Manor Court
WERRIBEE AGED CARE LTD

Manor Court Werribee Aged Care Ltd

Submission to the Productivity Commission Inquiry
Caring For Older Australians

July 2010

EXECUTIVE SUMMARY

As a long term provider to the aged care sector, Manor Court welcomes the Productivity Commission enquiry 'Caring for Older Australians'.

Over the next 25 years, the government and the aged care industry will face considerable challenges, in determining & providing a suitable model for the care of our ageing population. It is essential, that the Government addresses the issues, and does not use this enquiry as a means of 'burying the problem'.

Over the last 4 or 5 years, the Government has implemented gradual change to the aged care industry, without reference or consultation with the industry. The changes have resulted in a shift to low care residents being assisted in their homes, resulting in residential aged care moving to a majority of high care residents. The impact of these changes, has had a significant financial impact on residential aged care, with more than half of providers trading at a loss.

As a quality aged care provider, Manor Court is extremely concerned that about the future viability of the industry, and of our ability to continue to maintain the high standards we have set. We have reached the position where our company is questioning our ability to continue to provide the services detailed in our Vision & Mission. The industry cannot sustain any further deterioration of federal government funding, without significantly reducing services to our residents.

This productivity commission enquiry must:

- Engage with the industry, to determine a viable long term solution for the industry.
- Determine the role that the not for profit sector should play in the long term solution for the industry.
- Set the framework for a dramatic improvement in the image of the aged care industry.
- Introduce accommodation bonds for high care residents, to ensure fairness and equality for all residents.
- Provide adequate funding to residential aged care, so that providers can maintain their standards and quality, and maintain continuous improvement in their businesses.
- Promote and develop aged care, as an industry that staff want to make a career of, instead of the bottom of the chain, that staff use as a temporary job till they find something better.
- The aged care industry is dominated by manual systems, and has one of the lowest take ups of technology. The industry requires one off assistance grants, to introduce technology, and rid the industry of paperwork.
- Ensure that care subsidies and fees, reflect the cost of the provision of staff to perform the care & support.
- Improve the funding for supported residents, to encourage facilities to fill their vacant beds. It makes no sense that thousands of our elderly can't get a residential care bed, but at the same time providers are leaving beds vacant, because the return from supported residents is inadequate.

Our Role in the Industry

Manor Court is a Residential Aged Care facility, operating in the City of Wyndham, 35 kilometres west of the Melbourne CBD.

In May 2010, Manor Court completed a 5 million dollar 45 bed extension, taking its capacity from 55 to its current capacity of 100.

Manor Court commenced in 1976, and was established by the Rotary Club of Werribee. Manor Court is a community not for profit business, run by a board of local business persons.

Manor Court has 8 Independent Living Units adjoining the residential care facility. These units were built in 1980. With the recent massive growth in the Retirement Village market, the Manor Court board deemed that these units were no longer viable, and put in process a strategy to exit the retirement village market. This decision was made because:

- The basic service we offer could not compete with the 'resort' style retirement villages that are opening every few months.
- We don't have the space to provide the types of facilities provided in new retirement villages.
- We couldn't achieve a Return on Investment, by upgrading the units.
- We don't believe that the current growth of Retirement Villages is sustainable, and operators will surely go broke.

The Residential Aged Care Industry

We are told that the residential aged care sector 12 months ago was made up of:

- The Not for Profit Group (religious, charitable community based) comprising just under 60% of residential places.
- Commercial providers, comprising about 35% of the market.
- Government operated facilities comprising around 5% of the market.

In the intervening 12 months, there has been a significant reduction in the Not for Profit sector, which has been taken up by commercial providers. We understand from our industry body, that the Not for Profit sector is reducing rapidly, and is now probably less than 50%. This is a major concern, and we need to ask ourselves why. The industry is not viable, when more than 50% of facilities are trading at a loss.

Recommendation

An industry where 50% of residential care providers are trading at a loss is not sustainable. It is not good enough for the government to be telling providers to become more efficient, when 50% have to significantly reduce service to residents to survive.

