HAVILAH HOSTEL INC. - SUBMISSION
Productivity Commission
Inquiry into Caring for Older Australians

About Havilah

Havilah Hostel Inc is a Public Benevolent, Not for Profit, Organisation established in 1995 for the purpose of providing accommodation for the frail aged of Central Goldfields Shire, Maryborough, Central Victoria. Central Goldfields Shire has a population of approximately 13,500 its major centre Maryborough having a population of some 8,000. Maryborough is 70 kms from its nearest Regional Centres of Ballarat and Bendigo each with populations of around 80,000.

Having commenced operations with 30 low care places we have steadily grown to 97 low care places, 13 of these having been made operational on the 26th of July 2010. In addition, Havilah has 30 provisional places.

Having completed developments in 2002; 2006; 2007; and 2010 we understand the cost pressures of building facilities in rural areas.

Havilah has built a strong relationship with our community. Their tremendous support, both in time and money, aids in our commitment to the provision of quality aged care.

Summary of Issues

Havilah is concerned as to the continued viability of our industry under the pressure of increased standards and shrinking subsidies.

Our Board and Staff welcome this review and appreciate the opportunity to make a submission. We do this in the sincere hope that recommendations from this review will be adopted by the government.

The items within the Terms of Reference Havilah sees as our most significant challenges are

1. **Financial Sustainability**

- **Appropriate Levels of Private Contributions**

- **Transparent financing** for services that reflect the cost of care and provide sufficient revenue to meet quality standards, provide an appropriately skilled and adequately remunerated workforce, and earn a return that will attract the investment, including capital investment needed to meet future demand.

2. **Access** – resources required to build new facilities particularly in rural areas and the cost of compliance with building regulations and certification.

3. **Appropriate Planning Ratios** – High and Low Care Places based on allocated places does not work now with ageing in place.

4. **Workforce Issues** – access to Registered Nurses and other Health Professionals

- costs associated with training within a rural workforce

1. FINANCIAL SUSTAINABILITY:

1a. A more transparent method of funding should be available to the industry

ACFI

Previous inquiries into aged care as far back as the Productivity Commission (1999) "the government should provide a benchmark standard of care and pay a price adequate to meet this standard" have recommended that the government subsidy should be set by costing of the benchmark of care expected by government. This should include all costs associated with an organisation's eligibility to receive subsidies, the assumption being that if there were no subsidies payable the ancilliary costs would not exist.

As was true of the previous funding scale (RCS) there is no information available to the industry on the various components making up the current subsidy (ACFI).

Resident Fees

It is generally accepted that the residents fees cover items set down under Accommodation Services under the Act and do not include Resident Care.

RECOMMENDATIONS:

1. **The level of the various components of ACFI should be transparent to the industry ie how much for**

   - **direct care labour and associated costs;**
   - **direct care other costs; including the costs of providing support services for visiting GP's**
   - **compliance costs;**
   - **administration of ACFI; and**
   - **percentage for profit.**

2. **Expenditures to be covered by the resident basic daily fee should be transparent to the industry.**

1b Inadequacy of current subsidies and indexation to meet current outlays

COPO indexation of subsidies is inappropriate for aged care and does not reflect the cost increases that the industry must cover such as Nurses and Care Workers wage increases. At Havilah labour and labour oncosts are 80% of the subsidy received. This is also true of other benchmarking partners within the Loddon Mallee region.

COPO has reduced real income by 32% since 1997.

The CAP supplement introduced by the Howard Government, in recognition of the inadequacy of COPO to measure annual increased costs for the industry, was frozen at 8.75% by the Rudd Government with annual CAP increments of 1.75% removed since 2008.

For successive years the government has cut in half the aged care industry annual funding adjustment from 4% to less than 2%, ripping the much needed funding from the sector.

For 2010-2011 ACFI rates will increase by 1.7%. The industry cannot help but lose confidence in the government's ability to appropriately fund residential aged care. With both inflation and wages growth running above this rate – how can this work?

While the industry has experienced increasing costs of compliance and a forever rising bar there has not been one dollar more to subsidize that compliance cost.

The industry and its workers feel undervalued by government.

The biggest issue faced by the industry is the lack of funds to maintain quality services and compliance.

The government puts out spin that any problems faced by the industry are caused by inefficiencies and not a lack of funding. However, the evidence is there of many facilities that cannot provide services within operating revenue and of services which have provided residential aged care over many years now choosing not to do so.

