**AGED CARE QUEENSLAND**

**RESPONSE TO THE POSITION PAPER BY THE PRODUCTIVITY COMMISSION**

## A GENERAL COMMENTS

At the very outset, Aged Care Queensland would like to acknowledge the significant support received in the Commission's preliminary proposals for the dire situation in our State. While it is not relevant to the Commission's considerations, this has been a valuable step forward in a lengthy process of awakening Government to the inequity created by the existing system.

Aged Care Queensland initiated its "Fair Share for Aged Care in Queensland" campaign around 12 months ago when it became immediately apparent that nursing homes in the State had experienced a major drop in income due to the reform process. Our research found that even when leaving aside payment system failures (and there were many), funds set aside from the overall pool for payment of supplements and all other factors we could consider relevant, there remained inadequate funding to provide the necessary quality of care from the subsidies and resident fees allowed under the system.

This was a political campaign not just for money but for equity and fairness. We saw, and still see, it as a devaluing of older Queenslanders compared to those in other States - particularly in the south eastern triangle. The case was put to the Department, the Minister, local politicians, consumer groups and in a small way to the public. The effect was to trigger an awareness that despite any advice that may have been received to the contrary, the Government would not find this an issue that would go away.

As the first step towards coalescence approached, States receiving the higher funding rates began to join in a protest at the system proposed. However their reasons differed significantly. To them this was an attempt to stay any reduction in their funding regardless of the necessity for fairness in Queensland or any other State. The first year's coalescence proceeded but future changes have been stayed pending the Commission's report.

We provide this background because it is important to show why the case is important to Aged Care Queensland and why our approach may differ from our interstate colleagues. The issue here is enormously important. It will dictate the quality of care our residents receive for many years to come. If it falls to achieve a successful outcome, Queenslanders will never receive the same care that a resident living in another State would receive in a nursing home. And the long-term future of Queensland nursing homes will be bleak as their position falls further and further behind from the effects of indexation.

Submissions from other States do not come from the base of a crisis of long-term viability but a desire to preserve the status quo regardless of whether that be equitable or not. Reduction in funding would be difficult and no doubt there is the fear of industrial actions to prevent the reduction in costs. In Queensland we have already been forced to fight those battles.

The Commission clearly states that residential care subsidies must be linked transparently to the cost of providing acceptable quality of care. Aged Care Queensland supports the Commission's proposal that this be the principle for residential aged care funding and will be happy to assist in the development of new concepts and methodologies.

We understand the cost exposure of Government and have always been willing to work towards a cost neutral outcome if that be possible. We believe that it is. However the need for an urgent response grows every day that the decision is delayed. In that regard we note the extraordinarily short time-frames presented to the Commission for such a comprehensive task and thank the Commission for the way in which it has so far met those deadlines.

Aged Care Queensland stands for allowing the aged care industry the capacity to manage its own affairs, find its own innovations and creatively solve the problems it experiences without waiting for leadership from Government. We will accept good ideas from elsewhere and are happy to assist Government when it has initiatives it wishes to implement. In that regard also we see the Commission's proposals as a very significant contribution to the cause of having an industry less dependent on Government and more able, and willing, to act on its own initiative.

Aged Care Queensland has not been one of the loud critics of the aged care reform system (although it has criticised poor administration of the system - particularly the payment system). It has to date withheld its support of the long-term viability of the system because from the start it could see the difficulties with Queensland's low funding rate and could not guarantee consumers that the nursing home system was viable. This has however not been due to any fundamental objection to the policies.

We believe that the Commission's contribution, if adopted by Government, will see a less dependent and more creative industry emerge as well as a more adequately resourced industry within Queensland. We offer the following comments on the specifics of the Commission's proposals to aid the Commission in its task of producing a final report and we offer to present these at public hearings proposed for Brisbane.

## B PRELIMINARY PROPOSALS

### Preliminary Proposal 1

***The coalescence of basic subsidies for high care residents in nursing homes and hostels should not proceed in its current form. Rather, a movement to nationally uniform basic subsidy rates should occur as part of a wider package of changes to address deficiencies in the current arrangements.***

Aged Care Queensland supports the Commission's proposition that coalescence of basic subsidies for high care residents in nursing homes and hostels should not proceed in its current form. It is our view that once the error in methodology that created the inequities of the last decade has been identified, it would be unconscionable to then allow that error to continue for another seven years - as it would have under the coalescence proposal.

The key words for us in the preliminary proposal however are the words ***"in its current form".*** We have noted since the release of the preliminary report that other States have been claiming that support for the abolition of coalescence was vindication of their assertion that their funding rates must remain higher. Our reading of the proposal does not draw the same conclusion. We understand that the Commission is proposing that the current plan is not suitable - it is not suggesting that there never be any movement toward a national rate of funding.

