BAPTIST COMMUNITY SERVICE QUEENSLAND

(A SERVICES GROUP OF THE BAPTIST UNION OF QLD)

Submission to the Productivity Commission

Inquiry into

Nursing Home Subsidies

15 September 1998

Brief Background to Baptist Community Service

Baptist Community Service Queensland (BCS) is the services group of The Baptist Union of Queensland and a significant provider of aged care and accommodation in Queensland. Currently aged care facilities under the Baptist umbrella incorporate the following numbers of places and accommodation options:

225	approved nursing home (high care) places
226	approved hostel (low care) places
227	non-approved (unfunded) hostel places
228	serviced apartments
229	community aged care packages (CACPS)
230	self-contained units

It is now 50 years since Baptist Community Service began serving senior citizens with the provision of aged care and accommodation. In those 50 years BCS has gained a reputation for quality services and sound management.

Baptist Community Service has been an active member of Aged Care Queensland for many years with senior managers serving as elected Board members and on various sub-committees.

The Basic Issue

The thrust of this submission is best summed up in the findings of a recent study conducted by the Lincoln Gerontology Centre at La Trobe University for Aged Care Australia. It was a relative costings study to measure the costs of providing nursing home care across States on the same baskets of goods and services.

The conclusions from that study support Aged Care Queensland's assertion that **the existing differentials between States prohibit Queensland nursing homes from providing the same care as other States.**

That study found small differences between states. Contrary to existing funding levels, NSW and Victoria, for example, join Western Australia among the lowest cost States. Queensland is close to the national average while South Australia and Tasmania are the highest cost states.

At this point it is worth repeating the conclusions of the Aged Care Australia costing study.

"There are three broad conclusions which can be drawn from the study:

1. The costs generated through the modelling exercise vary within a narrow range. For the lower salary level model these are within a range of 4 to 5 points above the index base of the lowest cost state, which in this model is consistently Western Australia. While there is some variation in the order of states from lowest to highest cost across baskets, Queensland is consistently either the highest or second highest cost state on a basket, South Australia, Victoria, New South Wales and Tasmania are approximately in that order from higher to lower cost.

   The model using higher salary costs for some categories of employee produces total costs which vary over a slightly wider range of approximately 7 points above the lowest state. It also produces a different ordering of states. Victoria, New South Wales and Western Australia are at the lower end of unit cost, while South Australia, and Tasmania are at the higher end. With this model, Queensland falls in the middle range of costs.

   This suggests that results are sensitive to changes in the assumptions on salary levels.

1. There is a reasonable level of consistency between states in the baskets of staff mix which are expensive and those which are less costly. However, some variation exists which is probably due to differences in the relative costs within a state of different categories of employees.

1. The relative cost differences between states identified in this study are far less than those existing in the present subsidy rates for residential aged care. Applying the method of comparison used in this study to the subsidy rates for RCS category 1, as set out in the Productivity Commission's Issues Paper, gives the following indices from the lowest subsidy state, which in this case is Queensland:

NSW	VIC	QLD	SA	WA	TAS	ACT	NT
116	121	100	108	111	122	111	118

   These differences in index from a base of 100, compare with a range of 5 to 7 points in the present study. The order of States on unit salary costs is also different from that of the present subsidy scheme. This is true whichever salary rates are modelled."

It must be emphasised strongly that the provision of aged care is an extremely labour-intensive undertaking. For BCS, wages and wage-related costs typically represent **no less than 81% of total expenditure**. BCS's contacts with other aged care providers suggests that labour-related costs in the range 80% to 85% are normal - a result confirmed by Aged Care Qld in its research. This feature of the aged care providers makes the La Trobe findings all the more significant.

Other Factors

Aged Care Australia has conducted its own research in the area of labour costs and the following are a number of statements from that research which BCS believes are particularly relevant:

"Nursing homes have virtually no control over the price of qualified nursing staff as the price is determined by the public health sector which employs around 85% of qualified nurses.

There are significant wage disparities between the public and non-public sectors of the hospital and nursing home industry and these have increased since 1994. Non-government nursing homes are therefore price takers in relation to the cost of staff, particularly qualified nursing staff which are in short supply. As current nursing home subsidies do not provide adequate funding for parity with the public sector, nursing homes are finding it increasingly difficult to recruit and retain qualified nursing staff. This situation will worsen as the value of funding erodes due to under-compensation of labour cost increases under present indexation arrangements.

