Submission to the Productivity Commission's Caring for Older Australians Inquiry

On behalf of:
Braemar Presbyterian Care (WA)
Dunbar Homes Inc (SA)
Kirkbrae Presbyterian Homes (Victoria)
Presbyterian Aged Care NSW & ACT
Presbyterian Care Tasmania Inc.
PresCare Queensland

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Introduction

The Presbyterian Church of Australia, through its state-based aged care organisations, provides over 1,840 residential aged care beds, over 550 community care packages and related community care services and seniors housing. We are making this submission because of the importance of choice, access and sustainability in aged care given our responsibilities to existing service recipients and future generations of older people.

The National Presbyterian Aged Care (PAC) Network is a member of the Campaign for Care of Older Australians and we support the CCOA submission. Our state-based aged care organisations are members of Aged & Community Services Australia and we also support ACSA's submission.

We have structured our submission around the headings in the Productivity Commission's Issues Paper.[1] Like the Commission, we believe the findings of various reports and inquiries since the middle of the last decade remain relevant.[2]

1. Strengths and Weaknesses of Current Aged Care System

Australia's aged care system has many strengths when compared internationally. These include:

- A broad, national policy focus, with a funding base that does match funding increases to population growth and comprehensive programs from low level care in the community through to high level residential care.
- Generally good equity of access, with services not limited solely to the wealthy.
- Generally high quality standards of care and accommodation.
- A national system of aged care assessment teams.

However, the National PAC Network agrees with the conclusions of previous reviews in finding that our current system is:

- *Complex for older people to enter into*, with a confusing myriad of (often overlapping) community care programs and overly complex financial paperwork required to access residential aged care.
- *Inflexible in responding to consumer needs* due to the over-regulation of supply and complex and restrictive government guidelines.
- *Inadequately funded*, with government recurrent funding indexation failing to match cost increases such as wages, and government restrictions on capital charges for high care residential services resulting in such buildings becoming unaffordable for providers to construct.
- *Inequitably funded*, resulting in inequitable outcomes in the application of user pays models in both community care (HACC users paying less than CACP users for equivalent services) and residential care (low care residents paying three times more on average than high care residents for their accommodation).
- *Facing major workforce pressures*, as demand for services increases with an ageing population and the increase in chronic diseases such as dementia.

[1] Productivity Commission (2010) *Caring for Older Australians*, Issues Paper, Canberra.

[2] Aged Care Price Review Taskforce (2004), *Review of Pricing Arrangements in Residential Aged Care,* Final Report (Prof WP Hogan, Reviewer), Canberra; AFTS Secretariat (2010), *Australia's Future Tax System: Report to the Treasurer*, Canberra; National Health & Hospital Reform Commission (2009), *A Healthier Future for All Australians*, Final Report, Canberra; Productivity Commission (2009), *Annual Review of Regulatory Burdens on Business: Social and Economic Infrastructure Services*, Research Report, Canberra; Senate Standing Committee on Finance and Public Administration (2009), *Residential and Community Aged Care in Australia*, Canberra.

The Appendix lists some of the impacts of inadequate funding on Presbyterian aged care services and the efficiencies we have introduced in response.

2. Retirement Villages

All of the Presbyterian aged care providers in Australia also provide some level of retirement village accommodation. In some cases, this housing stock of independent living units was originally funded by Commonwealth grants from the 1950s to early 1980s and targets pensioners with limited income and assets. We see an important place for retirement villages and social housing programs going forward, especially when linked with provision of community care services.

We believe regulation of retirement villages should remain focussed on consumer protection / fair trading (as is the case with State Retirement Villages Acts), with accommodation regulated through planning and building codes, not an extension of Commonwealth aged care-style over prescription. Similarly, care provided into retirement villages should be regulated via guidelines for community care programs (if it is government funded) and through consumer protection legislation (if it is fully resident funded).

There is a case for the Commonwealth and State/Territory Governments to expand their focus on the capital funding of social housing for older people, including with a dedicated funding stream to update the now ageing stock of independent living units.

