29th July 2010

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

Dear Commissioner

Embracia is a family company providing quality care for the aged in our nursing homes and providing excellent lifestyle choices for retirement living in our retirement villages with aged care homes on-site. We have nursing homes in both Melbourne and the Sunshine Coast, and retirement villages on the Sunshine Coast, Queensland. Our nursing homes are a more fulfilling, people-focused alternative to traditional aged care. Our name Embracia is all about people, family and community.

Peter and Dawn MacKenzie founded Embracia over 20 years ago with the driving passion to be respected as the benchmark to which all other aspire. Through big ideas, hard work and commitment of family and staff, the business has firmly established a reputation for quality and innovation, and become an active advocate for the best outcomes for our elderly in aged care homes and retirement villages.

From simple beginnings in small residential aged care the Group now operates nursing homes in Queensland and Victoria, has over 550 aged care beds across six aged care homes, employs over 550 staff, and has diversified into retirement villages built adjacent to two of the nursing homes on Queensland's Sunshine Coast. However Embracia has never lost sight of its founding principles. We believe:

- That a person's years should not impede the life they lead.
- That everyone has a role in their community, and age should not diminish this.
- In freedom, independence and individualism, for everyone.
- In the person, not the process; flexibility not the routine; innovation, not standardisation.
- In listening, improving and working to improve our communities so that we exceed expectations, every time.

Embracia acknowledges the broad nature of the Commission's Inquiry and does not purport to offer suggestions in respect of all areas of the Inquiry. Rather we would like to present comments in respect of a small number of specific areas where we have direct experience of matters that impede operation of the highest quality and most efficient residential aged care.

APPROVAL AS A CARE RECIPIENT – ROLE OF THE ACAT

Embracia is supportive of the concept of a "gatekeeper" role for Aged Care Assessment which is designed to ensure in the first instance that Commonwealth Government places are allocated to those who genuinely have a need for that support and secondly that aged care places are not denied to those in need because places are taken up by those without those needs (e.g. those purely in need of secure housing).

Embracia Pty Ltd ACN 099 584 086
17-21 Ashley Street Reservoir Victoria 3073 PO Box 605 Heidelberg Victoria 3084 Australia
P 03 9460 9677 F 03 9469 4844 E people@embracia.com.au embracia.com.au

It is our view that when the aged care assessment process was first introduced to a system with two clearly differentiated types of residential aged care – nursing homes and hostels – it provided a system that defined which type of residential aged care home was required and then the level of subsidy for that care could be determined using an appropriate instrument or measure at each type of residential care facility – the PCAI at hostels and the RCI at nursing homes.

However, when ageing in place clearly became the preferred consumer choice the Government response was to replace the PCAI and RCI with one instrument that covered all levels of care, initially the RCS and from 2008 the ACFI, and the distinction drawn at the time of the aged care assessment between a need for high or low care became a regulatory hindrance to aged care rather than a help.

In fact this can be seen in changes to the Aged Care Approvals Round (ACAR) and allocations process. Modern ACAR rounds advertise areas of identified need and invite applications from parties interested in applying for aged care places and the process invites those parties to identify the mix or number of high and low care places within the total for which they apply. The round no longer specifies the number of high care or low care places in an area of advertised need. Clearly the Commonwealth itself accepts the distinction to be artificial in the new structure of ageing in place.

Some specific issues that have been encountered with aged care assessments since the introduction of the RCS and ACFI that we believe reflect problems with the ACAT defining high or low care are:

1. Instances where the ACAT has defined a level as high care when, upon admission, the care level required is clearly only low care as defined under the RCS or ACFI. We accept that often an ACAT is not provided with the best or most accurate information by the person or family being assessed, however, in many cases we have found that the only issue which could possibly have led to the high care assessment is the existence of a diagnosis of dementia. This is reflective of a growing view across the aged care sector that the diagnosis of dementia tends to produce an automatic high care approval.

2. When opening a new service which contains dementia-specific low care places, it becomes increasingly obvious that potential clients in the community who have a low care dementia-specific ACAT approval are rare and these low care dementia-specific places notoriously remain vacant more than a year after opening a home because, while demand for dementia care is high, almost no-one has a low care assessment. This occurs with enough regularity to further support the view that the diagnosis of dementia is producing an automatic high care approval regardless of actual need.

3. In some regions of the country, the number of applications for high care places at aged care homes exceeds the number of applications for low care places by enormous, statistically invalid, orders of magnitude. Anecdotal feedback from some of these high care applicants has been to the effect that they were advised by the aged care assessment team that if the ACAT approval for high care, they would not have to pay an Accommodation Bond. This implies that some approvals are not accurately based on care needs.

