SUBMISSION TO THE PRODUCTIVITY COMMISSION

IN THE MATTER OF

'THE INQUIRY INTO CARE OF OLDER AUSTRALIANS'

The issue of sustainability of Approved Providers within the Aged Care sector in Australia is one that is relevant to all operators irrespective of creed or financial classification, be they commercial or charitable in their pursuit of care of the Elders of our Nation.

Delineation of Providers on the grounds of altruism in an inquiry such as this would be fallacious and fly in the face of objectivity in addressing the issue of future sustainability. Unfortunately when using the term 'future' it can immediately conjure up images of 'decades' in strategic and operational thinking rather than tomorrow or even the remainder of a current year.

Unfortunately our political definition of 'future' tends to encompass three year segments, which can in congregate modules produce a longer term view of 'future' sustainability. The premise of this short paper is based on the perspective that the future and our sector's sustainability starts <u>today</u>.

This therefore underlines the degree of urgency and importance of <u>sustainability now</u> for continuation of service delivery by the sector!

A high level view of the elements comprising a successful program of Care of Older Australians identifies three primary drivers:

- Regulatory Compliance/Accountability
- Skilled Workforce Availability
- Financial Viability.

Although this may sound a simplistic statement, it represents a comprehensive subset of clinical performance, quality, management skills, industrial relations, capital sourcing and operational cost recovery……all of which are critical components of <u>current and future sustainability</u>.

REGULATORY COMPLIANCE

An essential element of any business, even more particularly so when dealing with care and welfare of our senior citizens is a monitored regulatory environment that provides security to both the client and provider. It has been rightly stated that the Aged Care sector is the most highly regulated of any sector/industry in the nation. Having grown a significant (and respected) business within the sector for more than a decade I wholeheartedly agree.

I hasten to add that like most providers we acknowledge the need for a strong compliance regime that is effective in providing support for delivery of care that meets our client needs. However, the present regulatory environment is long overdue for a rationalization of the objectives and the outcomes as it

seems they are often in conflict because of the impost of red tape, totally ineffective, burdensome and inappropriate level of labour intensive [distracting] requirements in order to respond to complaints.
We fully support the empowerment of the individual and their right to challenge when the care they receive is less than the standards expected by all stakeholders and required under regulatory licencing.

I could quote many examples, but one that particularly illustrates the abuse of the provider by the regulatory system (and client) was where a relative complained to CIS that a loved one in our care had not had her water jug filled and was dehydrated (it was summer). It was subsequently proven that there was no dehydration but the relative was inspired by a media article where a nursing home (not ARCARE) was in fact grossly negligent with their resident hydration program and residents were truly at risk.

The outcome at our facility was effectively 8 hours spent (over a period of days) researching, locating, gathering and photocopying 43 pages of documents to satisfy the CIS request for information. It was literally a storm in a teacup (or rather water jug) which unfairly penalized the provider in terms of operational efficiency, staff self esteem and an unquantifiable cost to validate our compliance.

Discussion between providers at industry functions and conferences indicates [anecdotal evidence] that there are innumerable instances nationally of wasted resources both human and financial in responding to the frivolous (sometimes vexatious) complaints to CIS because of shortfalls in the regulatory system.
This is an area for urgent reform as it presently demotivates the care and management workforce!

SKILLED WORFORCE

One can only conclude that our sector's future sustainability is under serious threat when examining the demographic history and projections around the cohort from which our workforce is sourced. The Commission would be well served in coming to grips the negative impact of this issue, by examining the findings of the well known demographer, Bernard Salt who delivered a most enlightening [and somewhat chilling] presentation at the recent ACCV Congress held in Melbourne. It is not only a wakeup call to providers but also to government strategists and regulators alike and a must have for reformers.

We need to up the worth of this cohort of care and give it the self esteem and reward deserving of the hard work, client abuse and perceived meniality of task they execute in often challenging situations.
The genuine love and commitment from within is often sullied by the low wages, lack of appreciation and respect for the tasks performed. Unfortunately in crude terminology we have a situation where the personal carer workforce of our sector in caring for the (past) senior leaders of our nation, are regarded as being worth the equivalent of staff serving fast food.

To address this in a reform environment is not simply an industrial issue with better conditions, rights, etc., but a realistic 'raising of the bar' in terms of training (RTO's need tighter monitoring) as some in the sector are poorly trained and therefore their lack of skill does provide an opportunity for error and non-compliance.

Also the low wage level for carers (at the bottom of the food chain) increases the propensity to attract candidates who are totally unskilled placing a labour cost impost and a drain on other staff efficiencies.
Whilst at the top of the ladder the Regd. Nurse shortage exacerbates problem of Aged Care being seen as the poor brother to acute care.

One solution is to level the playing field of the nursing profession with a (funded) equality of wages being available aged care thereby raising the image of the sector in the eyes of professional Nurses.

FINANCIAL VIABILITY

There are two areas of financial viability, one being the raising and servicing of capital to continue the expansion of the sector to meet the now rapidly growing future demand. The other area is operational viability in an environment of inflationary driven rising costs against a capped revenue stream that falls further behind CPI increases.

Our organization being in construction and care has been able to bring greenfield sites on line over the past decade at a lower capital cost per bed than the general market because of the vertical integration of our operations. That being said we still have to retire debt and this adds an interest cost to our bottom line which has to be borne by the care income stream thereby reducing the Return on Investment (ROI).

The introduction of ACFI has been successful compared to the old RCS system and every provider has experienced a lift in revenue over the past 18 months. At the time of its introduction the ACCV prepared a comparison projection which showed a 'honeymoon period' under the new system that would plateau once it was bedded down. The end of the current financial year (2010/2011) will herald the arrival of the plateau. Last year we saw a rise in revenue and our current budget has captured the revenue uplift resulting from the changeover.

The problem is that any future rises (apart from the pension share subsidy) beyond June 2011 will see the benefits of the introduction of ACFI progressively dissolve into future cost overruns, that will be inevitable under the current revenue adjustment program for subsidy funding.

Aged Care is akin to a recovering victim of a terrorist bomb. Still alive and breathing but with an arm in a sling, walking on crutches and covered in bandages to cover up all the minor wounds. Since the late 90's when the major reform of the sector prepared for the new millennium, we have seen tremendous improvements in many areas, even the occasional spurt of 'bonus funding' commonly recognized as political stop-gap measures due to the 3 year thinking of politicians on future sustainability.

It was good to see that the reporting arrangements for CAP funding were moving to an exception based reporting process. [Once piece of shrapnel removed] However the real issue for effective reform of the funding is to link Aged Care subsidy payments to the CPI or another contemporary, easily identifiable and relevant index off a realistic cost base line.

Although the recent 1.7% increase was certainly welcomed, it's calculation seems totally devoid of economic and commercial reality. For instance our organization has just paid the first tranche of our new EBA [3.5%] negotiated last year at a time of great uncertainty in the workforce following the Global Financial Crisis. In the real world Australia's CPI has come in at 2.9% and it would be drawing a long bow to claim the 1.7% as being inadequate to cover wage increases when [on an assumed wage cost of 65% revenue] the CPI equivalent would have been around 1.88% . . . . close but just a little shy of the adjusted CPI. However it is a <u>significant shortfall</u> against the actual rise in wages [3.5%] and the real rise in operational expenses beyond wages.

Therefore a line needs to be drawn under the now failed and outdated Aged Care funding subsidy calculation and a new base established for assessment of operational/funding costs and any new formula should adopt the CPI to establish levels going forward.