When a government sets indexation of care subsidies at 1.7% it has to result in a reduced bottom line or reduced services. Nothing to do with inefficiencies and all to do with indexation not in line with the costs of the industry.

In fact staff are stretched to the limit and if it was not for our volunteers provision of quality service would be at risk. At Havilah we have a minimum of 100 volunteer hours each week assisting over all areas of the service, not including volunteer staff hours where staff work well over their normal shifts and come in on their days off.

We constantly hear from government of the increased funding going into aged care.

What we don't hear is what portion of this is in relation to increased care levels; how much for increased capital funding; how much for increased bed numbers.

Another spin is the amount of funds facilities receive per resident per day.

The figure

- always includes the highest level of care subsidy; and
- includes capital income; resident fees and subsidies

We begin to wonder if the government separates these items within their own planning. Does government understand that ACFI subsidies and resident fees are it when it comes to funding accommodation services and resident care. If so how could an increase of 1.7% be granted when wages in all industries are rising 3%-4% and inflation is around 3%?

There cannot be a continued expectation from government for the industry to provide 5 star services for 3 star subsidies.

RECOMMENDATIONS:

1. **The CAP 1.75% to be reinstated immediately and built into base subsidies, to remain in place until COPO is replaced with a more effective indexation tool.**

2. **The government to determine the price it is able to pay for resident care and then considering all factors, document and cost the standard of care to be provided within that price.**

3. **A revised indexation method to be established which meets the needs of the industry and is appropriate to meeting the cost of care.**
   eg 80% indexed to labour costs and 20% to reflect other industry costs including compliance issues.

4. **The government to work in partnership with the aged care industry, recognising and addressing the needs of an ageing population, building mutual respect and trust.**

1c **Inadequacy of current subsidies and indexation to meet workforce issues**

The difference in salary between the Public Sector and Private Sector Awards for nurses makes it difficult to attract nurses away from the Public Sector. Aged Care does not want to be the least preferred employer as the frail aged deserve better.

RECOMMENDATION:

1. Revised pricing should include increases in pay for Aged Care Nurses Divison 1 and Division 2.

1d **Negative effect on funding of past government policy changes**

(i) Howard Government 2007 "Securing the Future" measures in relation to loss of the Pensioner Subsidy in Low Care

This policy amalgamated the Pensioner Subsidy into a new Accommodation Supplement which is paid for all residents with assets under $93,000. At Havilah we have a maxm 5% of residents who are non-pensioners and 30% of residents with assets under $93,000. The increase provided by the new Accommodation Supplement, $6 per resident per day for 30% of supported residents does not make up for the loss of, $7.05 per day for 65% of pensioner residents. See table below for negative effect to this facility.

Another, possibly unintended, consequence of this policy was to move it, by way of amalgamation with the Accommodation Supplement, from Operating Revenue, funds available for direct care, to Capital Revenue funds available for rebuilding and recouping capital costs.

		New Pensioner Residents Assets over $93,000			New Supported Residents assumption best case scenario assets under $36,000			
Full Year Effect on Revenue		No.	Rate	Annual Effect on Revenue	No.	Rate	Annual Effect on Revenue	Net Annual Effect on Revenue
Year 1	12/13	10	7.05	(25,733)	5	6.00	10950	(14,783)
Year 2	13/14	25	7.05	(64,331)	12	6.00	26280	(38,051)
Year 3	14/15	40	7.05	(102,930)	19	6.00	41610	(61,320)
Year 4	15/16	55	7.05	(141,529)	26	6.00	56940	(84,589)

repeating every year at the net annual effect on revenue at Year 4.
(= loss every year from Year 4 equivalent to 2.75% of annual subsidy)

The only avenue where facilities can control revenue levels is through investment interest on bonds. Havilah has used the transition period to increase its maximum bond to $180,000 in an effort to compensate this loss of revenue. To date we have not been able to consistently attract this figure within our area.

In 2009/2010, only 18% of residents paid the maximum bond with the average bond for the year at $150,000. The average bond held is $110,000.

It is a fact that rural areas have lower property values and therefore attract a lower level of bonds.

RECOMMENDATION:

1. The Pension Rebate should be removed from the Accommodation Supplement and paid separately for all Pensioners.

(ii) Removal of Higher Daily Fees for Non Pensioners

The current situation in low care is that the daily care fee for pensioners and non pensioners is the same where in the past non pensioners have paid at rate which is higher by the equivalent of the Pensioner Supplement ($7.05)

Since September 2009 there is now a Standard Rate; a Phased Rate; a Protected Rate; and a Non Standard Rate

At Havilah, non pensioner and part pensioner, residents who entered this facility after September 2009, who have assets attracting substantial income tested fees, and who are paying less than Pensioners to the facility in daily care fees.

