



Inquiry into Caring for Older Australians,
Productivity Commission,
GPO Box 1428,
Canberra City ACT 2601

October 29, 2010

Productivity Commission Inquiry into Caring for Older Australians

Thank you for this opportunity to respond to the Committee's *Inquiry into Caring for Older Australians*.

My comments relate specifically to the community care sector but are supportive of similar issues in the residential aged care sector.

The comments in this submission address the impact of:

- Current levels of government funding and
- The appropriateness of current indexation formulas

Preamble

Bromilow Home Support Services is a provider of community care services in the Sunshine Coast region of south-east Queensland. Our service range extends across a geographical area of some 3,000 square kilometres. Bromilow is a private company and has been providing community care services on the Coast since our inception in 1993.

Bromilow's service range includes Community Aged Care Packages (CACP) and the National Respite for Carers Program (NRCP), both funded by the Commonwealth Department of Health and Ageing; Veterans' Home Care services, funded by the Department of Veterans' Affairs; Home and Community Care (HACC) services, jointly funded by the Commonwealth and Queensland Governments; services funded by Disability Services Queensland and various support groups such as the Cerebral Palsy League; and services provided to private clients on a fee for service basis. Our services assist frail, elderly people and younger disabled people, and the carers of elderly and disabled people. Bromilow's services are available 365 days a year, 24 hours a day. A coordinator is on call at all times enabling 24 hour access by clients.

Bromilow has been a provider of CACP services since 1995 and is the second largest provider of CACP services on the Coast. We have been involved in the NRCP initiative since 2005. We were successful in gaining HACC funding last year.

Bromilow participates in the government's Quality Reporting frameworks each three years and meets required service and program standards. Our recent HACC review achieved the highest rating.

Current levels of government funding

Current levels of government funding are not sufficient to provide continuity of care for CACP clients. This reflects in declining service levels and a consequent inability to provide optimum service outcomes for clients.

Over ten years ago I made a submission to, and appeared before, the House of Representatives Standing Committee on Family and Community Affairs' inquiry into *Competitive Tendering of Welfare Service Delivery*. It is pleasing to recognise that some of the issues presented at that time have progressed (namely, allowing the private sector to play a central role in service delivery and significant improvements in quality reporting). However, it is equally disturbing to note that government funding has not kept pace with the cost of service delivery and we have seen consequent significant reductions in the quantum of care that clients receive with adverse impacts on the quality of service outcomes for clients.

In my submission and personal comments to the inquiry into *Competitive Tendering of Welfare Service Delivery* in 1998, I noted that Bromilow Home Support Services provided an average of 10.0 hours per week to our Community Aged Care Package (CACP) clients at that time¹.

Results from the Community Aged Care Packages (CACP) Census 2002 identified median hours of assistance received by CACP clients across Queensland were 6.0 per week compared to a national median of 5.5 hours². This compared to a median of 7.0 hours per week for CACP clients assisted by Bromilow³.

Since 2002, Bromilow's average hours of assistance to each CACP client has fallen to its current level of approximately 6.0 hours per week. While I do not have hard facts, I suggest that this still compares favourably to other community care providers where anecdotal evidence suggests that weekly averages are often lower.

These figures highlight the fact that contact time with clients has been eroded over the past ten years as increases in wages and other operational costs have outstripped increases in government funding. Quality of care provided in each hour of client care has not suffered; rather, it is the amount of time available to assist clients that has reduced over time.

The failure of government funding to match real increases in service delivery costs has seen a fragmentation of community care services in Australia. Several years ago, community care provided a more structured or tiered progression for clients with increasing need of assistance. A person could start with HACC services to access household cleaning, meals or transport. HACC was designed as the starting point for someone with fairly basic low level needs. As a person's needs increased and more assistance was required, CACP services became available. A CACP could provide the equivalent of low care residential services. A CACP would consistently provide an average of at least one hour of assistance each day, sometimes with multiple visits each day, and could assist with a wide variety of care needs that were coordinated by the service provider who case managed the needs of each client. As a person's needs further increased, NRCP or EACH services were introduced to provide more extensive levels of care and help fill the gaps in service delivery. However, what we see now in the community care landscape is something quite different. CACP services have been diminished; HACC services are often preferred because they are a less expensive option for clients; and there is now a huge void between CACP services and EACH services, something that programs

¹ Official Hansard Report, House of Representatives Standing Committee on Family and Community Affairs' inquiry into *Competitive Tendering of Welfare Service Delivery*, FCA713

² Australian Institute of Health and Welfare, Canberra, July 2004, Regional Report for Queensland, Table 15

³ Australian Institute of Health and Welfare, Canberra, July 2004, Supplementary Outlet Report for Bromilow Home Support Services, Table 14

such as NRCP struggle inadequately to fill. So instead of a natural tired progression from one level of care to the next, we have HACC and CACP both offering similar levels of assistance at the bottom of the ladder and very little in the middle before someone needs nursing home levels of assistance (provided either by an EACH in the community or by residential placement).