It is also worthy of note in this context that aged care homes that existed before the 1997 Aged Care Act have aged care places which are not limited to high care or low care at the point of admission. In effect, this problem exists primarily, if not only, in the modern aged care homes created since 1997 which are the ones most likely to be designed to accommodate ageing in place. In a perverse consequence of the legislation, modern places designed for ageing in place find it most difficult to work in the system and older, nursing home or hostel specific places, designed not to provide other levels of care are most enabled to work within the system.

Recommendation

While we are fully supportive of a funding regime that determines different levels of funding for different degrees of assessed care needs, Embracia believes that the distinction between low care and high care at the gatekeeper or entry point is now entirely obsolete and has become a regulatory hindrance rather than a help. Aged care places sit empty while waiting lists are high because the vacancies are in low care when the applications are for high care. They also sit empty in dementia-specific areas of homes because the vacancy is limited to a person with a low care approval and almost all persons with diagnosed dementia are given high care approvals.

Embracia Pty Ltd ACN 099 584 086
17-21 Ashley Street Reservoir Victoria 3073 PO Box 605 Heidelberg Victoria 3084 Australia
P 03 9460 9677 F 03 9469 4844 E people@embracia.com.au embracia.com.au

Embracia recommends that the ACAT role be adjusted to provide an approval for residential aged care and not limit that care to one type (low or high). Some perceived impacts of such a move might be:

a. Addressing concerns such as those explained above;

b. Removing the requirement for an ACAT to re-assess a person after admission if a person with a low care approval was found to be high care on an initial ACFI assessment;

c. The lack of a high care/low care delineation at entry would enable services to respond to the needs of individuals rather than predetermined numbers from the time of the original allocation of the places. This would almost be a pre-requisite to enable consumer-directed care.

d. The lack of a high care/low care delineation at entry could also be used to facilitate the application of an Accommodation Bond for all residents who could afford to pay one as the ACAT approval of need would not define their financial position as it now does.

Finally on this subject, the definition of whether an aged care place is available to accommodate a person with a high care ACAT approval or a low care ACAT approval is a function of the Conditions of Approval placed on the aged care provider at the time the aged care places are allocated in an Aged Care Approvals Round. If some of the impacts of this recommendation were not fully supported, it would be possible for the Commonwealth to at least address some of the issues (for example, a and c above) by removing that restriction in the Conditions of Approval.

CAPITAL FUNDING OF HIGH CARE PLACES

As mentioned above ageing in place has clearly become the preferred consumer choice. With the modern ACAR rounds inviting applicants to submit their proposal to fit the need without advertising whether the places on offer as high or low care it is possible to gauge the market's reaction to this and the Commonwealth's intent by reviewing the places allocated. Typically allocations fall into two types, "top-up" and "greenfield". It can be seen that "top-ups" are being used for adjusting the mix to reflect demand, usually by adding high care to reflect more high care need, or adjusting the mix to improve capital funding by adding low care to source additional bonds. Greenfield sites are almost never 100% high care unless they are to be sister homes with an existing on-site low care with a separate RACS number, or are intended as Extra-Service High Care.

In order to fund any new service, or continue to fund any existing service, financial institutions require conditions that are inextricably linked to;

- debt levels when full,
- the resulting interest and,
- the amount of times earnings will cover the interest charge.

Standard high care cannot attract payments to reduce debt. Building costs regularly approach or exceed $200,000 per bed while the Accommodation Charges or Supported Resident Supplements payable in respect of non-bonded high care residents are limited to limited to $26.88 per day. At today's building costs, an income source of $9,811 per annum would only cover interest repayments at a conservative bank covenant requirement of 2½ times if interest rates were only 1.96% per annum. Even if interest rates were as low as this it certainly clearly leaves no capacity for debt reduction.

The result is that rather than match the need of the community to provide care of particular levels, the industry is providing the mix of beds that will allow construction. Such arbitrary financial constraints result in care being denied to many elderly Australians.

Recommendation

As above, Embracia recommends that the Commonwealth abolish the distinction between high care and low care and therefore allow capital funding (bonds) for all levels of care. Enforcing the supported resident ratios in each service will ensure that elderly Australians who cannot afford an entry contribution will still be able to access the care to which they are entitled.

If high care and low care are to remain, and therefore high care entry contributions will not be allowed then the Commonwealth ought to simply re-define which ACFI domains and which ACAT assessment

Embracia Pty Ltd ACN 099 584 086
17-21 Ashley Street Reservoir Victoria 3073 PO Box 605 Heidelberg Victoria 3084 Australia
P 03 9460 9677 F 03 9469 4844 E people@embracia.com.au embracia.com.au

criteria produce a high care resident. A criticism of bonds often levelled is that, akin to hospitals, stays are too short to warrant selling a home to fund a bond. This is truer of higher high care than it is of lower high care, but less true of lower high care, so adjusting definitions would to match would make sense.