<u>The Role of the Not for Profit Sector</u>

As an operator in the Not for Profit sector, it concerns us greatly, that our share of the market has reduced from around 80% some 20 years ago, to our current level of just under 50%. <u>Why has this happened?</u>

- Regulation and compliance has increased to a ridiculous level.
- The financial model on which many facilities was established, has been changed by the Federal Government. Low care residents are now supported in their homes, leaving residential care facilities with high care residents, and the capital impact of no accommodation bonds.
- The Federal Government has funded the industry at levels below CPI, and below the rate of industry negotiated wage agreements for a number of years. Providers are slowly going broke.
- Given the option of having to reduce services to residents to survive, many operators have taken the decision to 'sell up' to a large commercial operator.
- Our sector can't compete with the public & private hospital sector for quality staff, and we are left with the 'bottom of the barrel'. It is a disgrace that a nurse with 2 years university education gets paid $5 per hour less than the checkout girl at the local Coles supermarket.

<u>Recommendation</u>

The government must show a commitment to the not for profit aged care sector, who reinvest surplus funds in their business for the benefit of residents. It is essential that consumers looking at entering residential aged care, are provided with a choice between Not for profit and Community providers, and commercial providers.

<u>Retirement Villages</u>

The massive growth of the retirement village sector is not sustainable. The unregulated growth over the last 5 years has resulted in a significant oversupply of 'stock', which will inevitably lead to providers going broke.

We have seen aged care providers move into the retirement village market, attracted by:

- Minimal regulation by the state governments
- No controls over what a provider can charge
- Loop holes in state regulations, where retirement villages can operate under the Caravan park legislation

<u>Community Care Packages</u>

The introduction of Community Care packages has had a profound impact on the viability of residential care facilities. In a very short period of time (less than 3 years), we have watched around 30 to 40% of our business move to Community Care. These residents who were our 'bread & butter' are now being encouraged to stay at home.

We believe that providers with a strong history of achievement in residential care should be given a priority in the allocation of Community Care places.

Recommendation

Residential care providers with a history of quality service, should be given priority in the allocation of community care places.

The Image of the Age Care Sector

Residential aged care has a horrible public image. Poor performing providers would only represent 1 or 2% of the market, but our industry is permanently tainted by these providers.

The press are ruthless when it comes to residential aged care. Stories go to press as a matter of urgency, without the need to confirm the facts of what is being reported. The press openly tell us that they are not interested in reporting 'good news aged care stories'.

One only has to visit the Department of Health and Ageing's website to understand why the industry has such a poor image. A resident looking for information from the Department of Health & Ageing website goes to "Consumer' then selects "Aged Care'. Incredibly the first screen you are taken to lists the current aged care facilities with sanctions. It is unbelievable that our own Government can't find anything positive to promote about aged care. Why does our government promote the negatives of our business?

It is no wonder our image is poor, when our own government is promoting the few poor performers, and actively encouraging consumers to make complaints against the industry.

Recommendation

1. ***The government must clean up its website. Providers with sanctions need to be listed, but not on the very first screen that new consumers are directed to.***
2. ***The government needs to assist the industry to promote the positives of residential care.***

Capital Adequacy

The introduction of the Aged Care Act 1997, heralded the biggest changes in the industry's history. The introduction of accommodation bonds was a quantum leap, and allowed residential care facilities to hold accommodation bonds, and to reinvest that money into 'bricks and mortar'. Facilities expanding or upgrading, for the first time, had instant access to capital.

The government made two massive mistakes:

1. They introduced the term Accommodation Bonds, which has proved to have an extremely negative connotation. Many consumers are of the belief that the accommodation bond is non refundable. The government should have referred to bonds as Accommodation Loans.

2. There was no logic behind the decision, that Accommodation Bonds would be payable by Low Care Residents, but it would not be payable by High Care Residents. It makes no sense whatsoever, that some residents pay a bond and some don't, for exactly the same service.

Many aged care facilities are currently in a precarious financial state. They have invested bonds in upgrades and additional bed capacity, and now find themselves in a situation where they refund a bond for a resident who passes away, but can't attract another low care bond payer to replace the bond, as residents are delaying their entry into aged care until they reach high care.

<u>The government must introduce accommodation bonds for all residents as a matter of urgency, otherwise facilities will default as they don't have cash to repay bonds.</u>

<u>Recommendation</u>

1. ***The government should introduce the terminology 'Accommodation Loans', and cease using the term Accommodation Bonds.***
2. ***There is no rational explanation of why high care residents should not pay an accommodation bond, but low care residents must. The government should introduce Accommodation Bonds for every resident who has the capacity to pay.***

<u>Assessments to Enter Residential Care</u>

The current system of residents requiring an ACAT Assessment to enter residential care is fundamentally flawed, and must be changed.