Aged Care Queensland, while receiving support for its cause for justice in funding only from those States in a similar position, had not sought increased subsidy at the expense of other States. We have asked at all times for additional funding, or a redirection of future funding increases, to adjust our subsidy rate up to an acceptable level. We acknowledge that the coalescence proposal could create difficulties in other jurisdictions but we emphasise that the total absence of measures to address the deficits in our funding creates more difficulties in our own jurisdiction.

Aged Care Queensland continues to maintain that coalescence or any other gradual movement towards a fair rate of funding will be inequitable in terms of those States receiving less than necessary until the process is completed. Equitable funding must be immediate and ideally backdated to 1 July 1998. It is an unfortunate fact that even the best intended recommendations and immediate correction of errors will not remove the deficits experienced by nursing homes in 1997/98. Nor will these measures bring additional care hours to residents of facilities who were forced to experience less care than those in other States in the decade before 1997/98.

We acknowledge the Commission's indications of support for our suggestion that future indexation increases be directed towards correcting funding in the States most harshly dealt with at present. A failure to do this will also see those States on higher subsidies move further ahead as percentage indexation gives them larger increases.

Aged Care Queensland urges the Commission to beware of other submissions indicating support for the proposition but suggesting that extensive research or data

collection be done or that Committees be formed to examine workforce issues. These are complex processes raising a welter of industrial, ethical and quality issues. Many have been tried before but have not produced results over extended periods.

These suggestions are delaying tactics designed to defer the inevitable decision to introduce equitable funding and will come from the larger population bases such as southern capital cities where political efforts can be mustered over the period of the delay. We believe that any delays to introduction of the recommendations, when final, will be designed to move the final decision as far in time as possible from the relevance of the current Commission's report.

To this end, the entire Aged Care Queensland membership, through the Aged Care Queensland Office, hereby offers the Commission its fullest possible support for the collection of data between now and 13 January 1999 when the Commission is due to report. The question of national versus state-based subsidy arrangements is an empirical issue and we will assist the Commission to gather data quickly and accurately. It is vital the final report from the Commission make a suggestion about what costs may apply to models of quality. If it does not, the pressure for a delay will mount from those States on higher funding.

The Commission's proposition for a movement to nationally uniform basic subsidy rates is an inevitable conclusion to be drawn from the multitude of submissions and data on the costs of providing a benchmark level of care.

**Preliminary Proposal 2**

***In combination with resident charges, government funding should be sufficient to support the level of care required to meet the accreditation and certification requirements.***

Aged Care Queensland supports the proposition that there should be an established principle of adequate funding to meet the (national) requirements of accreditation and certification. This should be a fundamental premise of Australia's Aged Care system. We believe that the Department of Health and Aged Care - under its various names -has for too long been absolved of any accountability for the quality and amount of both care and buildings.

In fact the rate of funding has been such a driver of these factors that the rules administered by that Department have dictated staff qualifications, staff numbers, hours worked and how much funds were available for buildings (and therefore the quality of those). In fact the quantum of funding was almost the sole determinant of staffing levels. Controlled subsidies and controlled user fees could lead to no other result.

Yet the system has provided no accountability back to the Department or Government for the amount of that funding. Under the old CAM there were a number of hours allocated to each category of resident assessment (from 1 to 5). However there was never an acceptance that these hours were adequate for care. The Department maintained that the management of the home was simply obliged to provide whatever care was necessary for each resident from the monthly subsidy sent from the Department plus user fees.

The Commission's proposal creates a new standard of accountability for Government and its Agencies. The determination of a low subsidy will be traceable to a level of inputs that is low. A high subsidy will be traceable to a high level of inputs. In other words the Government will determine quality by its funding rate.

In fact this has been happening for years within a system which denied that it was happening. Queensland nursing homes have not received sufficient funding to meet the same quality of services that a nursing home in Victoria or Tasmania could. Regardless of why it happens, why should a Victorian nursing home receive funding for more registered nurses than a Queensland nursing home? How does one explain this to a Queensland nursing home resident or that person's family, neighbours or friends?

A variety stakeholders will have views on the inputs of goods and services needed to achieve the benchmark levels of accreditation and certification the Government sets for funding purposes. The Commission is proposing a valuable methodology here but will need to ensure that the final result remains flexible. Funding according to costs of inputs is an extremely tempting precedent to fixing those inputs as requirements rather than variables used in the calculation of a figure.

Aged Care Queensland supports the view that inputs be used to determine subsidy rates but insists that this be done in a way which acknowledges that the formula determines an equitable amount of funding - not a prescribed amount of inputs. To do the latter would begin to dictate an entirely new series of inflexible regulations. The consequence would be prescribed rates of return to investors, fixed rates of accrual of sinking funds, fixed terms to repay debt and a range of areas in which Government has not previously had a role or desire to be a stakeholder.

While State and Territory Governments do impose additional regulatory requirements on residential aged care services, the concept that they should then meet the additional costs is acceptable to Aged Care Queensland. We suspect however that it will not be acceptable to those State Governments.