The scope for productivity increases by nursing homes through enterprise bargaining and the substitution of labour inputs with equipment is extremely limited. This is due to the following factors: the nature of the industry - providing 24 hour personal care services; quality care standards; the high level of productivity that already exists; and insufficient funding or productivity gains to offset the cost of further changes in working conditions. In addition, changes to residential care funding due to the RCS and new unfunded imposts (such as accreditation) represent expectations for unfunded productivity increases by the industry."

Finally

As an attachment to this submission are the recommendations made by Aged Care Queensland in its submission to the Commission as well as recommendations forthcoming from the Aged Care Australia research. Baptist Community Service endorses both these sets of recommendations and urges the Commission to give serious consideration to each one.

BCS also wishes to bring to the Commission's attention another proposed Federal Government action which will adversely affect our ability in the future to maintain and attract suitably qualified and skilled key employees to provide good management of this organisation's operations.

A separate Statement on Fringe Benefit Concessions is attached.

Thank you for the invitation to make a submission to the Commission. We would welcome an opportunity to appear before the Commission on matters raised.

For and on behalf of

Baptist Community Service Queensland

For Trevor Owens, Director
15th September 1998

Appendix 1

Summary of Aged Care Queensland Recommendations

1. Aged Care Queensland submits that a fair analysis of nursing home costs can only be done by examining the costs of providing care and services with exactly the same basket of goods and services in each State.

1. The evidence gathered by Aged Care Australia shows that nursing homes will expend funds on staffing costs to the extent that these funds are available and that higher subsidy rates lead inevitably to higher qualified staffing levels. Aged Care Queensland alleges that the corollary is also true and that lower funding rates in some States only serve to restrict qualified staffing levels in those States.

1. Aged Care Queensland submits that, whatever may have been the situation over a decade ago, there is no longer any justification for the maintenance of the nation's lowest nursing home subsidy levels for Queensland. In fact much of the evidence suggests that Queensland is a higher cost State being regularly at or above the national average for costs.

1. Aged Care Queensland considers that the evidence of cost differentials, both wage and non-wage costs, between States is not sufficient to warrant different subsidy rates between the States. We therefore support the Coalition Government's policy of a national rate of subsidy for all levels of care as presently exists for hostels and community aged care packages.

1. Aged Care Queensland submits that once evidence substantiates the justice of a national funding rate, movement towards that national rate should be immediate and substantial for those States below the national rate. We have no objection to a seven year or even slower period of reduction for States that must reduce. However we submit below an alternative suggestion as a fairer means of achieving the outcome.

1. Aged Care Queensland argues that the use of excessive regulation to control an industry such as nursing homes leads to monotony, sameness and minimum standards of quality rather than experimentation, innovation and increasing quality through competition. Federal regulation should be limited to quality of outcomes rather than control of inputs through subsidy levels.

1. Aged Care Queensland would like to propose that the indexation funds which would otherwise be directed as a flat percentage increase across all States should be redirected to achieving national funding rates.

2. Aged Care Queensland offers its total and unqualified support to the efforts, the recommendations and all aspects of the submission being provided by Aged Care Australia.

Appendix 2

Summary of Recommendations from Aged Care Australia Research

Recommendation 1

ACA recommends that the Productivity Commission be guided in making its recommendations by the key principles of access, quality and viability.

Recommendation 2

ACA recommends that the Productivity Commission put forward recommendations relating to the funding of nursing homes which are consistent with the desired outcomes identified by ACA.

Recommendation 3

ACA recommends that the Productivity Commission take into account in making its recommendations the substantial reduction in the number of small facilities and the decline in accessibility of nursing homes (particularly in rural areas).

Recommendation 4

ACA recommends that research be carried out to identify the reasons for significant differences among the jurisdictions with regard to the assessed levels of dependency of residents in order to highlight any implications for service provision and care practices.

Recommendation 5

ACA recommends that the Productivity Commission take into account the fact that supply controls on nursing home places since 1986 have resulted in reduced expenditure of $1 billion a year; and that under-compensation of cost increases has resulted in a real reduction in nursing home funding of about $128 million since 1996.

Recommendation 6

ACA recommends that the Productivity Commission take into account the significant challenges and uncertainties presented by the residential aged care restructure and, in particular, the fact that 38% of nursing homes are expected to receive reductions in recurrent care funding at a time when they are facing new unfunded cost imposts in relation to accreditation.

