30th July 2010

Caring for Older Australians
Productivity Commission
PO Box 1428
Canberra City ACT 2601

Submitted via email: agedcare@pc.gov.au

Regis Productivity Commission Report.

To whom it may concern,

Please find to follow our submission to the productivity commission:

Overview
Regis has been a progressive group in the development of high quality facilities in concert with the provision of a high standard of care to residents.
Regis' shareholders and management are committed to maintaining a leading position in the provision of residential aged care services in Australia.

This submission is submitted to bring the "Productivity Commissions" attention to the stresses we are facing in maintaining this high standard of care given the following:

- funding increases well below the cost incurred in operating the business;
- ever increasing investment in maintaining compliance standards;
- the looming issue of capping of extra service places by region;
- maintenance of government controls around pricing, supply of places, access to capital (ie : bonds) and a fast shrinking supply of skilled labour available to care for our elderly;
- increasing acuity in the incoming resident population coupled with shorter stays placing significant stress on our employees;
- a declining capacity to source skilled clinicians in all states.

Purpose of the submission
We believe we have put forward a balanced view coupled with suggested solutions to address the issues raised in this discussion paper. We are able to provide further clarification should it be required.

Key areas of submission
Funding of Capital costs for development of new facilities.

1. Return on investment
Regis' capacity to fund new facilities (given the current funding structure and resident acuity) given current profitability is not practicable. If we assume a 100 bed high care facility constructed for $250,000 per room (including land) without accommodation bonds is fully debt funded, the payback period based on earnings after interest expense would be in excess of twenty years given the current funding structure. In addition to this; given the rapidly changing demographic of our residents aged care facilities require extensive refurbishment approximately every ten years.

Extra Service status is currently the only viable way to fund the development of high care facilities (new or refurbished).

Extra Service Status availability
There is some speculation that the 15% regional caps for extra services places will be enforced. Given that in excess of 90% of our incoming residents are high care, the impact of this change would ultimately be that we would cease all construction and or extensive refurbishment. We currently have a facility under construction at Kuilin in Queensland (Sunshine Coast Council) and were unable to secure licenses in the last ACAR round (2009). Notwithstanding this we have proceeded with this $20 million dollar investment.
We are hoping for success in the current round.
Additionally we have two more facilities amounting to some 266 beds in design; these will either proceed or be postponed based on our success with licenses/extra service status through the current ACAR round.

Given the shift of our residents to high care, "extra service" places remain the only viable solution to obtaining capital now .

Accommodation charge
The accommodation charge could be a means to provide additional income that can be directed to development of facilities. The current accommodation charge does not reflect the return required to develop facilities. Additionally this may be a way to differentiate between different accommodation types, ie; lower for multiple bedded rooms and higher for single en suited rooms. This may be an area where the pricing can be "freed up" to allow providers to achieve the returns they require whilst still providing an affordable solution for residents in older facilities.

We estimate that to achieve the required returns the accommodation charge for a high care single en suited room would need to be in the order of $70-80 per day.

Time to market for a new facility
There is a lot of discussion in the industry about the looming increased demand for high care rooms as a result of the baby boomers entering care. From our experience it takes approximately seven years (7) from commencement to achieve full occupancy of a facility. Given most of these facilities will be in suburban areas land availability is a significant issue. Whilst home care is easing this situation currently we believe that if the industry growth rates are correct our accommodation crisis is already upon us. I.e.; We need to commence the site consolidation and planning processes for these facilities now to meet the future needs of our elderly.

A long term approach is required to plan and develop residential aged care facilities, in fact up to seven years for the average facility.

2. Provision of care
Current funding increases are inadequate given the trend in expenses providers are experiencing. Our expenses are moving at about 4-5% pa currently, COPO increases at 1.7% leaving us with an operating deficit year on year. It is only a very profitable business that can withstand theses pressures, sadly that is not the case with our business. There is some talk about ACFI increasing by 8% in the last twelve months across the industry, however it should be noted that this funding has a direct relationship to care provided, therefore there is no respite here to fund additional expenses.
In fact additional funding in the same cost structure increases the burden. Government needs to implement a funding index (as promised by the Minister in June 2009) which is linked to labour expense
This remains 80% of our expenses and is key to achieving a sustainable delivery of care.