However we support the principle because to do otherwise allows State Governments the perfect avenue to draw additional incomes into their economies at the Commonwealth Government's expense. In the case of Victorian nursing homes, as an example, additional staffing requirements were supported financially by the Department of Health and Aged Care funding regime. This allowed Victoria additional employment of nurses, additional income for their economy and all at the expense of other States.

**Preliminary Proposal 3**

***a) Basic subsidy rates should be linked to the cost of providing the benchmark level of care in an efficient sized facility using an average input mix. Additional funding support for smaller nursing homes in rural and remote areas should come from a special needs funding pool.***

Aged Care Queensland is happy to support this proposal. There are however three important terms in this proposal that need clarification - benchmark, efficient size and average input mix. Assuming however that the meaning of these terms approaches our understanding, then there can be no objection to the proposal. We caution again at this point that the Commission should expect interests from States above average funding to seek lengthy delays to the implementation of these proposals. It is not beyond the realms of possibility that many submissions will seek extensive consultation on the meaning of each term, extensive debate over the correctness of the views formed and lengthy analysis of the likely outcomes.

Aged Care Queensland therefore urges the Commission to move beyond statements of principles and concepts in its final report and propose some definitions which will facilitate prompt resolution of the issues.

***Benchmark Level of Care***

We support the principle of providing adequate funding to achieve a standard benchmark level of care across the jurisdictions. Aged Care Queensland recommends that there be a clear statement that the benchmark be care, services and management systems which meets the accreditation standards in a building which meets the certification standard.

There will of course be increases in subsidies over time as the Government carries out its promise to raise the benchmark required for meeting these standards through continuous improvement (one of the standards to be met). However, this is entirely consistent with the Commission's proposal which sees funding rates based on the standard of outcome set by the Government. This continues the principle that the Government will get what it pays for.

The argument against a quick resolution will no doubt be that with no aged care facility accredited, there can be no basis on which to determine the benchmark of quality. That is not the case. All facilities are presently subject to residential care standards. These are very similar to the accreditation standards but do not include the management systems. A benchmark should therefore be determinable which would carry the industry through until January 2001 when all facilities must be accredited under the full accreditation standards.

The decisions required here will revolve around the fringe rules relating to the provision of aged care. Questions such as whether the Victorian nurse/patient ratios provide a better quality of care must be answered by the Commonwealth. And they must be answered with the knowledge that they will need to be paid for. However,

given that they are not a common requirement across Australia and yet facilities in other States provide quality services, it is considered most unlikely that they will add sufficiently to quality to influence a benchmark.

***"Efficient-Sized Facility"***

Aged Care Queensland would not normally support a proposal that the cost of providing the standard benchmark level of care should be based on an *"efficient-sized facility*". We would normally expect such an arrangement to disadvantage facilities which are smaller than what is deemed to be an "efficient-sized" facility. However, depending upon the outcome of the recommendation to aid smaller rural or remote facilities, Aged Care Queensland may be willing to accommodate this proposal.

The question of course arises as to what is an efficient size. For many years the Department of Health and Aged Care had acknowledged the inefficiency of nursing homes with bed numbers below 26 or 27. The most common problem with efficiency in these facilities was that the subsidy failed to provide adequate funds within its CAM component for the 24 hour employment of a registered nurse. Some adjustments were then made so that elements in the subsidy which would have been notionally for enrolled or assistant nurses or for therapists were then supplemented to bring them up to registered nurse wage rates.

As an acknowledgement of the additional costs to the taxpayer and in an attempt to reduce the incidence of this, the Department undertook a process of adding bed numbers to the smaller facilities to raise them beyond the 27 or so bed limit. Unfortunately many were only raised to 30 beds.

There are many factors which will affect efficiency in connection with bed size and we would like to draw the Commission's attention to some of these. Again we believe that action to address these issues in the final report will avoid attempts to delay the implementation of the report.

The primary influence on efficiency by size is staffing. There is a generally accepted notion (which has been legislated in most jurisdictions) that a nursing home requires a registered nurse on staff 24 hours per day. Obviously, to provide such staffing with less bed numbers is more difficult. The issue is at what point viability become problematical. Aged Care Queensland would accept that a nursing home of under 30 beds is not a viable stand alone option in the long term as its income levels under the current arrangements would not support the necessary staffing.

In Queensland however this proposition has lead to a situation where very few nursing homes are located in communities west of the Great Dividing Range in Central and Northern Queensland. Nursing homes exist at Biloela, Emerald, Longreach and Mt Isa. All are co-located with a hostel. The decision for people seeking care in these regions is to relocate to these centres or remain in their home communities and receive care in the hospital. Aged Care Queensland will not accept that such an outcome is efficient and suggests that this imposes quite an additional cost on the taxpayer. We therefore believe that a solution to the viability problem is

required - we are searching and would welcome any ideas to support smaller levels of service delivery. That at present does not include the idea of Multi-Purpose Services where funding is pooled with hospital funding and perhaps funding from other sources to create a generic service. We believe that these have their own difficulties with average categories of funding rather than RCS levels of funding and in the long term will have their own viability problems.