3. Objectives of Aged Care System

We support the vision of the National Aged Care Alliance that:

> *"Every older Australian is able to live with dignity and independence in a place of their own choosing with a choice of appropriate and affordable support and care services as and when they need them."*[3]

We believe the aged care system should have as its overriding objective the interests of older people. In that light we support aged care services being provided as an entitlement based on assessed need, similar to other parts of the health system. Older people should have the right to:

- Choose the type and level of service they receive, where they receive it and from whom they get it.
- Access care and support irrespective of where they live and what their personal background or circumstances are.
- Be supported to be as independent as possible.
- Receive a high quality of service or accommodation, and have any complaints dealt with in a fair and transparent fashion.
- Flexibility in how they pay for services.

To exercise choice effectively, some older people (and most with severe disabilities) will need assistance to navigate through the aged care system. This could include access to care managers or other information and support services.

The system should also explicitly support carers (such as family members).

To do this, there must be a sustainable aged care system, one that is affordable for older people and governments (taxpayers) and viable for aged care providers.

[3] National Aged Care Alliance (2009), *Leading the Way: Our Vision for Support and Care of Older Australians*, http://www.naca.asn.au/Publications/NACA_Vision.pdf (accessed 2 July 2010).

4. Who Should Pay for Aged Care?

From the point of view of aged care providers, the aged care funding system has a number of different purposes. For example, providers need to provide competitive wages in order to attract good quality staff. A number of previous reviews have found the wage structures in aged care struggle to be competitive with other industries.[4]

The funding system needs to respond to the rising acuity of older people entering aged care. This is the primary purpose of the Aged Care Funding Instrument (ACFI) in residential aged care but its effectiveness can be easily undermined if the annual adjustments of the ACFI rates do not keep pace with costs.

From an overall perspective, aged care providers need to be able to operate viably while delivering the quality of care and accommodation we are obligated to provide under the aged care standards. Our capacity to remain viable is dependent on how the funding system as a whole operates, including the contributions able to be sourced directly from consumers as well as payments from governments or other funding available to operators.

Who pays?

The question of who should pay, and how, for aged care can only be answered if it is recognised that 'aged care' consists of a range of different elements and that the responsibility for payment varies according to the element and the setting. These elements and settings are outlined in the table below:

Table: Responsibility Matrix for Aged Care Costs

Element	**Residential Care**		**Community Care (including Retirement Villages)**	
	Government responsibility	*Personal responsibility*	*Government responsibility*	*Personal responsibility*
Care	Yes	Only for extras	Yes	Only for extras
Accommodation	Only for special needs groups or specialist services	Yes	Only for social housing	Yes
Hotel / living expenses (food, cleaning, etc)	No	Yes	No	Yes
Assessment	Yes	No	Yes	No
Care Management	Yes	Only for extras	Yes	Only for extras

Assumes Government contributes to people's capacity to pay for accommodation and hotel costs through the pension system.

It is noticeable that the matrix looks very similar for people living in residential aged care and people in the community. Broadly speaking the National PAC Network believes the government (community) should take responsibility for ensuring every older person has access to quality care and support, irrespective of where the care is delivered. By contrast, older people should be responsible for their housing and living costs, with government support made available predominantly through the pension and rent assistance systems.

[4] E.g. Hogan Review (2004) *op cit*; Senate Standing Committee on Finance and Public Administration (2009) *op cit*.

We do want to draw the Commission's attention to some significant differences between residential care, retirement villages and community care which impact on who pays. In residential aged care, the provider usually owns the buildings (or leases them) so is responsible for their upkeep. However, the buildings must be designed to accommodate the special health and care needs of older people. This means they are more expensive buildings to construct than normal housing and regular government rent assistance payments will not be sufficient to cover the additional costs. In a retirement village, while there are additional costs to construct purpose-built housing for seniors, these are more modest than in residential aged care. But, in the case of both residential care and retirement housing, there is a case for additional government capital funding to ensure accommodation is constructed for people with special needs (e.g. homelessness) and in rural and (especially) remote areas.