3. Labour availability - Clinical
The increase in home care packages is having a significant impact on labour availability in the residential aged care sector. We are all competing for the same limited resources; If we compare productivity of a home care clinician to residential care we find that the residential care clinician is circa 500% more productive. This is simply the difference between a mobile resource going to care recipients versus a residential environment. This coupled with the fact that registered nurses are retiring at a faster rate than incoming nurses, the industry quickly needs to develop a strategy to maintain the required level of care of our elderly Australians. The gap in earnings between the acute and aged care sectors is amplifying this situation. We have found on numerous occasions that acute clinicians, should we be able to attract them, are unable (and lack the desire) to deal with the inflexible and voluminous documentation required to meet the Aged Care Accreditation Standards.

This often results in poor outcomes for residents as the staff most skilled in providing care are completing administrative tasks rather than caring for residents.

Regis believes that DoHA needs to work in consultation with industry to implement a program to deal with these issues.

Management
The compliance parameters of operating a residential care facility are significant. Additionally, the funding structure is complex and our managers struggle to understand both. Our staff turnover has declined from 40% to 20% as a result of a number of programs focused on providing support to our facility staff Notwithstanding this, as long as our staff turnover is high, our care to residents is impacted.

Regis believes a well implemented funding and compliance structure that is simpler to understand and manage will achieve better outcomes for residents.

Care Staff
The current immigration policy is delivering us a steady stream of foreign nationals to take up the roles of carers in our homes. Sadly the level of funding for training and to seek experience is inadequate. Most of these people have completed a six week certificate three course over six weeks and have little or no idea how to provide care to our residents. There needs to be a funded "on the job" program to give these people the experience they need to deliver adequate care. Additionally these workers are ambitious and use the role as an entry to another job; this is placing significant pressure on our management and clinicians.

Regis supports the immigration of unskilled workers into Australia, to provide the necessary training and experience we now need to have additional funding so as to enable "job ready" carers to present to facilities, this will promote significantly better outcomes for residents.

Compliance
CIS requests as a result of an investigation are continuing to escalate. We estimate that we have supplied (200 megabyte or 1,200 pages of material as a result of requests over the last six months. This does not take into account any 1 page incidental requests. Repetitive requests for information , instructions from CIS officers to implement a process which has no tangible impact on residents; referrals to ACSAA that have already been deemed complaint, referrals to the compliance unit of DoHA where a decision is to made on approved provider status and no response is provided to the submission. The constant repeated requests for additional information placed on our facility management is unacceptable particularly when that information is forwarded over and over again. Notification of case closure can take anywhere up to 50 days however the request for information is often non negotiable from immediate to written responses from 7days to 14days, placing undue stress and anxiety on facility management at the expense of supervising resident care.

Regis believes the current punitive compliance approach is unsustainable for providers and their employees. The industry and DOHA need to work together to come up with a structure that is sustainable given funding, resource availability and resident acuity. Additionally, providers that operate facilities throughout Australia are often subject to different interpretations from one state to another.

4. ACAR round process
Incorporation of extra service status into the ACAR round has had the unintended consequence of not allowing us to make regional applications for a change in extra service status. Given the ACAR round now runs from April to October it locks us out for half of the year.

Regis believes that the ACAR round is designed for new applications only insofar as extra services status is concerned and DOHA should clarify this going forward.

5. Prudential compliance around accommodation bonds
The accommodation bond initiative has worked exceedingly well for the industry over the last thirteen years. Despite a few small defaults, the scheme has worked well., Should DoHA proceed with a review of the current scheme, Regis believes the scheme should be managed on a risk assessed basis going forward and an understanding that Accommodation Bonds are intended to raise cash to enable the development of facilities.

We recommend that access, governance and reporting requirements around bonds be tightened where the facility is leased and the operator has access to bonds that cannot be used for their intended purpose. This area we believe is the area of greatest exposure for resident's accommodation bonds.

Other items - Funding claw backs under ACFI
We have experienced two areas of this since the introduction of ACFI.

Late penalties ; An estimated combined charge of $33 a day where we submit an ACFI assessment late period; but also depending on when we submit the assessment, it is not necessary back dated to the date of entry. We believe that as a % of the funding this amount is punitive.

Defaults occur where we submit a high care ACFI for a low care resident .The result is that we cannot re-submit unless there is a new ACAT assessment as a High care resident, or the new ACFI assessment is a two category jump (effective after two weeks), or we cannot resubmit until their anniversary (12 months). Again we believe this is punitive given the level of the penalty it should be noted that most of these occur as genuine errors by our staff.

Combined the quantum of these across our 4000 residents funding is in the order of 1 % of our government funding, this is material from a business perspective

We trust that this paper assists the Productivity Commission in their review, please feel free to contact me should you have any further questions.

Yours faithfully

Ross Johnston
Chief Executive Officer