- ACAT Assessments are the sole document that determines if a resident enters residential care as a Low or High care resident.
- ACAT assessors regularly tell consumers who are borderline, that they will issue a High ACAT, so the resident doesn't have to pay an accommodation bond.
- ACAT Assessments are regularly incorrect, and we often admit residents who are nothing like their ACAT Assessment.
- There is no reference between the ACAT Assessment & the ACFI Assessment on entry. We currently have resident's who entered with High Care ACAT's, didn't have to pay a bond, but 2 years after entry are still classified under ACFI as Low Care. We accepted them as High Care, but we are funded as Low Care, as they do not meet the ACFI high care level.

<u>We need a system for entry to residential aged care, so that their ACAT & their initial ACFI Assessment are the same. The system needs to be consistent, provide equitable outcomes, and ensure that facilities are funded for the service they provide.</u>

<u>Recommendation</u>

The ACAT Assessment system as the determinant of entry to residential care is wrong, and needs to be changed.

We need a system for entry into residential care that:

- ***Provides certainty to the provider, that the classification/level, will be the same as the residents ACFI classification.***
- ***The ACAT assessment must better reflect the resident's current condition.***

- ***Provide certainty to the facility, so that a resident with a high care ACAT, cannot end up with a low care ACFI.***
- ***Provide certainty for the facility, so that a residents are not given high care ACAT's to avoid payment of Accommodation Bonds.***

Allocation of Residential Care Beds

The allocation of residential care beds (the Approvals Round) is flawed, and needs to be revised. We have been through the process recently, and we speak from experience.

- The rationale of providing beds to an area based on the number of residents in the community over 70 years of age is totally misleading. Over the last 3 years, more than 50% of residents entering our facility have been from outside the City of Wyndham boundaries. Sons and daughters want their loved ones close to their home so they can visit regularly, not on the other side of town.
- As much as the DH&A will deny it, most large providers get all of the beds allocated to them that they ask for in the Approvals Round.
- As much as the DH&A will deny it, priority is given to providers who have commenced the building process. ie: they own the land, have the plans completed and all of the necessary authority approvals.
- We strongly object to providers being able to 'sell bed licences' to another operator, who subsequently moves them to another region. If bed licences are issued to a region, they should stay in that region.

Recommendation

1. ***Ensure equality and impartiality in the approvals process.***
2. ***Cease to allow providers to transfer bed licenses into a different region or area. Eg: beds allocated to Vic Eastern Metro should only be able to be operated in that region.***

Supported Resident Ratio's

To my knowledge, the Supported (or Concessional) Resident ratios have not been changed since the introduction of the Aged Care Act in 1997.

The Supported Ratios should recognise the demographics of the area in which the provider operates. It seems ridiculous to me that Melbourne Metro East where there is a huge level of home ownership has a minimum of 16.7%, but in our area Western Metro where home ownership is around 50%, we have to maintain 24.7%.

If we need to accept more supported residents than another area, then we should be compensated so our funding is comparable with any other area.

Recommendation

There needs to be greater financial incentives for providers to take larger number of Supported residents. It makes no sense that operators leave beds vacant, rather than take additional Supported residents who provide less income for the facility.

Consumers in Hospital, waiting for Beds.

Every week we hear the government (federal & state) complaining about elderly residents who are in hospital beds, waiting for a place in residential aged care.

- We have heard figures of 2,000 Victorians alone, waiting for aged care beds.
- Our industry body ACCV reported that at the end of June 2009, 8.4% of Victorian aged care beds were vacant.

How can it be, that there are beds vacant, but 2000 people can't find a bed?

Well the answer is that most of these people are waiting for Supported beds, but facilities are prepared to leave beds vacant waiting for Accommodation Bond payers, because we don't make enough money from Supported beds. The solution is simple – increase funding for Supported Residents, and providers will fill their vacant beds.

Recommendation

Increase the subsidy paid for Supported residents, so it is viable for providers to fill their vacant beds.

Availability & Quality of Staff

In most residential aged care facilities, staff wages are between 70 & 75% of operating costs. Being able to attract & retain quality staff is the key to being a successful residential care provider.