In its paper, the Commission refers to suggestions by a number of participants that 60 beds now constitute minimum efficient scale. We have concerns as to whether this is a fair basis for funding existing places which were established under Government policies which favoured small home-like environments. The difficulty we have relates to the extra support being proposed for only rural and remote settings where population does not justify the larger, "efficient" size.

The decision to fund based on efficiency would impact adversely on facilities under the determined efficient size in metropolitan and other non-remote settings. extreme care is required in setting that efficient number but we would not like to see the search for an efficient size lead us to another proposal for research that delays the implementation of the Commission's report.

While a facility of 60 beds may be a peak of efficiency in the eyes of some, it would not be efficient as the only facility in a catchment area of small demand. Sixty beds is only efficient if they are filled constantly. Secondly efficiency will depend on staffing requirements. If the facility were required to have an extreme such as ten registered nurses on active duty at all times, even 60 would not be efficient. We caution the Commission against heading into a "chicken and egg" situation which could create more delays.

One reason why smaller facilities can be efficient in larger markets is the capacity to share staff. This can be done by co-location with another facility or simply by allowing the employee market to compile full employment for individual staff through an accumulation of hours at different facilities across larger centres.

In summary, we consider that efficiency will be a consequence of:

- catchment area population;
- the staffing model selected to determine funding;
- co-location with other facilities; and
- distance to other users of the employee market.

While profitability is affected by size of the facility and this would indicate that between 60 and 80 beds may be optimum, profitability does not alone equate to efficiency. There are many facilities across Australia under 60 beds in size that are not being closed, sold or amalgamated and this indicates an acceptable level of viability.

Aged Care Queensland suggests that the average size of facilities across Australia would be a perfectly fair initial determinant of efficient size. It would -allow the Commission to propose a system that was fair to most facilities in that it would be

adequate funding for all facilities at or over the average size (which would be around 50 beds). Smaller homes in remote settings would then be the target of additional assistance in recognition of the problem of managing smaller catchment areas. In the result, a minority of homes in metropolitan and provincial centres would be funded at levels perhaps lower than optimum. These could then be assisted by the offer of additional beds to bring them up to the more efficient sizes.

***"Average Input Mix "***

While we understand the intention here, we have some concerns about the use of an average input mix. An average in this instance will include inadequate as well as excessive inputs. Aged Care Queensland urges the Commission to consider using a "suitable" input mix rather than an average. This is more acceptable as it follows through on the theme that the Government will get what it pays for with its subsidy. Allow the Government to decide the quality it wants through a standard suitable mix of inputs by all means. But to make it an average will simply determine a level of funding for the future which relates directly back to the levels of the past.

In its original submission, Aged Care Queensland warned the Commission of the dangers of examining what happens in aged care inputs because these are only as good as the funding available to support them.

***Additional Funding Support for Small Rural and Remote Facilities***

Aged Care Queensland will enthusiastically support the Commission's proposal for additional funding for nursing homes in rural and remote areas. It would be appropriate for there to be a clear definition of rural and remote areas. We submit therefore that the additional costs which relate to remoteness are in fact related to distance and population size factors - the later relating to availability of staff as much to catchment area for clients.

The Commission will no doubt hear many references to rural and remote issues. We would like to emphasise that the requirement is for a facility to be **both** rural **and** remote. We do not see a basis for additional funding simply because all residents of the facility were formerly farmers or because the vista from bedroom windows is forests and farms!

In Tasmania and Victoria there are numerous centres which consider themselves to be rural and/or remote small communities. Some of these in Queensland would be regarded simply as suburban because of the small distance to a nearby larger centre. In a truly national system there is no scope for including the mindset of local people in any measure of remoteness. In reality the issues to be addressed are those of distance, additional costs in obtaining the inputs to provide the same services because of that distance and the extremes of costs associated with on-going maintenance -particularly maintaining education, information and staying up-to-date.

Aged Care Queensland suggests that qualification for additional financial assistance should be a consequence of distance by sealed road from the nearest large population

and business centre and number of beds. The existence of another facility which shares similar input resources in a nearby centre is not a factor affecting that viability.

***b) The industry cost should reflect nursing wage rates and conditions applicable in the aged care sector rather than in the acute care sector.***

Aged Care Queensland members have for some time experienced the problems of competition with the acute sector for nursing staff. Under existing funding arrangements it has not been possible to compete with that sector on wage rates and some conditions. This has meant difficulties in finding and retaining registered nurses for nursing homes. This matter will inevitably come to a head one day as industrial lobbies for the nursing sector aggressively pursue wage parities regardless of consequences.

On the other hand the aged care sector offers different specialities to the acute sector. With reasonable staffing levels there are many benefits and much satisfaction to be gained from the aged care sector. There could be time to get to know the customers, a rarity in the acute sector but potentially a very satisfying aspect of work in aged care. The sector offers lower wages but can structure employment hours to suit a range of domestic situations.