By contrast, when people live in their own homes in the general community, there may be additional transport costs compared to residential care, both to get staff to people's homes and older people to day programs or health services. Also older people will need to be able to pay for home and garden maintenance, utilities and other expenses related to running their own property.

A consequence of these different settings is that the Commission would be wise not to assume that there is a simplistic answer that says user pays rates must be exactly the same between community care and residential aged care.

How do they pay?

This question splits mainly on the question of who is paying.

For the Australian Government, its payments should be as follows:

- A *basic care subsidy*, with rates linked to assessed need and a benchmark of care, to which all eligible Australian residents are entitled. This should be consistent (though not necessarily identical) between residential and community settings. Supplementary payments should be available in all settings to cover additional health care costs, like aids and equipment, oxygen, enteral feeding.
- *Accommodation support payments* to/for individuals dependent on assessed financial circumstances, and meeting a benchmark of reasonable costs of construction.[5]
- *Capital funding or loans for construction of specialist buildings* such as day care, respite and dementia-specific facilities, and for services for special needs groups and rural and remote areas.
- *Block funding for small rural / remote aged and community care services* to ensure basic infrastructure costs can be met to keep services open. This should also apply to certain types of basic (HACC) community care services that require a core infrastructure not amenable to episode payment models, such as volunteer visiting and service system support and development programs.

It is particularly important that Government basic care subsidies and block funding are indexed properly to meet increasing costs. The aged care sector cannot remain viable when costs increase at anywhere from 5%-7%pa while subsidies increase at around 2%pa. In particular, the most recent 2010-11 indexation increase of only 1.7% represents one half of CPI, one third of wages increases, and one tenth of utility increases. We agree with the Productivity Commission's previous findings that "[B]asic subsidy rates should be adjusted

[5] Access Economics (2009) *Economic Evaluation of Capital Financing of High Care*. Report for Anglicare Australia, Baptist Care Australia, Catholic Health Australia, Churches of Christ Living Care, Lutheran Aged Care Australia, Sir Moses Montefiore Jewish Home, National Presbyterian Aged Care Network, UnitingCare Australia. http://www.accesseconomics.com.au/publicationsreports/getreport.php?report=193&id=248 (accessed 5 July 2010).

annually according to indices which clearly reflect the changes in the average cost of the standardised input mix, less a discount to reflect changes in productivity. Revised indexation arrangements should be introduced as soon as possible."[6]

We note that it is important any productivity gains required as a result of such a formula are explicit and achievable without detriment to the welfare of older people. As around 65-75% of costs are staff related, great care must be taken to ensure that 'efficiency gains' don't translate to reduced care and services to clients and residents. Over the past 15 years, the indexation system has resulted in a reduced standard of service to clients – fewer hours of care per day/week. For example in Community Aged Care Packages, we were able to provide an average of 7 hours per week about 10 years ago. Now we can only provide around 5 hours per week. Similarly, staffing levels in residential aged care are constantly under review in order for individual facilities to remain viable. The Department of Health & Ageing acknowledged this in their submission to the Senate Standing Committee on Finance and Public Administration in April 2009, citing a 1.7% per annum productivity increase in residential care labour productivity over the period from 1998-2007.[7]

For older people, the key issue is choice about how to pay for their contribution to care and accommodation:

- No one should need to pay for basic care services – these should be fully funded by government. If a co-payment is considered necessary, it should be affordable for pensioners (similar to the current CACP fee) and consistent across service types and settings as far as possible. Older people who can afford to pay for extra care services above the minimum entitlement should be free to do so with no artificial limits placed on this. Similarly, assessment and care management services should be able to be accessed by all older people.
- In residential aged care, a minimum charge for hotel / living expenses for pensioners should be established, linked to a percentage of the pension. Similarly, community care clients should be asked to contribute to the costs of food (such as Meals on Wheels), home maintenance or modifications, cleaning and other costs that would otherwise be their responsibility, but with a maximum contribution set for pensioners so the services remain affordable. There should be no restrictions on people paying for additional services.
- All permanent residents in residential care should be able to choose how they pay for their accommodation, including options such as a lump sum bond, a daily or periodic rental charge (at a level equivalent to the stream of capital available via a bond) or deferred payment from an estate.[8]

The National PAC Network believes the Productivity Commission should explore options for how the personal and government costs of aged care can be paid for in the longer term. We believe there may be potential to introduce a social insurance scheme (similar to, or extended on Medicare) to cover some of the government costs. Similarly, there could be methods to harness long-term care insurance or contributions from superannuation to cover some of the personal costs, both for care and accommodation.