RECOMMENDATION:

1. **There should be an immediate return to one daily care fee for Pensioners including Part Pensioners and one daily care fee for Non Pensioners.**

(iii) In 2009, the percentage of pension paid as daily fee was reduced from 85% to 84%.

As the majority of resident living expenses are included in their daily fee it is difficult to comprehend any sound reason for dropping the percentage of pension paid as a daily fee.

RECOMMENDATION:

1. **Daily care fees should be restored to 85% of pension.**

1d **Caring for those with special needs – dementia**

Subsidies do not recognise the full range of needs for residents with dementia and other psychogeriatric conditions, particularly in relation to those displaying aggression and other behaviours as a result of their illness.

The ACFI rate for behaviour is the lowest of all three domains. See Below

	ADL's	Daily rate	BEH	Daily rate	CHC	Daily rate
ACFI	**High**	$91.47	**High**	$30.25	**High**	$56.11
RATES	**Medium**	$66.03	**Medium**	$14.36	**Medium**	$38.86
FROM	**Low**	$30.32	**Low**	$ 6.93	**Low**	$13.64
1-Jul-10						

The resources required for effective behaviour management should be given at least as much if not more weight than Complex Health Care. Behaviour management is a constant throughout any shift. There is no time during a residents waking hours that the behaviour does not have to be managed. To reduce reduce the risk of caring for residents with aggression there there needs to be staff close by at all times.

Currently in Havilah's 20 bed Dementia Unit (2 houses of 10 residents) on current resident mix there will be $830,000 in subsidies for 2010-2011. Resident mix includes 14 residents who are classified High in the Behaviour Domain.

At 80% of subsidies for labour ($664,000) this will provide 55 hours labour RN2 and PCA mix.

This unit has 55.5 hours daily rostered on the floor hours

As can be seen the labour component has been exceeded with labour costs still to be apportioned over this unit for

- the Director of Care and RN1 Supervisor
- Clinical Admin Staff; and
- Medication Nurse

We know that the unit would benefit from increased staff hours

Ideally, 1 staff to 5 residents for 8am – 8pm; 1.5 staff to 10 residents 8 pm – 8am A total of 66 hours per day. This would provide the level of care that these residents deserve and reduce risk to staff and other residents.

To allow this to happen more funds need to be granted for the Behaviour Domain.

Havilah committed to innovation in construction in developing its Dementia Unit in 2007 at a cost significantly higher than developing general purpose places.

With current funding there is definitely no opportunity for a return on investment. The unpredictability of dementia resident behaviour creates a much higher risk for organisations than operation of general purpose places.

Without increased funding it will be very difficult for organisations to continue to offer dementia specific units.

RECOMMENDATION:

1. **Increase of the Subsidies for Behaviour at a minimum to the level provided for Complex Nursing Care.**

1e **Inadequacy of recognition for providing services in rural areas**

Current critera for viability supplements are too narrow and do not recognise the increased costs of providing services outside of major cities.

All rural facilities are affected by their remoteness when compared to facilities of the same size in capital cities and larger regional centres.

Some examples are

- maintenance contractors for airconditioning, kitchen, cleaning and laundry equipment, security, emergency services
- staff training on site as training cannot be accessed by staff locally
- freight adds considerably to any item purchased, simple necessities such as continence supplies and dressings are not available locally
- real savings are not available by contracting out supplies because of lack of competition in the area
- the cost of providing podiatry and specialist health care is high due again to distance
- communication costs are higher in country areas
- travel costs and travel time require additional resources
- linen services are not available locally

RECOMMENDATIONS:

1. **All rural facilities to be compensated for the additional resources required in relation to distance from major cities and regional centres**
2. **Reference to the ATO Remote Area which talks about distance from a population of 130,000 would be appropriate for calculation of some level of rural subsidy.**

1e **Appropriate Levels of Resident Contribution**

Very little opportunity exists for increased resident contribution as residents who have the resources are required to pay an income tested fee. However, there are some areas where resident contribution could be increased without affecting the fairness of the system in some cases purely by reverting to previous policy.

a. The current situation in low care is that the daily care fee for pensioners and non pensioners is the same where in the past non pensioners have paid at rate which is higher by the equivalent of the Pensioner Supplement ($7.05)

b. In 2009, the percentage of pension paid as a daily fee was reduced from 85% to 84%.

c. Retention Levels could be increased to offset higher building costs.

d. The requirement to pay interest to the estate of deceased residents, while awaiting probate, has eroded income received from bonds. This has only been a requirement in recent years and could be removed without a major impost on the estate. The level of effect to the estate of this measure would be in the hands of the estate.

e. Bonds should be extended to High Care. The emotional argument of selling the family home to pay a bond does is negated when the bond can be paid by periodic payments.

