

HON ROBERT LAWSON QC MLC



Minister for Disability Services
Minister for the Ageing
Minister for Administrative Services
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AGE 97/98

December 1998

Mr Mike Woods
Commissioner
Productivity Commission
Nursing Home Subsidies Inquiry
PO Box 80
BELCONNEN ACT 2616

Dear Mr Woods

Please find attached a submission from the Government of South Australia regarding your initial Position Paper (October 1998) on nursing home subsidies.

South Australia commends the clarity and directions of the Position Paper and in general supports its propositions. We would be concerned if there was any substantial redirection of the Inquiry and the final Report and recommendations in response to some of the public comments upon the release of the October Position Paper.

Yours sincerely

A handwritten signature in black ink, appearing to read "R. Lawson", written in a cursive style.

Robert Lawson

Enc.

SOUTH AUSTRALIAN GOVERNMENT SUBMISSION
to
THE PRODUCTIVITY COMMISSION'S
NURSING HOMES SUBSIDIES INQUIRY POSITION PAPER

Following its response to the Commission's initial brief, the South Australian Government would like to submit a number of points regarding the October 1998 Position Paper.

Overview

In general the South Australian Government commends the October 1998 Position Paper as a useful document which has addressed the terms of reference and covered most of the essential points regarding the rationalisation of nursing home subsidies.

South Australia supports the recommendations made in the Position Paper and would argue that their implementation should be addressed with some urgency. It approves the introduction of uniform subsidy rates to address the issue of equity of access to aged care but does not support other arguments being made by some States regarding regional variations or an extended period of phasing in, etc.

Response to the Recommendations

Benchmarks and Productivity

The fundamental issue of linking subsidy rates to industry specific costs (that take into account productivity improvements) warrants further work. We agree with the Commission's view that the development of a productivity index is contentious, and would promote caution in its use. South Australia, for example, would require that any productivity index be neutral of any policy influence such as staff/resident ratios.

The derivatives for the base of a productivity index are also problematic. It would be a concern to South Australia, that while different States have different levels of productivity, the less efficient States will find it easier to make a 5% productivity improvement than the more efficient ones. Will this be taken into account in the Commission's calculations?

In South Australia ANHECA and ACOA disagree with the proposed model of discount as they argue there are little or no productivity gains to be achieved. The operation of nursing homes in SA is already very efficient and economical in relation to other States, because of lower variable costs and higher use of ancillary staff.

Standards

The relationship between standards and outcomes also requires further consideration. In the past the acceptance of differing standard levels has been to recognise the impact of different awards, etc. The Commission needs to consider, in its approach, the fact that States are able to bring in legislation/awards that raise costs and thus bring more dollars into the environment.

The rider on the introduction of uniform subsidy rates that States who wish to use higher cost staff, maintain higher standards or services, should absorb those costs themselves, is strongly supported. This would also ensure that efficient operators are not penalised by inefficient operators.

South Australia fully supports that the subsidy base be properly assessed in relation to the costs of delivering quality care.

Transition/Implementation

The Aged Care Organisations Association (ACOA) in South Australia has identified indexation savings made by Commonwealth Government since the "coalescence" agenda commenced. The immediate injection of this \$128 million as of 1 July 1999, would allow some of the immediate discrepancies between States to be addressed whilst allowing time to work out refinements to the recommendations and a timetable for implementation.

Areas of Specific Comment

New Admissions

The Commission also invites comment on the alternatives to varying payments when a new resident replaces a previous one with a different RCS classification. It is our suggestion that subsidies be determined on the basis of RCS profiles at the beginning of each financial year. An alternative along the same lines is that a component of the subsidies could be based on projections of each State and Territory's populations with respect to age and physical dependency.

As can be seen by the Commission's own tables (p3 Box 1.1) the increasing demand of respite care and the higher turnover in long term care will have an impact on the administrative costs incurred. It is suggested that these costs be considered in looking at the basic subsidies and supplements under the new regime.

Other issues

South Australia has no more detailed comments other than to emphasise the need for a strategic approach to the presentation of the Commission's final Report particularly with regard to public perceptions of the implementation of the Report's recommendations.