

AUSTRALIAN NURSING HOMES AND EXTENDED CARE ASSOCIATION - VICTORIA

Representing the interests of Victorian Aged Care Providers



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ANHECA-VIC

RESPONSE TO ISSUES PAPER

"NURSING HOME SUBSIDIES"

PRODUCTIVITY COMMISSION

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1. Introduction

The directors of ANHECA-VIC have been actively involved at the Federal level of ANHECA in the consideration of matters relating to Operational and Capital Funding. The ANHECA Position Paper "Blueprint For Quality Aged Care" submitted to the Hon Warwick Smith MP Minister For Family services relating to these issues is fully supported by ANHECA-VIC and reflects the concerns of Victorian Members endeavouring to provide a range of Residential Aged Care Facilities.

ANHECA-VIC supports the initiative undertaken by the Minister in announcing an independent review of the industry by the Productivity Commission and whilst the commission is to report on the "subsidy regime" rather than the "subsidies as such" , it is the view of ANHECA-VIC that any report must inevitably look upon the quantum of such subsidies especially as the commission is to examine relative cost between states, trends in wage costs, the extent to which subsidies should vary and if differential subsidies are appropriate, methodologies for maintaining relativity's.

The submission by ANHECA provides detail relating to wages, wages on- costs and other matters including cost detail relating to Victoria. This paper seeks to highlight additional matters of concern.

2. Response

2.1 The Commissions approach: It is submitted that the commission , in addition to having regard to the objectives underlying the Commonwealths Residential Aged Care Program and the Commissions own general policy guidelines, should during its deliberations at all times give consideration to the terms of reference as paramount.

It could be that the underlying objectives of the Governments program may be at odds with the terms of reference for the review in particular that of "promoting a high quality of care accommodation" and that of "providing funding that takes account of quality, type and level of care."

2.2 An overview of the residential care sector: As the Commission quite properly notes, the residential aged care sector includes services other than Nursing Homes. It is noted the Commission has included consideration of these additional service in its overview and it is submitted that the commission should be consistent and include consideration of the entire range of services provided by the Residential Aged Care Sector including Home Care Packages. In addition, hostels whilst not in the terms of reference, are becoming a significant provider of "High Level Care" and the impact of such must be factored into the considerations of the commission.

2.3 Funding arrangements: The ANHECA Position Paper "Blueprint for quality aged care " refers. The constraints faced by operators continue to be of great concern to our members. Of particular concern are the issues related to not only Coalescence which is subject to the commissions review, but those relating to Indexation This includes indexation of not only the Subsidy rate itself, but the many components in particular wages that influence that rate. Again it would seem that the indexation rate as applied would not appear to have any relevance to actual cost movements. This can be seen in matters such as the costs of medical consumables, costs of commercial food products etc. Indexation arrangements must acknowledge the parity with the public sector and contain a mechanism for appropriate adjustments.

2.4 Residential care subsidies: ANHECA Position Paper "Blueprint for quality aged care " refers. Actual subsidy rates have been influenced over the years by continual changes to the classification Instrument used for resident assessments and again when comparisons are carried out it is a question of access to meaningful current comparative data. The current instrument has recently been the subject of further modifications and comparisons have been based on data some two years old. In considering matters of provider profile and the distribution between states it is insufficient to undertake a statistical comparison without closer examination of the actual profile in LGA'S and the structures and costs providers have in place to accommodate such variation. The real issue faced by the states and in particular Victoria, is that of wage parity with wages in the public sector. Currently the private sector of the industry has no capacity to absorb the difference in parity with public sector wage rates of the order of 20%. An immediate increase in the subsidy rate to reflect this difference would permit the retention and attraction of skilled nursing staff both Div 1 and Div 2.

2.5 Capital Investment: ANHECA Position Paper "Blueprint for quality aged care" refers. Capital or the lack thereof is the most significant limiting factor to the restructure of the industry. Of particular concern is the anomalous issue of a penalty to providers who have risked Capital and in return been awarded additional recurrent funding but who in seeking to go forward and seek certification are penalised with the withdrawal of the ARF. This has a distinct message for those contemplating a program of continuous building improvement and it is submitted is appropriate for the commission to consider in the context of its review.

2.6 Resident Contributions: Industry providers acknowledge the underlying principle of the Commonwealth's Residential Aged Care Program in ensuring that care is accessible and affordable for all residents but the program as it is presently structured is a mix of contrast and confusion. There is the expectation of improved services and amenities by the Commonwealth along with a competitive process for the allocation of Extra Service place's which is consistent with deregulation. On the other hand, there is rigid price control not only that which would be expected for those disadvantaged, but those with income in addition to the pension. The ability of providers to retain additional fees without Extra Service status is a limiting factor to viability and infrastructure improvement. There is validity in allowing the retention of additional fees by providers without Extra service status but where single rooms with en-suite and additional private amenities are provided. This is something akin to the additional premium attached to four and five star hotel rooms without the entire facility or a full floor being devoted to the improved accommodation in as much the same way as airlines and railways provide business and first without the full Inter-city. Approval of such, without the confusion and delays of the competitive tender of the extra services process, would introduce a substantial element of competition and reward. Additional resident contributions in the form of accommodation charges/bonds and daily fees would become somewhat more meaningful.

2.7 Regulation: The current wave of regulatory reforms have it could be argued, simply replaced the previous regulatory requirements for accountability. With the Introduction of Certification and Accreditation the documentation is now somewhat more considerable and given the minimal resources available to a significant number of providers, it is increasingly going to become a prominent industry issue and expense. This gives rise to the commission giving consideration to the cost impact on the industry, that was not reflected

in the structure of the present funding system. There are not insignificant costs for all providers relating to a continuing changing regulatory environment, but to introduce significantly different compliance structures without cost recognition, is to deny that ultimately structural change to the industry does not cost.

2.11 The Merits of Alternative Funding Methodologies: The commission has been charged with the responsibility of preparing a time constrained review, yet the Government have established a review mechanism within the provisions of the Aged Care Act 1997 to undertake a formal 2 year review. It is submitted that the review of this aspect by the commission is inappropriate given the circumstances. Any review of alternative funding methodologies must be the subject of a much greater in depth review than that afforded the commission. Any recommendations for alternative funding methodologies must take into account matters not included in the terms of reference for the commission. These include Low Care Facility retention rates for High Care Classified Residents, the impact of home care packages etc.