Recommendation 7

ACA recommends that the Productivity Commission note the efforts by the industry to further enhance its strategic planning and management capability.

Recommendation 8

ACA recommends that the Productivity Commission take into account in framing its recommendations: the need for more aged care services to address current and future needs; the importance of providing a continuum of care which is responsive to a diverse needs and aspirations of older people; the desirability of "unpackaging" the housing and care components in order to promote greater program flexibility, increased innovation in service provision and more adequate provision of housing options for older people who are homeless or living in insecure accommodation.

Recommendation 9

ACA recommends that the Productivity Commission takes into account the dynamic nature of varying relativities in award rates among the jurisdictions (within awards and over time) in considering appropriate nursing home funding arrangements.

Recommendation 10

ACA recommends that the Productivity Commission note that the care needs of residents, facility size, management philosophy and the affordability of nurses appear to be as important as minimum regulations and award conditions in determining staff mix in nursing homes.

Recommendation 11

ACA recommends that the Productivity Commission note the findings of the study of relative labour costs conducted for ACA by La Trobe University; this indicates that the range of funding relativities among the States and Territories for high level care residents is currently much larger (22%) than indicated by the study of relative labour costs (5% to 7%).

Recommendation 12

ACA recommends that the Productivity Commission note that nursing homes have virtually no control over the price of qualified nursing staff, that the more generous public sector award rates are likely to drive further price increases for qualified nurses in nursing homes; and that unless funding arrangements permit greater parity, current recruitment, retention and morale problems will deteriorate.

Recommendation 13

ACA recommends that the Productivity Commission note that the scope for productivity gains in nursing homes through enterprise bargaining and the substitution of labour inputs with equipment is extremely limited.

Recommendation 14

ACA recommends that the Productivity Commission note that the non-labour operating costs of nursing homes vary within and between jurisdictions and appear to be due to a range of factors including: facility size; ownership type; location; management and accounting practices.

Recommendation 15

ACA recommends that the capital and recurrent funding streams for nursing homes be separately identified in order to promote transparency, stewardship and accountability.

Recommendation 16

ACA recommends that there be greater flexibility so that accommodation charges paid by financially eligible residents requiring high level care can be more closely linked with their capacity to pay and to variations in the cost of land and building.

Recommendation 17

ACA recommends that the Productivity Commission note in considering the future funding arrangements for nursing home that there is a significant and long-standing capital shortfall which will not be adequately addressed through accommodation charges; and that ACA has outlined policy recommendations to address this in its 1998 Federal Budget Submission.

Recommendation 18

ACA recommends that the Wage Cost Index (Health and Community Services, Public Sector) be used to index the labour component of residential aged care subsidies; that where differential rates of change in AWOTE among the jurisdictions are entrenched over time, the relevant State/Territory measure of this index be used; and that consideration be given to using the Labour Cost Index (Health and Community Service, Public Sector) once it becomes available.

Recommendation 19

ACA recommends that the TMUI continue to be used to index the non-labour component of residential aged care subsidies.

Recommendation 20

ACA recommends that there be a one-off adjustment to the pool of funding for high level care residents in 1999/00 of $128 million in order to restore the funding lost through under-compensation due to the use of the COPO index.

Recommendation 21

ACA recommends that additional funding for small-sized residential aged care facilities be provided through the viability supplement; and that the Productivity Commission recommend that the adequacy of the viability supplement, taking into account the phasing out of the 24-Hour Top Up Funding, be reviewed as a matter of priority.

Recommendation 22

ACA recommends that the Productivity Commission note that a wide range of factors contribute to quality care; that all these factors are included in the accreditation standards; and that accreditation provides a much better basis for assessing quality care than using a proxy such as staff mix.

Recommendation 23

ACA recommends that the Productivity Commission note that the accreditation system will play an important role in enhancing consumer choice and in improving the quality of care.

Recommendation 24

ACA recommends that the Productivity Commission ensure that any new funding arrangements for high level care residents provide universal access to quality care consistent with the standards for accreditation, irrespective of their location or financial situation.

Recommendation 25

ACA recommends that the Productivity Commission note that the two year review of the residential aged care restructure will examine the adequacy of funding to deliver quality care to the standards for accreditation.

Recommendation 26

ACA recommends that the allocation of residential aged care funding should continue to be based on the assessed relative care needs of residents.

Recommendation 27

ACA recommends that the Productivity Commission apply the criteria for evaluating various funding approaches outlined by ACA.