The role of the registered nurse within aged care will continue to develop in different directions over time. The sector, with significant numbers of non-registered nursing staff offers the registered nurse a team leader role for the management of chronic problems in addition to the acute role in emergent situations. There are a range of people skills available to nurses in the aged care sector that are not available to those in the acute sector.

Aged Care Queensland believes that the issue has never really had an opportunity to be addressed due to the history of inadequate funding for aged care services in this State. There has never been sufficient funding in the aged care system to test whether competitive wage rates would be a major factor in drawing staff to the aged care sector. The aged care sector has simply never had the opportunity for its wage rates to find their real competitive level.

**Preliminary Proposal 4**

***a) Increases in basic subsidies under the new regime should be based on annual increases in the cost of the standardised input bundle necessary to deliver the benchmark level of care, less a productivity discount. When it becomes available, the ABS productivity index for the nursing home sector should be used to determine the discount.***

If the Commission's other proposals are accepted and implemented, it is extremely logical that increases in subsidies are linked to increases in the cost of delivery of the model of care being funded. Aged Care Queensland supports that aspect of the proposal.

The concept of a productivity discount is also worth exploring. It should be noted that we believe that we have effectively had our productivity discounted for over a decade via an inadequate funding system here in Queensland. It has been the extremely low and inadequate income level that has driven Queensland nursing homes to enter far higher levels of enterprise bargaining agreements than in other States. And those agreements have been aimed at economising in order to survive without the ideal level of income needed to do so.

Thus the industry in Queensland as a general rule will be far more receptive to the concept of being driven to find solutions by lower funding that would those in the higher funded States who have always had the costs of what they want to provide met by the subsidy.

On the other hand it would be intensely unjust for the productivity dividend or discount to apply to this State prior to its achievement of the correct funding rate to provide the care required. The discount would be acceptable from next year if the funding rate were immediately brought up to the agreed national level at the same time. If there is to be any form of gradual movement towards the correct rate then the discount needs to be deferred until that is finalised.

There should also be a principle that the productivity discount be applied only to the year's increases in funding and not to the base level of subsidy. To attack the level of base funding would go beyond a drive towards efficiency and into a cynical reduction in Government expenditure.

However if the discount is applied simply to the increases, then Aged Care Queensland will support the concept (although it reserves the right to argue the quantum). Full cost reimbursement has in the past bred dependency and suppressed the need for management initiative and creativity. The Government itself recognised this as a problem with the funding of workers compensation premiums in the past. Full reimbursement of costs significantly reduced a financial incentive to improve safety. While care for staff continued to see improvements, there are some for whom the financial incentive still works best.

In any case it has been clearly recognised by the Commission that the existing COPO index arrangements do not address real increases in costs. Aged Care Queensland wishes to see this immensely inequitable system discontinued immediately in favour of a cost-based system.

***b) There should also be periodic reviews of the industry's cost base and of the adequacy of subsidies in the light of changes in care requirements.***

We support this proposal. The lack of a regular review of costs and funding adequacy has lead the industry in Queensland to its present dire situation. This will also be an opportunity to review the role being filled by the industry and the overall changes in care needs of residents.

There has been an increase in dependency of residents over time and this has lead to some of the pressure for change now being felt by Government. This comes from better community services, changes in health of the aged population and many other factors. But it also comes from the changing emphasis on care of the elderly in hospitals. The need for vacant beds in hospitals see very early discharges back to nursing homes so that nursing homes are fulfilling part of the hospitals' roles. Periodic reviews may well identify cost shifting between Governments and Government portfolios at an earlier stage.

**Preliminary Proposal 5**

***The pensioner, oxygen, enteral feeding, respite, and hardship supplements should be retained in their current form in the new subsidy regime.***

Aged Care Queensland fully supports this proposal.

**Preliminary Proposal 6**

***The Commonwealth should take steps to ensure that the payroll tax supplement is only payable to facilities that are registered to pay payroll tax on their primary payroll.***

Payroll tax is often paid in the costs of contracted staff as well as employed staff and this is reflected in the price paid for their services. It is therefore appropriate that the payroll supplement should be payable in respect of contracted staff by any organisation, including not-for-profit organisations, in order to ensure equity of treatment.

We agree though that there is little logic in a system which allows the payment of $1.00 of payroll to qualify a facility for a regular per bed per day additional supplement for an entire year. We would have no objection to a system which paid in relation to payroll tax expenditure actually incurred in cases of contracted labour.

**Preliminary Proposal 7**

***Commonwealth contributions towards workers compensation costs should continue to be provided through the basic subsidy regime.***

Aged Care Queensland agrees with the principle. Workers' compensation levies are a significant cost factor within the industry and there are significant variations in the flat rate costs among the jurisdictions. However much of these relate to the fallibility of the differing systems across the States. They include (or have included) surcharges to recover the losses of the overall State fund and vary between attempts at cost neutral State owned schemes through to profit making private schemes with choice of insurer.