5. What Role for Regulation?

We see an important role for regulation in aged and community care. Some older people are vulnerable due to frailty or dementia (though not all – we should not assume a paternalistic view of old age) and they deserve a level of protection of their interests by society. Also, a considerable investment is made by the taxpayer for which there should be an appropriate level of accountability.

[6] Productivity Commission (2008) *Trends in Aged Care Services: some implications*, Research Paper, Canberra.
[7] Senate Standing Committee on Finance and Public Administration (2009) *op cit*.
[8] Access Economics (2009) *op cit.*

The National PAC Network believes the following are legitimate areas for regulation of government-funded services:

- Assessing client eligibility
- Requiring providers to be approved to receive government funding
- Requiring minimum prudential standards
- Specifying minimum quality standards through accreditation (or a similar process)
- Ensuring an efficient independent complaints process.

Consumer protection legislation should be the primary mechanism for protecting older people's interests where accommodation or care is offered outside government-funded programs.

We are concerned the current approach of legislating details of the aged care regulatory system via an *Aged Care Act* that has swollen to well over 1,000 pages is unwieldy and counterproductive. We agree with the shortcomings listed on pages 21-22 of the Issues Paper.[9]

Specifically the National PAC Network would like to see the following actions occur to improve regulation of the aged care system:

- Removal of supply-side controls on funded places.
- Deregulation of the consumer charging regime, with retention of a safety net (see section 4 above).
- Removal of distinctions between approved provider status for residential, community and flexible care.
- Adoption of a risk management approach to unannounced visits by the Aged Care Standards & Accreditation Agency.
- Implementation of the recommendations of the 2009 *Review of the Aged Care Complaints Investigation Scheme*, including creation of an Aged Care Complaints Commission separate from the Department of Health & Ageing.[10]
- Removal of separate Department of Health & Ageing building certification requirements for aged care buildings.
- Modification or removal of requirements for compulsory reporting of assaults and missing residents in residential aged care, as these seem to be of little benefit to older people and are burdensome on providers.[11]
- Simplification of financial reporting requirements across residential and community care programs.

6. Roles of Different Levels of Government

As part of reviewing regulation, there is scope for streamlining regulatory responsibilities across different levels of government, e.g. in areas such as building and planning regulations, food safety and health professional standards. Some of these areas have received attention in recent years, but there is scope for more work to be done to eliminate duplication.

The Gillard Government has bold plans to address structural reform of the health system and to improve social inclusion of marginalised groups. If the aged and community care

[9] Productivity Commission (2010) *op cit*.
[10] Assoc. Prof M Walton (2009) *Review of the Aged Care Complaints Investigation Scheme*, http://www.health.gov.au/internet/main/publishing.nsf/Content/ageing-review-cis.htm (accessed 2 July 2010).
[11] P Sadler (2009) *Elder Abuse: one report too many. Results of ACSA online survey on compulsory reporting of assaults,* http://www.agedcare.org.au/PUBLICATIONS-&-RESOURCES/General-pdfs-images/Elder%20Abuse%20Reporting%20survey%20report%20Oct09%20edits.pdf (accessed 2 July 2010).

system is not functioning effectively, these strategies could be severely compromised. For example, initiatives to reduce hospital costs by moving people to more appropriate aged or community care services only work if the aged and community care services are present and viable. Similarly, efforts to improve social inclusion of older people require a responsive aged and community care system.