INDEXATION OF SUBSIDIES - COMMONWEALTH OWN PURPOSE OUTLAYS (COPO) INDEX

Much will no doubt be said about the indexation of aged care subsidies during the Commission's Inquiry, just as much has been said at other Inquiries over the years. Embracia wishes to highlight the issue, but not to repeat what others have said and will say. Quite simply, the percentage rise applied to funding each year is not keeping pace with the costs of providing the care and infrastructure. The rise this year is a case in point. The industry has squeezed as much efficiency as is possible to do, and for some time now the funding rise disparity has impacted on sector viability.

Recommendation

Embracia supports the arguments of those in the industry who seek a fairer deal on this subject. We seek funding indexation to match the real world and real costs because our residents are real people. We also support catch-up funding rises to redress the current funding to cost imbalance caused by indexation mismatches over the many years to date.

ACCREDITATION FRAMEWORK

There is little or no recognition of exceeding standards, or any real incentive to exceed standards. Reports from the Accreditation Agency are all couched in language such as "no standards were observed to have been breached", or "compliance was observed to be adequate". This does not help the consumer on several levels. At worst it states implicitly that "the standards being breached were, quite simply, just not observed" and leads to lack of consumer confidence. It devalues such information for a prospective resident as they cannot easily distinguish between a facility that is "OK" from one that is great or even exceptional. It can be argued that it does not encourage providers to improve beyond just the basic standard, though many do, Embracia included. We are supportive of the concept of Standards and in fact we have developed and implemented our own internal Standard 5 relating to the "human experience" of our residents amongst other outcomes.

Recommendation

Embracia recommends that the development of a sound aged care system for older Australians requires not only information, but also a system of proper recognition of the points of excellence at any one home. In respect of keeping the consumers informed, it is vital that the language of reports about aged care services be accurate, timely and factual and we recommend the removal of the neutral and negative language currently used in such reports.

Embracia also recommends that recognition of excellence is <u>not</u> done by publishing "league tables" of data that is meaningless without context and will easily mislead consumers; the "number of falls" would be example an example of such a misleading statistic – a home with no falls could be restraining or sedating every resident!

WORKFORCE ISSUES

Embracia is an employer that embraces growth, education and development in our staff. We encourage life long learning across our organisation and support where possible greater staff development through flexibility, financial support or on the job placements and traineeships.

Whilst considering ourselves a "learning organisation", we continue, along with the rest of the aged care industry to struggle against the acute or public sectors with the increasing wage disparity. To compound this issue, the private aged care providers struggle to compete with the charitable sector which is able to offer salary packaging and pass on other tax benefits to employees, even though we are all offering the same services, in the same market, to the same customers, and at the same price. The aged care industry is equally funded and required to adhere to the same legislation and quality standards, yet there remains an inequality between private providers and charitable providers.

Embracia Pty Ltd ACN 099 584 086
17-21 Ashley Street Reservoir Victoria 3073 PO Box 605 Heidelberg Victoria 3084 Australia
P 03 9460 9677 F 03 9469 4844 E people@embracia.com.au embracia.com.au

The aged care industry is failing to attract younger workers and is faced with an ageing workforce who are required to perform physically demanding duties for low pay and often without a sufficient level of registered health professionals such as GP's and nurses. This problem will only get worse with the ageing demographic.

Exacerbating our wage disparity with the acute sector is the skill shortage of qualified and registered health professionals. The industry is continually pressured by unions for greater wage increases than the industry receives in funding increases. Demands are placed on employers to offer greater training opportunities as well as the threat of the introduction of staff ratios which the industry simply cannot afford and do not require.

Recommendations

1. The Commonwealth fund greater wage parity, rather than disparity between the aged care and acute sectors.

2. Recognition, incentives and reward for GP's and nurses working in the aged care sector.

3. Increase in funding per annum that allows aged care operators to match the industry standard in wage increases.

4. Staff ratios are NOT applicable in the aged care sector with ageing in place. Staff levels should be in accordance with individually assessed resident needs rather than arbitrary standardisation across the industry. Staff ratios do not guarantee good care; the Industry should be measured on resident outcomes which are already monitored by various Government Departments and Agencies.

5. The Industry needs greater incentives and encouragement for career paths in aged care with recognition of nurse management positions which can offer regular hours, continuity of work, whilst still making a difference in people's lives and using clinical and technical nursing skills. An aged care management or leadership elective could be offered at tertiary level nursing.

6. Greater funding for up-skilling of aged care employees for all parties concern, including the employer, the employee and the registered training organisation (RTO). This would enable more employees to gain higher qualifications. The additional funding would assist employers and RTO's with offering a more flexibility in the manner in which people undertake their qualifications and a more flexible and supportive work environment.

Yours sincerely

Andy King
Managing Director

Embracia Pty Ltd ACN 099 584 086
17-21 Ashley Street Reservoir Victoria 3073 PO Box 605 Heidelberg Victoria 3084 Australia
P 03 9460 9677 F 03 9469 4844 E people@embracia.com.au embracia.com.au