The issue is whether and which of these differences should be paid for by the Commonwealth taxpayer through the nursing home subsidy. We have already stated elsewhere that the consequences of full cost reimbursement have been a lack of pressure to deal with poor performance. This adds the added factor of whether individual State levies, surpluses or penalties should be supported in the aged care funding system.

Aged Care Queensland believes that they should not be so supported. This principle in many ways is similar to that of the Commission's proposal concerning additional State regulatory requirements - the body imposing the costs should be responsible for their impact.

**Preliminary Proposal 8**

***Government-run homes and those transferred to the non-government sector should continue to be provided with the same level of basic subsidy as their private and charitable counterparts.***

Aged Care Queensland fully supports this proposal.

**Preliminary Proposal 9**

***There should be a rebalancing of Commonwealth support for residential aged care towards special needs funding for services in rural and remote areas. To this end, the Commonwealth should develop and cost new special needs funding arrangements in consultation with providers, resident groups and State and Territory Governments.***

Aged Care Queensland supports this proposal to the extent that it identifies a need for additional funding in special needs groups and rural and remote areas. However we believe that this should be a result of the funding being calculated according to input mix in an efficient sized service. The creation of a special pool of funds to address the needs of those who validly cannot operate at that peak efficiency is supported.

This would be expected to include services in urban/metropolitan areas which are meeting the needs of special needs groups (eg Aboriginal and Torres Strait Islanders, ethnic groups, homeless elderly) and face higher costs because of their special needs focus.

A rebalancing of the entire funding could easily be interpreted as movement of funds away from the cost model being proposed towards special needs groups. This type of movement was experienced often in the aged care reform process as funds to cover supplements were removed from the base funding reducing it further with each additional supplement under consideration.

Aged Care Queensland would prefer to see a base established to meet costs in the subsidies rather than further exercises in dividing up a cake which simply never has enough slices.

**Preliminary Proposal 10**

***There should be no requirement for providers to acquit subsidy payments under the proposed regime.***

Aged Care Queensland supports this proposal in total. The acquittal of subsidies will only serve to increase the inefficiencies of the system as money will, from time to time, be spent simply to avoid its repayment.

**Preliminary Proposal 11**

***Subsidies should continue to be paid to providers rather than to residents.***

Aged Care Queensland supports this proposal. It must be remembered that the pool of potential residents is almost always greater than the number in residential care (eg, DNCB recipients) and to pay subsidies to residents raises the question of eligibility for potential residents. It would also raise the question of age limits as numerous younger people with disabilities may also qualify.

**Preliminary Proposal 12**

***Regulation of extra services provision should be reduced.***
***the controls on what constitutes an extra service; where in a facility extra services are provided; and the price charged for such services should be abolished;***

***the current reduction in the basic subsidy for residents receiving extra service should be abolished - this defacto income-tested charge should be incorporated in a budget neutral way into an income test applying to the basic subsidy***

***the Commonwealth Government should give consideration to replacing the current quota on extra service places with a monitoring system aimed at identifying any cases where extra service provision is reducing access to basic care. It should also look at the scope to simplify concessional resident ratios.***

Aged Care Queensland is very supportive of the initiatives contained in this proposal. The Extra Services system in the aged care reforms, as the exempt homes system before it, is extremely restrictive and expensive for the resident or person paying the resident's fees. The suggestions made by the Commission are one method to begin to lift the restrictions on income available to nursing homes and at the same time could operate to improve consumer choice within the system.

The second point raised by the Commission is also important. A number of residents of existing extra services facilities are not wealthy in their own right but their fees are being paid by their children. The abolition of the "claw-back" in Government subsidy will reduce the price of extra services back to a marketable level within the reach of many more residents. There will also now be scope to provide smaller items of "add-ons" in services at lower prices (Instead of the current minimum fee).
Aged Care Queensland would like to emphasise that an acceptable version of this policy would be to allow the provision of any extra service by agreement between the

home and any one resident. The mix of residents paying ordinary fees, particularly concessional residents, and those paying for extra services has always been difficult. However it has not been insurmountable in the past and creativity should find ways to avoid problems or complaints of preferential service.

It should be noted that extra services generally relate to services, in particular the motel-like services, rather than the care at a nursing home. We may have some difficulty with the notion of basic care implying some advanced care for higher fees. The industry prides itself on a consistent high standard of care across the range of facilities.

**Preliminary Proposal 13**

***Subject to any recommendation from the Residential Aged Care Review for an increase in total Commonwealth funding for residential aged care, funds earmarked for indexing current subsidies should be redirected to increasing basic rates for the current low subsidy States.***

Aged Care Queensland acknowledges the Commission's consideration of this proposal put by Aged Care Queensland and thanks the Commission for the support. This approach is a genuine attempt to deal with the inadequacy of funding in the lowest States in a cost-neutral way to the Commonwealth.