There are specific concerns at the crossover points between aged care and other systems such as health, housing and disability services. Any changes to the aged care system will need to take account of these interfaces. For example, there are special needs for groups such as homeless older people, younger people with a disability in aged care and people ageing with a disability. For this last group, the National PAC Network supports the Futures Alliance *Blue Print for People with Disability Who Are Ageing*.[12]

7. Workforce

There are two main challenges facing the workforce for aged and community care. First is the question of where the paid and volunteer workforce of the future will come from given the demographic projections. Population ageing will affect not only demand for our services, but also our workforce. Second is the challenge to educate and train the increasingly diverse and large workforce needed for the future. We find it difficult to attract younger people to a physically and mentally demanding, but generally not well paid, role.

A key issue for recruitment and retention is wages. Although all Presbyterian aged care services make full use of remuneration packaging and attempt to remain as competitive as possible, it is increasingly difficult to keep pace with the wage increases in other sectors. Despite the Global Financial Crisis moderating the challenge somewhat, our experience is that competition can be significant, both from the broader health sector and from other industries such as retail. For example in WA the pressure on workforce is critical – there are statewide labour (not skills) shortages as the wage pressures from “mining wages and conditions” strongly influence all sectors including aged care. This issue has to be addressed through improved government funding and greater price flexibility, as well as through encouragement for aged and community providers to gain efficiencies through greater use of assistive and information technologies.

There has been welcome investment by Australian and State Governments into staff training and education programs in recent years. We need this investment to continue, with a particular emphasis on supporting recruitment of volunteers alongside health professionals and aged care workers. Also, it is important to remember that the residential and community care workforce also encompasses often forgotten specialist roles such as maintenance staff, builders with expertise in disability modifications, gardeners, bus drivers and catering staff.

8. Transition

It is critical that any reform process proposed by the Productivity Commission includes a well structured transition process. The National PAC Network would envisage such a process taking around 10 years to complete.

Some of the key considerations include:

- Early announcement by the Australian Government (supported by COAG) of a reform strategy.
- Consolidation of responsibility for all aged and community care programs with the Australian Government. This is agreed with most States following the COAG

[12] Futures Alliance (2010) *Blue Print for People with a Disability who are Ageing,* http://www.nswcid.org.au/home/home-pages/new-items.html (accessed 2 July 2010).

decision of April 2010, but is still some years away from taking place. This must be followed by a process to consolidate the separate community care programs into a single program structure, aligned where appropriate with residential aged care processes.[13]

- Strengthening of aged care assessment teams, to enable them to take on an enhanced role of eligibility assessment.
- Gradual moves to give greater consumer choice, including:
    - Allowing new consumers choice of service provider and allowing existing consumers to stay with the provider of their choice as their needs increase in both community and residential care
    - Possible expansion of consumer-directed care models following evaluation of the trial packages being released this year.
    - Gradual shift to greater reliance on community care in planning ratios
    - Improved systems for consumer information and support to enter and navigate the aged and community care maze
    - Flexibility for aged care providers to swap residential and community care places, high and low care places in current allocations
    - Maintenance of protections for disadvantaged groups and incentives for provision of services in rural and remote areas
- Investing in development and implementation of information and assistive technologies across residential and community care.
- Providing time and support for aged care providers to adjust to new financial imperatives (such as changes to the values of bed licences) and service models. This should include a fund to support industry restructuring, ideally administered via the industry peak bodies.

Conclusion

The National Presbyterian Aged Care Network lends it voice to the many arguing for a fundamental revamp of Australia's aged care system, including moves to unbundle accommodation and care payments, reduce over-regulation through relaxation of planning and allocation restrictions, and expansion of consumer-directed care models.

We look forward to working with the Productivity Commission as it undertakes this important inquiry and would be happy to appear at a formal hearing early in 2011 if required.

[13] Aged & Community Services Australia (2008) *New Generation Community Care,* http://www.agedcare.org.au/POLICIES-&-POSITION/Position-and-discussion-papers/New-Generation-Communuty-Care-Paper.pdf (accessed 2 July 2010); Allen Consulting Group (2007) *The Future of Community Care*. Report to the Community Care Coalition. http://www.agedcare.org.au/PUBLICATIONS-&-RESOURCES/General-pdfs-images/Allen-consulting-future-of-community-care-report.pdf (accessed 2 July 2010).