Attracting high quality staff, allows the service provider to:

- Maintain a high level of resident & family satisfaction
- Allows achievement of Accreditation Standards
- Provide a high quality service.

Wage rates for aged care workers are totally inadequate, and provide no inducement to staff to commit to a career in aged care.

- Many aged care rates are less than $1 above the recent Fair Work minimum wage.
- Aged care pay rates are 25% below rates paid in the public & private hospital system.
- Many aged care rates are $8 to $10 per hour below checkout workers and supermarket shelf packers

While we are funded at less than CPI year after year, we are unable to address the issue of poor wages. The result is that we can only attract staff that are not good enough, or have been rejected by the hospital system.

Recommendation

Many staff will not commit to aged care as a career, as the wages are so poor. Some rates of pay are just above the minimum basic wage.

The government needs to fund aged care by a 'special payment or levy' of at least 10% over five years, so wages can be increased by 2% per year, (10% over 5 years) to bring them closer to the public hospital system.

Nursing in Residential Care

Over the last 10 years we have seen major changes to the staffing model of residential aged care. We have gone from a system of predominantly Personal Care Assistants, to a model of Enrolled Nurses & Personal Care Assistants.

Personal Care Assistants play a vital role in aged care, and this needs to be recognised by:

- Standardising the training of Personal Care Assistants. It is unacceptable, that some RTO's can provide a qualification in 2 to 3 months, and others such as TAFE take 6 to 9 months.
- The Nurses Board needs to create a category, and provide coverage & registration of Personal Care Assistants. This will ensure compliance with standards, and ensure that staff needs to perform to an acceptable level to maintain their registration.

Recommendation

The Nurses Board of Victoria (or interstate body), must take over control of Personal Care Assistants. The regulatory body must:

- ***Control & regulate training of Personal Care Assistants.***
- ***Create a nursing category for Personal Care Assistants.***
- ***Register and control Personal Care Assistants, including a complaint handling process.***

Complexity of Funding System

If somebody asked the DH&A to design a funding system that was complex and extremely difficult to understand, then the DH&A got the system perfect – a 10 out of 10.

The funding system that we operate under is incredibly complex. Every time a change is made, they maintain the old system, and then add another variant. As a result we have different funding rates for:

- Pre October 1997 residents
- Rates from Oct 1997 to March 2008
- Rates from March 2008.

When DH&A introduce a new funding system, all residents should move to the new system on the day of its introduction.

Recommendation

1. ***The Department of Health & Ageing, needs to undertake a complete review of the current funding system.***
2. ***Create a system where one set of rates applies to every resident in residential aged care. When a new system is implemented, all residents should convert to the new system. It is just bureaucracy, that we still have different rates for pre 1997 residents.***

ACFI (Aged Care Funding Instrument)

The ACFI system has been in place for a little over two years, and its inadequacies are now being highlighted. There is a separate review currently being undertaken of ACFI. The issues that need to be addressed in the ACFI review are:

- Under ACFI, many low care residents get no funding at all. This is totally unfair, as there is not one resident in any aged care facility in the country, where the facility provides no service or support to the resident. Even if the resident is extremely independent, we have to maintain files and records, and observe residents.
- Their needs to be a minimum ACFI funding rate that applies for an independent low care resident. Under RCS we got around $25 for a category 7 resident.
- ACFI funding for ADL's is inadequate, and does not fund the required level of staff required to perform the various tasks. Aged care has a 'no lift policy', so every time a resident requires transferring, two staff are required. The same problem happens with residents who require assistance with feeding. Staff often have to spend 20 or 25 minutes feeding a resident requiring 100% assistance, but ADL funding does not recognise the direct staff time taken.
- Some Behaviours are funded under ACFI where staff just observe, but we get very little funding where staff spend time 1 on 1 with a resident.
- We changed from a system called RCS, where there were 8 different funding rates, to a simpler system called ACFI, where there are 64 different funding rates. How were they allowed to introduce a new system, and make it more complex than the system that it replaced?

