ELIZA PURTON LTD
CARING IS OUR SPECIALITY

Caring for Older Australians

Public Inquiry , July 2010

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Executive Summary

The purpose of this document is to outline the difficulties and challenges that Eliza Purton Limited (EPL) currently faces. EPL is a community based not for profit organisation covering the North and North West Tasmania. In 1997 the Aged Care Act was introduced which created a legislative framework for the regulation and oversight of the aged care industry. Prior to the introduction of the Act, Australian states received differing amounts of funding with Tasmania receiving one of the highest subsidy amounts. Over a period of nine years all Australian states underwent coalescence to create a national funding scheme that caused Tasmanian providers to receive decreased financial increments in comparison to other states. Many Tasmanian providers, including EPL, did not act to sufficiently rationalise expenditure in relation to the reduced funding. EPL has, over the past 12 months, addressed these issues with significant reduction of staff and the closure of a facility. EPL aims to have a sustainable aged care organisation. That being said, there are a number of key issues that hinder the organisation from being financially sustainable, and these are outlined below.

Viability of Smaller Facilities

Eliza Purton Limited operates a 45 bed facility in the small coastal town of Penguin. Even with recent staffing changes to this facility, EPL is not able to operate it in a financially sustainable manner. EPL believe that smaller facilities cannot remain financially viable within the constraints of the current funding arrangements. Conversely small communities are not able to sustain a facility of 70 + beds which is considered a viable number (please refer to Occupancy issues). Moreover, the social impact of losing such a facility would be devastating to the community and force the residents to leave their district.

The Department of Health and Ageing provide a payment called the Viability Supplement and this is made available under Section 44-29 of the *Aged Care Act 1997* to assist small residential aged care services in rural and remote areas with the extra costs of delivering services in those areas. The amount of viability supplement paid is determined by the location of the service, the number of occupied places, and the proportion of care recipients with special needs[1]. Despite the aforementioned issues the 45 bed facility does not attract the viability supplement.

EPL suggests a review of the Residential Care Viability Supplement which has not been reviewed since 2005.

Occupancy issues

The 2009 – 2010 Aged Care Approval Round (ACAR) Essential's Guide[2] indicates that the national planning benchmark is to achieve 113 operational aged care places for every 1,000 people over the age of 70. Historically EPL has found that the age of residents entering aged care facilities has been 65 – 70. On analysis, the average admission age into the facilities during the past 5 years has been 85. This anomaly would indicate that the benchmark which underpins planning is not consistent with the requirements of the

[1] http://www.health.gov.au/internet/main/publishing.nsf/Content/ageing-rescare-rescprov-viabfact-0809.htm, 23 July 2010

[2] Reference :- http://www.health.gov.au/internet/main/publishing.nsf/content/7602F807EE20A59ACA2576BD0000B303/$File/2009-10_Essential_Guide.pdf, 20 July 2010

population of the North West Coast of Tasmania. This incongruence has, for the present and the short term, led to empty beds, diminishing waiting lists and financial pressures.

The Australian Bureau of Statistics (ABS) indicates that the 70 years and above population of Central Coast Council was 2192 as at 2006. In 2021 the ABS project that the 70 + population will be 3051. The ABS also indicates that the population of Tasmania over the age of 65 will increase by 7% by the year 2021 (from 2006).[3] Taking into account the ABS data and the planning benchmark ratio, this it would indicate that the Central Coast Municipality should have 226 beds in 2006 and 339 in 2021. In 2006 there were 242 beds in the municipality[4]. EPL removed 34 occupied beds out of the municipality in 2009 but retained the licences.

Occupancy levels for the EPL North West facilities were over a 12 month period an average of 95%. Such a low occupancy figure equates to a loss of income of over $150,000.00 per annum for a 100 bed facility.

These figures identify that, with little to no waiting list, there is an oversupply of beds in the Central Coast area which causes financial pressures (please refer to Cost of Empty Beds). This oversupply has negatively impacted EPL's ability to maintain occupancy and in turn income.

EPL would suggest the government address the planning benchmark issues faced by regional/rural/remote providers for current and future years.

Cost of Empty Beds

Due to federal budgetary cuts some years ago, providers are not remunerated for the day that a resident leaves the facility (be it by transfer, discharge or death). Such a situation means that facilities do not receive funding until the bed is filled. In this sense, smaller facilities are unable to recover lost revenue from poor occupancy levels.