It is unlikely to receive widespread support within those jurisdictions at the highest levels of funding. While it would impact on most far less than coalescence would have, we expect that opposition in those States will stem from a desire to remain at the highest levels of funding and increasingly so as indexation each year moves the well-off States further and further ahead of the disadvantaged States.

People from other jurisdictions have suggested to Aged Care Queensland that to accept such a proposal would potentially disadvantage Queensland facilities as there are many indications in the research for the various Commission papers that Queensland - far from being the lowest cost State - was regularly above national benchmarks in costs.

We are not put off by such suggestions. We understand the logic for a national rate of funding that may require some jurisdictions to be more managerially creative than others. Aged Care Queensland stands for allowing the aged care industry the capacity to manage its own affairs, find its own innovations and creatively solve the problems it experiences without waiting for leadership from Government. We will accept good ideas from elsewhere and are happy to assist Government when it has initiatives it wishes to implement.

Aged Care Queensland has not been one of the loud critics of the aged care reform system (although it has criticised poor administration of the system - particularly the payment system). It has to date withheld its support of the long-term viability of the system because from the start it could see the difficulties with Queensland's low funding rate and could not guarantee consumers that the nursing home system was viable. This has however not been due to any fundamental objection to the policies.

Hence we are prepared to give the best effort to implementation of a national funding rate - even if the Queensland costs under the benchmark system are slightly higher than the national funding rate. However it remains an unfortunate fact that Queensland nursing homes still need equity in funding immediately.

## B ADDITIONAL MATTERS FOR COMMENT

1. **Are there more efficient alternatives to varying payments to homes each time a new resident replaces a previous resident with a different RCS classification?**

Aged Care Queensland believes that the system of dividing available funding between nursing homes according to the relative care needs of their residents is acceptable. Individual difficulties with the RCS itself and the way it can be used by Government to adjust costs simply by re-interpreting or re-wording a question remain a problem but most likely beyond the scope of the Commission's current activity.

In effect, the RCS system as it stands is designed to redistribute the subsidies across the country each month based on the care needs in the home during that month. An alternative to this system would, it is presumed, involve less frequent snapshots of the national distribution of care needs and longer-term consistency in payment rates.

Our basic objection to such a system is that it removes any incentive for residential aged care facilities to accept and manage the "harder" cases. Under the current system, there is an incentive by way of higher subsidy for the resident to accept a person with higher care needs into a vacancy. Once funding is fixed for any length of time, that incentive is removed and it may prove more difficult to obtain a place in a nursing home if care needs are high. If that became the case, the additional pressure on community care services and hospitals would become more of a problem than the current pressure on aged care management.

In fact Aged Care Queensland suggests that difficulties with filling beds with the desired level of care need is not a problem with the RCS methodology but is rather a consequence of the aged care reform changes which allow "ageing in place". Less movement out of hostels into nursing homes means that people are choosing to remain in hostels longer. That is a consumer choice based upon, we suggest, the quality of the buildings (with their private rooms and ensuites). Alternatives to the current system would simply permit the nursing homes to admit lower care needs while receiving higher funding - a compensation for the effect of ageing in place and the market decisions that are driving that.

In our view a far greater problem with the quality of nursing home care is the pressure to admit **any** person into a vacant bed immediately. Families have noted that new residents are occupying their loved ones' rooms -"while the bed is still warm". Subsidies can be lost if a resident's personal effects are not removed urgently by grieving relatives. This is a callous system but the homes cannot operate their staffing levels with no subsidies for any particular days.

Aged Care Queensland suggests that a better quality alternative would be to continue subsidies for three days after the date of death or permanent discharge to hospital of a resident. That provides time for relatives to grieve and make funeral arrangements before being called upon to remove personal effects. The subsidies would ensure that

staff remained available for assistance to the grieving family, allow private time in the resident's room for the family if needed and remove the pressure on the next person seeking admission to enter immediately.

In fact, such a post-separation payment would be able to be ceased immediately another resident was admitted to the facility in place of the departed resident. In other words, the three days would only be payable if required.

**2. Is the current two-tier concessional resident supplement appropriate and what are the implications of any changes in the supplement for the resident and transitional supplements?**

Concessional Supplements were negotiated with the aged care industry in recognition of the fact that some people would be unable to contribute to the capital costs of their care. Since their implementation the Department of Health and Aged Care officers have included these subsidies as general recurrent expenditure not connected to capital. The absence of legislative support for what was negotiated does not in any way lessen the reality that the management of a nursing home ought to consider separating such Supplements into capital expenditure or sinking funds.

A number of things, we believe, follow from this:

- the two-tiered approach to Concessional and Assisted residents is related to the capacity of people entering facilities to pay varying levels of contributions towards capital and we have no objection to that approach;

- the $12 and $7 approach to the Concessional Supplement has been more than an incentive to make care accessible to those with limited means. The pressing need for an adequate capital flow has given nursing homes no alternative but to make every effort to achieve more than 40% concessional residents so that their capital reserve is increasing at anything near an acceptable rate. It is no surprise that all homes aspire to the $12 rate for every resident.