Recommendation

- ***Review the ACFI funding levels, to establish why the system introduced to reduce complexity, has 64 funding levels, while the system it replaced had 8 levels.***
- ***Create a minimum funding level for a low level resident of $25 per day. No resident should have a nil funding rate.***
- ***Fund Activities of Daily Living (ADL's) pro rata to the cost that we have to pay staff to perform the service. Eg: if a staff member has to spend 20 minutes three times a day to assist a resident with feeding, then fund us relevant to the cost we pay the staff.***

Doctors & Residential Aged Care

There is currently a serious problem, with GP's who won't take on elderly residents as patients, and GP's who won't visit residential aged care facilities.

These issues were addressed in the health agreement between the Federal & State governments in May 2010, but we haven't seen the benefits of these changes as yet.

Level of Funding for the Industry

Successive governments have squeezed the life out of the aged care industry, by providing funding at levels below the CPI, year upon year. In many cases, the government subsidy level has been below the enterprise bargaining wage agreements. How does a business survive and provide continuous improvement, when its costs are higher than its income on a year by year basis.

Whilst aged care is being squeezed, the government continues to introduce additional regulation & compliance for the industry, which facilities are expected to fund themselves.

Most facilities receive 95% of their income from the government & resident subsidies, so it is not sustainable for providers to receive 2 or 3% increases, while they are locked into 4% per year industry wage increases.

The only option for facilities in these circumstances is:

- Reduce the quality of services to residents
- Reduce staff numbers (which increases non compliance and complaints)
- Reduce maintenance, and allow buildings and grounds to 'run down'
- To go broke.

The difficulty for businesses 'operating on the breadline', is that they do not have the resources to develop their business, and maintain their standards.

- The Accreditation Agency demands ongoing Continuous Improvement, but often facilities can't afford improvements.
- The residents are the ones who suffer, when standards & services have to be cut.
- Non compliance and complaints is inevitable, when providers are cutting corners to survive.
- When providers are trading at breakeven or a loss, they do not have the resources to invest in technology that will improve the efficiency of the business.

Recommendation

- ***The government must fund residential aged care adequately. Increases must be at least the rate of increase in the industry work place wage agreements, plus a small margin.***
- ***Funding must be sufficient, and provide funds for providers to introduce continuous improvement.***

- ***The government must assist the industry by 'single purpose grants', to introduce technology, which will improve efficiency, and reduce paperwork.***
- ***If the government is not going to introduce Accommodation Bonds for High care, then it must provide interest free capital to providers to compensate for accommodation bond that need to be refunded, that can't be replaced with new bonds.***

Funding Model

The current system of 'one size fits all' does not work, with facilities in affluent suburbs being very profitable, and facilities in working class suburbs, in most cases, losing money. The industry currently resembles the education system, with facilities in wealthy suburbs providing a superior level of service and building standards, while facilities in working class suburbs provide a basic service, in less substantial buildings.

Facilities in wealthy suburbs are:

- Able to charge accommodation bonds more than double the maximum bond that less wealthy suburbs can get.
- They can charge for Extra Services, where there is zero demand at all in working class suburbs. This also entitles them to take an accommodation bond from a high care resident.
- Because of high levels of home ownership, they can maintain occupancy levels of bond paying residents at 80% and higher. Less wealthy suburbs could never achieve these levels, as demand for their services is about 2 supported residents to 1 bond payer.

Recommendation

There is no equality in the current 'one size fits all' aged care funding model, where facilities operating in suburbs with high bonds & extra services are making quite acceptable profits, and facilities in working class suburbs and country areas who don't have access to high bonds, and where there is no demand for extra services. Most of those services are trading at a loss.

The 'one size fits all' system, only contributes to the rich getting richer, and the poor getting poorer.

Paperwork & Technology

When conducting exit interviews with staff, one issue is consistent at nearly every exit interview, and that is that the industry is drowning in paperwork. Staff that have been in the industry 6 or 8 years, tell us how the level of paperwork has increased by 50% during that time. Staff leaving the industry complain vehemently about the fact that 40% of the day is spent completing paperwork, and only 60% is spent looking after the needs of residents.

The industry must ask itself why the level of paperwork & reporting, is sometimes double that of the hospital system. Just think of the impact on the service we could provide to residents, if we could reduce our nurse/carer time completing paperwork by 30%.

The aged care industry is probably coming a 'long last' when it comes to the introduction of technology. This is predominately because:

- We are not generating profits to invest in technology.
- The high entry costs to computerised care systems, because demand is low.
- We don't have the funds to train staff from a manual to a computerised system.