There exists a multitude of examples of why a bed may remain empty. For example a family want to wait to clear the room of the belongings of their deceased loved one until after the funeral. It would be most unsympathetic and insensitive to rush a family to do this. Interestingly, if a resident passes away at 11.59pm the provider does not receive any funding for that day, when indeed this is generally a labour intensive day of palliation and emotional support for the residents family and friends.

As previously mentioned decreased occupancy rates combined with little to no waiting lists causes severe financial pressure on EPL.

During this down time when the room is empty it is impossible to reduce large costs, 72% being staffing wages. The loss of funding on one or two beds does not allow an organisation to reduce the staffing numbers and it only includes a minor reduction in consumables. To that end, the provider carries all the expense of having an empty bed without the ability to maintain revenue.
An option would be the consideration of a daily subsidy for the bed for 365 days per annum that applies for all the days the bed is empty. In some European countries subsidies continue until the day following the funeral, allowing family, staff and friends to farewell their friend with sensitivity.

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[3] http://www.ausstats.abs.gov.au/Ausstats/subscriber.nsf/0/76B349B02F44C733CA256AE10001CFE0/$File/32226_99-2021.pdf 23 July 2010

[4] These figures include the three current Aged Care Facilities in Ulverstone, Penguin and 34 licenses which became offline in June 2009.

The average loss of government funding for an empty bed night would be approximately $100 per empty bed per day.

EPL suggests (a) that all aged care providers are funded for the last day of care and (b) that a 'bed retainer' be introduced to cover the cost of empty bed days.

Sustainable Indexation

The annual increase afforded to providers in Tasmania after coalescence has historically been approximately 2% (although 2010/2011 budget handed down a mere 1.7% and the previous year only 1.9%), not even matching CPI. Aged Care facilities are forced to stretch this 1.7% increase across a 5% increase in wages, 15% increase in electricity and 10% increase in gas to name a few. Other utilities and food costs have risen above the CPI and the cost of living for Aged Care Facilities is significantly higher than general living. **This is clearly not sustainable.**

Other (non aged care) organisations, be they for profit or not for profit, would increase their charges to match the cost of increasing expenses but this is not possible in the highly regulated aged care industry.

Following the removal of $1,000,000.00 in direct care expenses the organisation has not been able to present a 2010 – 2011 budget that is in the black.

EPL suggests that increase in funding match cost increases for aged care facilities.

Accommodation Bonds

Bank Interest on investment of Accommodation Bonds is an important source of revenue for most aged care providers. EPL is witnessing an increasing trend away from low care service provision in aged care facilities to community based services. As a result the ability of providers to access bonds is eroding. This results in a considerable loss of income to providers. The ability of providers to access bond income is essential to their continuing viability and capital growth/expansion and therefore their ability to continue to provide quality aged care services.

Bonds available to regional and remote providers are considerably lower than those available in capital cities. For example, the median house price in Sydney is $990,000.00[5] while median house price in Ulverstone was $260,000.00[6] in May 2010. This clearly indicates that EPL income contributions and ability to expand services is significantly less than that earned by capital city providers.

EPL would request that the government investigate ways to compensate providers in rural and remote areas as is done for other government funded sectors which would enable organisations to maintain a sustainable future.

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[5] Reference :-

http://www.homepriceguide.com.au/Research/?AddressLine=2000&LocationType=Postcode&State=NSW&PostcodeId=102 , 20 July 2010

[6] Reference :-

http://www.homepriceguide.com.au/Research/?AddressLine=7315&LocationType=Postcode&State=TAS&PostcodeId=1046 , 20 July 2010

Conclusion

EPL was on the precipice of closure but, through the tireless effort of the board and all employees, EPL has implemented major changes to its organisation. Despite these changes EPL is still unable to break even. To that end, the federal government must make the following changes to ensure sustainability for rural and remote providers. Review of the viability supplement, address the planning benchmark, provide funding for the last day of care and supplement empty bed days, compensate rural and remote providers, and increase the funding to match soaring cost of living.

If EPL had received a reasonable increase in subsidies married with the aforementioned changes it would have hoped to break even. But as outlined above it is not able to produce a surplus for the 2010 – 2011 financial year. If government does not address these critical issues EPL will remain unviable and will not be able to invest in capital growth in the short and long term.

Our future is bleak at the current level of funding.

EPL Board is happy to present its case directly to the commission if required and more than happy to accommodate a visit to expand our comments.

Cathrin Boerma
Chief Executive Officer