APPENDIX

SPECIFIC IMPACTS AND EFFICIENCY INITIATIVES FOR PRESBYTERIAN AGED CARE SERVICES

Analysis by independent groups such as Bentleys, Grant Thornton and Stewart Brown shows that up to 60% of residential care providers are operating at a loss. Even the top performing organisations seem to be experiencing declining returns.

Presbyterian aged care services are also experiencing the same phenomenon. For example, in NSW net surpluses for aged care have reduced from $1.4 million in 2005-06 to a projected surplus of $100,000 in 2009-10. In Victoria, the 2009/2010 operations for residential care will be a $200,000 loss and the projections for 2010/2011 are for a similar result. WA expects that its operating surplus will halve in 2010/11 compared to 2009/10.

State Government costs such as utilities and workers compensation have increased sharply in the past couple of years. For example Queensland has absorbed a 76% in government enforced workers compensation premiums to the sector – a $373,000 increase over last year.

Specific impacts include:

- *Reduced standard of service to clients – fewer hours of care per day/week.* For example in Community Aged Care Packages, we were able to provide an average of 7 hours per week about 8 years ago. Now we can only provide around 5 hours per week. Similarly, staffing levels in residential aged care are constantly under review in order for individual facilities to remain viable.
- *Reduced ability to pay competitive wages and recruit/retain staff.* Although all Presbyterian aged care services make full use of remuneration packaging and attempt to remain as competitive as possible, it is increasingly difficult to keep pace with the wage increases in other sectors.
- *Compromised viability affects access.* All Presbyterian aged care services have a commitment to provide access for people from financially disadvantaged backgrounds and with other special needs. However, this becomes more difficult when our organisations' overall financial performance is threatened by inadequate government funding. As a consequence, we can be forced to place more emphasis on seeking people who can pay larger accommodation bonds – the only part of the aged care funding system which is uncapped by government regulation.
- *Specific issues for smaller services, especially in rural areas.* It is particularly challenging to run smaller aged care facilities or community care services in a financially viable fashion. A number of Presbyterian aged care services are smaller services, some of them in rural areas. In many cases, the smaller urban services are being shut to allow development of new buildings with more beds. This option is not present in rural areas. We acknowledge the government does provide a viability supplement for small rural residential and community care services which certainly makes a difference. However, the reality is many smaller services struggle to break even, even though they are vital components of their local economies as well as their communities.

Efficiencies

Over the past 7-8 years, Presbyterian aged care services have achieved a number of improvements:

- We have absorbed significant wage increases above indexation. For example, in NSW from 2003-2008: funding rose only 21% in residential care and 14% in

community care compared to a 26.5% increase in nurses wages and 23.5% in other care staff wages.

- In WA, we invested in replacing inefficient heating systems to lower operating costs and provide greater comfort to residents.
- In Tasmania, we have absorbed substantial increases in non-labour costs such as power charges while retaining service levels.
- In Queensland, we have absorbed substantial increases in property and local government costs, as well as workers compensation insurance.
- In all states, we have introduced new opportunities for staff education and training, including accessing upskilling courses for existing staff. In WA the costs of using expensive agency staff has been reduced by 50% through significant investment in staff recruitment, retention and training initiatives. In 2010/11 WA will invest 2.5% of staff costs into the training and development of staff.
- In NSW, two congregationally-managed services have transferred to central management by Presbyterian Aged Care NSW & ACT (one in 2005, one in 2008), providing additional management efficiencies.
- Presbyterian Care Tasmania acquired ADARDS Tasmania in mid 2008, bringing improved efficiencies for residential care services and allowing an expansion of community services across Home and Community Care (HACC) and other programs.
- In all states, we have introduced new rostering and payroll IT systems in recent years.
- In NSW, we have strengthened central purchasing systems to make our dollars go further.

Future efficiencies

All Presbyterian aged care services have plans for additional improvements in coming years, including:

- Further rollout of information management and assistive technologies, including moves to provide IT infrastructure on a national basis across Presbyterian aged care services.
- Further consolidation of management of diverse services.