- the transitional supplement is an extremely poor response to the difficulties of homes maintaining residents from prior to October 1997. The rate is inadequate and it has always been surprising that the Government would create such an incentive for homes to gain financially from discharging a resident.

3. **Should the impact of input taxes, other than payroll tax, on private providers' costs be recognised in the subsidy arrangements?**

Aged Care Queensland has a policy of full support for the tax concessions available to the not-for-profit sector and that any levelling of the tax playing field ought to occur through compensation for those obligated to pay the tax. Thus we would support this proposal.

4. **Are there strong arguments against moving to a cost-reimbursement system for payroll tax payments?**

As stated earlier in this submission, cost-reimbursement would provide more accurate compensation for payroll tax costs than the current inflexible system which is not well suited to the use of contract staff by the not-for-profit sector. Aged Care Queensland would support this proposal.

5. **In moving to a new subsidy regime, should another round of changes to income and asset tested resident charges be contemplated?**

As general principle, Aged Care Queensland has no fundamental objection to the concept of those having a higher capacity to contribute to their care being asked to do so. The system worked well in hostels prior to the aged care reforms of 1997. However there are a number of areas where administrative reform should be considered:

- There is an expectation by residents and their families that the payment of the additional charges should permit access to a higher level of service. While the existing position is not indefensible, Aged Care Queensland looks ahead 20 to 30 years when a new generation of people are accessing care. These people will expect higher services, particularly when they pay more for them. There should be a sensible consideration of sharing the proceeds of income tested fees between the Government (reductions in subsidies) and the nursing home (Increased services generally).

- There is, we believe, a case for securing the fees of residents for a fixed period following an income-test assessment by Centrelink. At present there are a number of cases where a new income-tested is advised to a home and the resident by the Department of Health and Aged Care at frequent intervals - in one case three different fees over five weeks. And in all cases the date of effect of the fee and therefore the subsidy reduction is several weeks in the past once the notice is received. This is confusing for residents, does not allow planning by residents or nursing homes and shows a cynical approach by the Department. There are expectations of quality in nursing homes but no accountability for such actions which reduce quality of life and certainty of tenure when they are done by the Department. Aged Care Queensland suggests that all income-tested fees-apply for three months from a date 14 days after issue of the notice to the resident.

- Aged Care Queensland in currently experiencing difficulties with Department of Health and Aged Care officers in Canberra supporting the cause of a resident who has gifted away assets to remain in the nursing home with no Concessional Supplement while being freed from a contractual obligation (albeit incorrectly assessed) to pay a $12 per day accommodation charge. The system (supported by this new Departmental view) allows gifting to avoid obligations and this should be addressed immediately in the same way as the Social Security system does - by deeming the value of gifts to still be assets for the purpose of the test subject to annual discounting. Pleas to the Department to consider changing the legislation receive the standard response that "the Act says it is so".

**6. What is the scope for and the merits of combining the resident daily fee and the accommodation charge?**

Aged Care Queensland sees very little point in this proposal. We have already explained some of the difficulties with the income-tested daily resident fee. In fact the situation is so poor that nursing homes could not afford to wait for the Centrelink notification which would advise an accommodation charge amount before levying the charge. In our view this would increase consumer uncertainty and although it may reduce some administrative effort at the point of admission, the consumer should know the costs of their admission at the point of entry - particularly where the additional cost will be so high (up to $12 per day).

**7. What are the likely effects of the Commission's preliminary subsidy proposals?**

Aged Care Queensland believes that the immediate effect would be felt most significantly in the jurisdictions currently experiencing inadequate funding rates. There would be greater consumer and provider confidence in the nursing home system and a noticeable jump in employment within the sector. If the proposal to utilise indexation to provide equity is followed, under-funded States will experience rapid increases of up to 4% while over-funded States would simply be asked to make efficiencies to the tune of around 1.7% to compensate for the lost indexation. Whether this is acceptable is a question of justice and equity versus political fall-out.

**8. What would be an appropriate timeframe for implementation of the full proposals; what should be the inter-relationship with the Residential Aged Care Review; should new arrangements be phased-in or simply introduced after a grace period?**

Time taken to develop new arrangements must not result in further delays in providing increased funding to meet the care needs of residents in high level care facilities in Queensland, South Australia and to a lesser extent Western Australia and of residents in residential aged care facilities in rural and remote areas.

The Queensland situation has been and remains desperate while some other States appear quite comfortable. The inevitable conclusion drawn by the Commission (and by many of those groups providing submissions) that the Queensland situation needs urgent correction cannot wait for one more year. It is imperative that the conclusions of the Inquiry become legislated prior to 1 July 1999 at the very latest although ideally there would be some compensation back as far as 1 October 1997 at least.