RECOMMENDATIONS:

1. **A higher daily rate should be maintained for non pensioners**
2. **The daily fee should be reinstated at 85% of Pension**
3. **Increase retention levels to offset building costs**
4. **Remove the requirement for interest to be paid to estates while awaiting probate**
5. **Introduce Bonds in High Care**

2 Access

Building Costs

The lack of capital funding impacts heavily on facilities particularly those in rural areas where property values are low. The capital stream available in rural areas for the most part is significantly lower than for cities and regional areas because of this.

It is more affordable for facilities in cities and regional areas to provide places for Supported Residents because of the capacity to receive a much higher average bond requiring less bond paying residents to achieve the capital requirements.

In addition the cost of building is generally higher with less competition and much greater costs in relation to freight of materials and contractors travel.

Recent extension works at our facility cost in excess of $230,000 per place excluding land.

ZRIL good but needs to be available for the whole project cost. Currently the amount per place is decided prior to applications being considered. Facilities are left to fund any shortfall through bank finance with higher debt servicing costs.

RECOMMENDATIONS:

1. **There should be more access to Capital Funding in rural areas where access to bonds is less than in major cities and regional centres.**
2. **The Criteria for Capital Funding should be relaxed in relation to the percentage of Supported Residents. The level of estimated Bond Income to**

be derived from the places would be more appropriate.

3. **Any recommended changes giving residents more choice where to spend their aged care $ should not jeopardise the sustainability of organisations which have developed places in good faith.**

3 Planning Ratios

The 1997 government policy of "ageing in place" whereby residents who enter a low level place but are now funded for high care within that place has distorted planning ratios which use allocated places to calculate the need for additional high and low care places within each region.

Planning ratios need to take this into effect, in other words look at places "in operation" not allocated places. In 2009-2010 Havilah operated 84 Low Care Places. At 30th June 2010, 52 of these places were providing accommodation for high care residents due to ageing in place. Within our LGA the Planning Ratio appears unmet for High Care Places and met for Low Care Places when in fact the reverse is true. Government should ensure that it does not create an oversupply of places in any area as we would not like to see the "ABC" Childcare situation recreated in aged care.

RECOMMENDATION:

1. **The formula for distribution of places should be varied to include operational places at a given date rather than allocated places.**

4 Workforce

The training of personal care workers has been done really well with access to Cert III workers at a very high level even in rural areas.

The ability for staff to upskill to Cert IV while working has assisted many staff to achieve this.

If staff could go the next step and upskill to a Division 2 Nurse while working, the issue of shortage of these staff could be addressed. Many high standard pca's cannot afford the reduced hours it would take to qualify as a Registered Nurse as they have to access this training away from the local area

The shortage of Registered Nurses Division 1 makes it extremely difficult to attract these nurses from the acute public sector due to less remuneration and increased responsibilities of compliance.

It is extremely difficult to attract GP's on site. This is particularly a problem when residents are unwell and need a GP consultation immediately. This usually results in the GP advising that the resident is to be sent by ambulance to A&E. This removes an ambulance from service unnecessarily.

RECOMMENDATIONS:

1. **Increased access to RN2 Training while working through RTO's or remote training places.**
2. **Increased subsidy to pay for higher pay levels for Registered Nurses**
3. **Further incentives be put in place for increasing the supply of Nurse Practitioners**
4. **The costs of providing support services for visiting GP's be recognised in the cost of resident care**

In conclusion

Throughout the review it must be recognized that what older people, their families and the community generally value about our services is the caring human dimension. For this to continue the review must address past funding deficiencies and current funding limitations as well as the issue of further financing and capital development.

There is no doubt the industry is losing heart and for “not for profit” community organisations such as ours this is a very hard thing to admit.

We hope that this enquiry will make a difference as there have been many costly enquiries prior to this which have not.

by direction of the Board of Havilah Hostel

for and on behalf of the residents and their families; our staff and the community of Central Goldfields Shire

Barbara A Duffin.

Chief Executive Officer.