The Federal Government needs to address the issue of the Introduction of Computerised Resident Care systems for residential aged care.

Recommendation

1. ***One of the biggest impacts that the government could have on residential aged care, would be to reduce paperwork by 40%. The costs of doing so would be minimal, and would have a massive impact quickly. If this allowed for staff to spend another 25% on resident care, there would be a big increase in compliance, a big increase in resident/family satisfaction, and a big drop in resident complaints.***
2. ***The Government must assist the industry with the introduction of technology, particularly in resident paperwork and assessments. Most providers could never introduce a paperless care system, as the capital costs, and the implementation costs could not be funded by the provider.***

Accreditation System

Most people, who work in the aged care industry, would agree that the accreditation system has contributed to the high quality that most providers deliver.

Having said that, the system is more than 12 years old, and there is considerable doubt that this is the right system to take us forward for the next 15 years.

It is our opinion that the system should be modified substantially.

Recommendation

1. ***Decrease the number of accreditation standards from 44, by combining a lot of the smaller standards into one. There should be no more than 25 standards.***
2. ***Make accreditation rules black & white. Remove the interpretation so assessors all rule the same.***
3. ***Remove accreditation fees. It's like paying the ATO to lodge your tax return.***
4. ***Delete the self assessment that precedes the Accreditation audit. It's time consuming, and serves no purpose.***
5. ***Remove the option that allows facilities the opportunity to 'choose their own assessor'***

6. ***Abolish full accreditation every 3 years, and replace it with regular audits every 6 months.***

Resident Mix Model

There is no fairness for consumers or providers with the current resident mix model.

- Residents 'with money' will get exactly what they are looking for in the facility of their choice.
- Assisted residents might be on waiting lists for ever, as many facilities don't see it as financially viable to take these residents.
- Supported residents will eventually get a place in a facility, but might have to wait a fair period of time, as many facilities only take the exact amount of supported residents that they are required to take.
- Families constantly ask where they are on the waiting list, but we are often unable to give them an answer. If we have two similar residents on a waiting list, we will always take the resident who will provide the highest level of ACFI funding. How can that be fair?

Recommendation

There needs to be fairness & equity in the system. The system must provide our elderly with access to a residential care bed when they need it. At present you will get a bed immediately if you 'have money', you might wait a year for a supported bed, and you might never get a place if you are low care with assets of around $60,000.

Regulations and Availability of Information

A major frustration of everybody who works in the industry is the amount of unnecessary regulation, and the availability of information.

Regulation
In every aspect of our business, we are subject to regulation that is more restrictive than any other industry sector. Regulations covering just about every aspect of our business, are stricter and more imposing, than a hospital, a school, or a restaurant serving food. Why is our industry so heavily regulated?

Information
A major frustration of our industry is the poor quality, and access to aged care related information. People who work in the industry regularly quote regulations and requirements, but when you go looking for supporting information you can't find anything.

The Department of Health & Ageing is a major contributor. As a result of complaints from providers who could not find information on their website, they undertook a major upgrade of their website 3 years ago. The new website was launched, and to our utter amazement, it is many times worse than the old one. It is now incredibly difficult to find anything on the current website. How could they get it so wrong?

The Residential Care Manual was finally upgraded a couple of months ago. The old 2005 manual was pretty user friendly, but it is difficult to find anything in the new one. It doesn't even have an index. How could they get it so wrong?

Recommendation

1. ***The aged care industry is now a pretty mature industry. The 'big stick' approach of additional penalties and regulations every time there is a problem, doesn't work. DH&A needs to work with the industry to self regulate.***
2. ***The DH&A website requires a major upgrade, so that it is easy to follow, and contains all of the information that consumers and providers are looking for.***

Financial Performance of the Aged Care Sector

At present the industry is relying on one or two independent national surveys, to view the financial performance of the aged care sector. The industry & the government need to move to a system, which will provide audited comparative financial data for the industry, at least 6 monthly. Providers, who do not comply, should face a cut in funding.

As the government is the major financier to the industry, the government must ensure that the information is made public regularly.

Recommendation

The government is currently receiving Special Purpose Financial Accounts for all residential care providers receiving CAP funding. The information from these accounts needs to be aggregated, audited, and published promptly, so the financial performance of the aged sector can be analysed.