Recommendation 28

ACA recommends that the Productivity Commission note that ACA intends to forward a late supplementary submission on a framework for a funding methodology for residential aged care services which would establish a closer relationship between funding and quality outcomes for consumers.

Recommendation 29

ACA recommends that the Productivity Commission note that ACA does not support percentage based subsidy arrangements or paying subsidies directly to residents.

Recommendation 30

ACA recommends that the role of resident contributions and income testing be reviewed in order to generate income for quality improvements in residential aged care and to enable consumers to exercise greater choice in relation to the standard of care and accommodation they receive.

Recommendation 31

Aged Care Australia recommends that high level care residents in those States and Territories which are relatively under-funding be funded at the national average rate for each applicable high care level by 1999/00.

Recommendation 32

Aged Care Australia recommends that the review of the adequacy of residential care funding (to be undertaken in the context of the two year review of the restructure) be completed prior to any decisions being taken with regard to funding reductions for any high level care residents.

Recommendation 33

Aged Care Australia recommends that, in the event that the review of the adequacy of residential care funding justifies any reductions in the funding for high level care residents, there be a transition period of 6 years and that the reductions occur in smooth steps.

Recommendation 34

Aged Care Australia recommends that the $128 million under-funding which has occurred since 1996 due to the under-indexation of high level care subsidies be restored in 1999/00; that it be used to fund the increase in high level care subsidies to the national average for residents in those States and Territories which are currently relatively under-funded; and that the remaining funding be used to provide more adequate assistance to small-sized facilities through the viability supplement.

Recommendation 35

Aged Care Australia recommends that transition management assistance be provided to facilities providing high level care in the event that there are future funding reductions based on the study of funding adequacy; and that this include management advice and program flexibility.

Appendix 3

BAPTIST COMMUNITY SERVICE QUEENSLAND

(A SERVICES GROUP OF THE BAPTIST UNION OF QLD)

-Celebrating 50 years of caring for aged citizens in 1999-

STATEMENT ON FRINGE BENEFIT CONCESSIONS
-TO THE PRODUCTIVITY COMMISSION - SEPTEMBER 1998

We are disturbed by the possibility that Benevolent Organisations like ours may experience a diminution in the value of the current fringe benefit concessions under the major parties' October 3rd Federal Election platform proposals.

We understand that the fringe benefits exemptions afforded Benevolent Organisations were mainly given to enable such Organisations to attract and appropriately remunerate key employees who possess the necessary professional qualifications, skills and experience needed to operate the Organisation under the myriad of Government regulations to which Organisations such as ours have been subjected, over the past decade or so.

It was during this period of time that more and more administrative responsibilities were passed to Benevolent Organisations working in areas such as Aged Care, as Government Departments reduced their staffing levels.

The fringe benefit concessions have certainly enabled our Organisation to employ appropriate personnel as above mentioned and to expand our services to the general public in Aged Care and other essential service areas such as family, children and youth programs where we work with dysfunctional and abuse situations and marginalised people, including the Blind, Aborigines and the Intellectually Disabled. We are also involved in "Work for the Dole" and training programs to equip people for the workforce and to assist others in their local communities throughout Queensland.

We view the fringe benefit concessions as an "indirect Commonwealth Government Subsidy" and any reduction in the current arrangements would seriously affect our level of community services. In fact, we contend that such a move would prove counter-productive for Government.

There have been proposals put forward to reduce or completely remove fringe benefit concessions, or to replace them with direct subsidisation of Benevolent Organisations. We are gravely concerned at such proposals as these could be so easily removed with a change in Government policy.

We would propose that Benevolent Organisations retain the present fringe benefit concessional status under the following arrangements:

A. That the maximum percentage of fringe benefits to the total remuneration package be set at 40%.

B. That calculation of the non-cash value of a motor vehicle, included in the fringe benefit component of the remuneration package, be exempt from any legislated documentary requirements for pure commercial business operations and that the Benevolent Organisation set the value of a vehicle based on the market interest rate to purchase a vehicle (or alternatively, based on lease payments), plus any agreed level of private running costs.

C. That the Group Certificates of employees of Benevolent Organisations record, in addition to the information already included, the non-wage benefit amount paid by the Organisation as a fringe benefit for the calculation of the Medicare levy and other benefits such as Austudy etc.

We look forward to discussing our Organisation's proposals and their rationale with Officers of the Productivity Commission, in due course.

For and on behalf of

Baptist Community Service Qld