The failure of government funding to match increases in the real cost of service delivery has a significant impact on clients. For example, instead of an elderly person receiving a visit from a care worker every day of the week, assistance may only be provided Mondays to Fridays or for shorter periods of time. The elderly person may have to cope without assistance on weekends. The CACP service, instead of operating 365 days a year and assisting with a wide variety of tasks, may provide services less often and may be more selective about the services it offers. Instead of providing consistent early interventions that assist and encourage an older person to remain living independently, the CACP program may actually hasten the person's rate of decline by not being able to assist in a way that was once possible. Instead of acting as an effective bridge between HACC and EACH services, CACP services now often struggle to meet the increasing needs of clients.

The CACP initiative should be redefined and refunded to once more take on this effective bridging role.

The continuing thrust of government policy is to encourage elderly people to remain living independently at home and be cared for in their local home environments. This is appropriate as the majority of older people want to remain at home. However, the lack of funding for the community care sector across all community care programs sees service providers with diminishing real funding trying to hold the system together. Australia's aged citizens are the people feeling the real impact on their quality of life.

Appropriateness of the current indexation formula

In the seven years to November 2010, the CACP subsidy paid to community care service providers increased by 14.7%. Commonwealth minimum wage rates have increased by 27.1% in the same period⁴ - almost double the increase in subsidies. Wages and associated on-costs account for 80% **or more** of the total operating costs of community care providers. No service provider would deny that care staff need and deserve real increase in their wages. However, it is clear that increases in subsidies have not kept pace with rising wages costs. This has led service providers to seek savings in operational costs and one of the main areas has been a reduction in service hours provided to clients. It is impossible for service providers to maintain consistency in the service levels provided to clients from one year to the next when subsidy levels are continuing to fall in real terms.

While the increased quality reporting required of aged care providers is welcome, it does place an additional unfunded responsibility on service providers. These responsibilities are not funded and service providers are expected to absorb the costs within their usual operating budgets. The significant increased demands in this area have an impact on client service levels in the same way that increased wages have an impact.

Petrol prices and travel related expenses are a significant cost driver for community care service providers. Bromilow's care staff, like those of many other service providers, use their own vehicles to travel across a broad geographical area of some 3,000 square kilometers. We have seen significant increases in the cost of petrol in recent years. Service providers must respond to these increases by more generously reimbursing staff for the costs they incur as part of their professional roles. Indeed, the SACS Award 2010 which covers service providers in the community care industry currently

⁴ In November 2003, the CACP subsidy paid to service providers was \$31.41 per day. This has increased to its current level of \$36.05 per day. In the same period, minimum wage rates have increased from \$448.40 to \$569.90 per week.

designates a travel allowance of \$0.74 per kilometre for staff for work related travel. The introduction of the SACS Award in January 2010 also placed additional cost imposts on service providers, e.g. double time penalties on Sundays. These additional costs, while welcome benefits for care staff, are not recognized in government subsidy payments. The Award also reduces productivity and denies staff preferred work choice arrangements by placing greater restrictions on the hours staff can work.

Australia's aged care industry, both residential and community, faces a crisis. Attracting and retaining quality staff is perhaps the industry's single most challenging issue. The industry deals with an indexation formula that does not keep pace with real increases in costs. The reality for service providers is that they are constantly juggling the needs of clients in one hand with the need to appropriately remunerate staff in the other. Providers face enormous challenges for staff from other industries that are able to offer higher wage rates to staff who take on far less onerous responsibilities. We work in very challenging times. It is imperative that we be able to attract high calibre staff. We must be able to offer prospective staff an opportunity to work in an industry that recognises the importance of their contribution and provides them with real opportunities to contribute creatively and positively to the lives of the clients they assist. The industry must also be able to appropriately remunerate staff for the responsibilities of their roles while at the same time meeting the holistic needs of clients. The goals of meeting the needs of staff and clients should not be competing priorities.

Community care plays a pivotal role in the mix of support services available to Australia's elderly citizens. Community care does not incur significant capital costs and provides care in the setting which most people desire – their own homes. Community care is a cost effective option that has the capacity to truly enhance people's quality of life. However, it must be adequately funded.

A long-term 'Aged Care Index', which appropriately addresses the real cost drivers in the aged care industry, is now required. Annual indexation of government subsidy payments for all community care services at 2% (*or less*) does not keep pace with real increases in service delivery costs.

Summary

- Current funding levels are inadequate and have led to a reduction in service hours provided to clients and a fragmentation of community care services. **Government funding must be increased to address the real cost of service delivery.**
- The CACPs program has been devalued. **Redefine the definition and goals of the CACP program and increase funding levels so that it once again bridges the gap between HACC and EACH services.**
- Current indexation formulas do not adequately address the real cost of service delivery and do not adequately recognise industry cost drivers. This results in reduced levels of assistance to clients and increased difficulty in attracting and retaining skilled care staff. **A long-term 'Aged Care Index', which appropriately addresses the real cost drivers in the aged care industry, is now required.**

I appreciate this opportunity to contribute to the Commission's discussions and I look forward to learning of the Commission's suggestions for addressing the important concerns of this industry.

Yours faithfully,

Paul Hawting

Managing Director