhere to this principle will only achieve one result, an exodus of qualified staff from the aged care sector.

The whole thrust of the governments changes is to improve the efficiency outcomes of the industry under the Accreditation and continuous improvement model this industry is now embarking upon.

The drive to achieve these outcomes at the coal face must come from the qualified staff.

Successful achievement of these goals will come about by attracting new young well qualified staff into this area who have made a conscious decision to enter this most challenging and rewarding field.

A person embarking out on a career is selling their labour and will be influenced by reward for their efforts as much as the area that they chose to specialise in.

Aged care is now recognised by the new Chairs of tertiary learning as a specialised area of nursing and failure to reward will result in critical long term problems.

The much reduced hospital stay that has been introduced in all hospitalisation with early discharge has meant that complex care needs have increased dramatically in both high and low care facilities .

*We ask the Commission to reconsider the assumption detailed in its preliminary proposal 3 as this will have long term social implications not measured in pure economic terms that the argument has been solely based on.*

### **(iii) Productivity Discount Concept**

ANHECA SA wishes to respond to preliminary proposal 4 particularly in respect to the proposed productivity discount.

The Productivity Commission and ANHECA SA agree there should be a transparent costed model that takes into consideration all the aspects detailed in the position paper.

The Commission and ANHECA SA also agree there should be periodic transparent model review of the industry's cost base to take in to consideration changes in the care environment.

ANHECA SA is of the opinion that outcome expectations are constantly rising and will continue to do so between periodic reviews.

Any efficiencies achieved as suggested by the exit of less efficient operators will be picked up at each review and between reviews the efficiency and outcome expectations will be balanced out as providers compete in this developing competitive environment.

ANHECA SA supports our Federal body submission that discounting will have the actual result of a double reduction.

*Accordingly ANHECA SA recommends that the productivity discount as proposed between reviews not be applied.*

#### **(iv) Workers Compensation**

ANHECA SA in its submission sought State based funding and detailed a formula for funding that was simple and easy to administer.

The Commission has clearly indicated firstly that it prefers workers compensation to be included in the basic subsidy which will be uniform and national.

It also concluded that the inclusion of workers compensation did not increase overall variations in costs between jurisdictions .

The method to be used in arriving at the State based average rate is of particular importance .

Historically the average premium produced using the Department of Health and Aged Care figures has always been higher then that advised by the Workcover Authority when Bonuses and penalties are included.

However the Commission's preference to include Workcover premiums nationally would be unwise if large variations between states resulted in uniform equity of care being compromised.

Such an outcome is possible in South Australia under its Workcover draft Premium Structure proposals.

It is proposed to remove cross subsidy between industries and to include secondary disabilities in providers premium calculations.

This will result in wide variations in premiums and in some examples given could push industry averages up as high as fourteen percent if industry ceilings are abolished.

ANHECA SA asks that the Commission revisit this proposal to satisfy itself that its proposal will not severely disadvantage care outcomes where wide disparities in premiums occur.

*In the light of the significant changes proposed in South Australia ANHECA SA strongly supports the state based funding proposal as submitted in the ANHECA federal submission and further detailed in its response to the position paper.*

**(v) Timeframe for Implementation.**

ANHECA SA shares the Commission's view that there is a case for immediate relief for Queensland and South Australia and would like to see the proposed Uniform Subsidy Rates implemented at the earliest possible Time.

**(vi) Funding Separation**

The elements of operational funding should be identified as such and elements of funding related to accommodation should be separately identified to ensure operators distinguish sensibly between recurrent expenditure on one hand and the issue of commercial viability and capital expenditure on the other.

*ANHECA SA recommends that funding elements of capital and recurrent funding be separated and clearly identified.*

***Trevor Whelan***

*Chairman*

*ANHECA SA Productivity Commission Sub-Committee*

*26/11/98*