A SUBMISSION TO

THE PRODUCTIVITY COMMISSION OF INQUIRY INTO NURSING HOME SUBSIDIES

PUBLIC HEARING
BRISBANE

16 November 1998

Introduction

Queensland Health considers the Position Paper of the Productivity Commission to be a comprehensive document which clearly articulates the need for change to the current Commonwealth residential aged care subsidy regime.

This submission and presentation to the public hearing of the Productivity Commission reiterates the strongly held view of the Queensland Government that any change to the Commonwealth residential aged care subsidy regime must not increase the proportion of care costs for which residents are responsible.

Queensland Health congratulates the Productivity Commission for acknowledging that equity considerations are paramount and that the historical underfunding of Queensland providers is an indictment of the current Commonwealth residential aged care subsidy scheme. The view (p 73) that *providers in Queensland are particularly disadvantaged by the current arrangements-----and that some short term relief for Queensland providers is warranted is particularly welcome.*

In recognising the likely delay in implementing a new funding regime, Queensland Health is pleased that the Commission sees merit in the solution offered by Aged Care (Qld) that *if additional government money is not available, funds earmarked for indexing subsidy rates across the board should be redirected to a progressive increase in the lowest jurisdictional subsidy rates* (p 73*).*

Further, Queensland Health is pleased that the Productivity Commission sees merit in many of the proposals argued in the Queensland Government submission of September 1998, particularly in relation to:

- the discontinuation of coalescence;
- the retention of the Resident Classification Scale, with amendment of the relativity's between the subsidy levels;
- a national rate of funding linked to the care needs of residents - as determined by the Resident Classification Scale;
- a national rate of funding determined by the average cost of a standard bundle of inputs for each dependency category or outcome - as determined by the Commonwealth Accreditation regime; and
- the removal of the discount of the subsidy paid to State Government nursing homes.

In addition, Queensland Health supports the concept of special needs funding for smaller facilities in rural and remote areas. Geographically, Queensland is very dispersed and recognition of the particular difficulties faced by providers in rural and remote locations is likely to enable services to be maintained and or improved with enhanced community viability being one further consequence.

Preliminary Proposals

Comments, additional to those contained in the Queensland Government submission of September 1998, appear below with each of the 13 preliminary proposals and the 8 specific questions being addressed.

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

   AGREE

   A movement to a nationally uniform basic subsidy rate is supported as is the discontinuation of the current rate and timetable for coalescence. Irrespective of any final timetable to implement a national subsidy rate, short term funding arrangements for Queensland must be implemented as a matter of urgency.

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.*

   AGREE

   Commonwealth funding (and resident contributions) must be sufficient to enable providers to meet the Commonwealth's benchmark care standards. Currently, the reverse is the case, namely, the quality of care provided is a function of the quantum of available funds.

3. *Basic subsidy rates should be linked to the cost of providing the benchmark levels 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.*

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

   AGREE

   Queensland Health supports an extensive national cost survey of an approved standard mix of inputs. As recommended by the Commission, the standard mix of inputs should include wages, purchases of supplies and equipment, energy costs, contracted services and others.

   Queensland Health does not support the inclusion of Payroll tax in the standard mix of inputs. Rather, the retention of the Payroll Tax Supplement is supported for its transparency and administrative simplicity. With the payment of Payroll Tax determined by payroll size, a large number of residential aged care facilities do not pay Payroll Tax.

If Payroll Tax was to be included in the standard mix of inputs, subsequent exemptions would be expected to be numerous and add to administrative costs.

Queensland Health remains to be convinced that providers in all sectors necessarily would identify the same standard bundle of inputs. A national survey should include all providers, namely, all States and Territories; the profit and not-for-profit sector; and located in metropolitan, non-metropolitan and rural areas. It is suggested that external consultants be commissioned to conduct the survey and be required to report to a national steering committee on which all major stakeholders are represented.

Further, and in support of the Commission's views, it is considered appropriate that wage increases for nursing staff in the acute sector be picked up in subsequent adjustments to subsidy rates for residential aged care.

4. *Increases in basic subsidies under the new regime should be based on annual increases in the cost of 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.*

It is AGREED that increases in the basic subsidy rate should be based on annual increases in the cost of the standardised bundle of inputs.

Queensland Health DOES NOT support the application of a productivity discount.

It is considered that the current low Commonwealth subsidy paid to Queensland providers makes it impossible to generate a productivity dividend. Any program that regulates an outcome, namely, accreditation, puts in place impediments to the maximisation of efficiencies.

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.

AGREE

Regular reviews are supported but the frequency and methodology must be articulated by the Commonwealth up front. It is suggested that any review should occur at least once every five years.

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

AGREE

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 payrolls.*

AGREE

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

Not relevant to State Government nursing homes.

8. Government run homes and those transferred to the non-government sector should receive the same level of basic subsidy as their private and charitable counterparts.

AGREE

It is strongly recommended that the issue be addressed immediately and separately to any timetable for the implementation of a new funding model.

Should the immediate implementation not be acceptable, it would be appropriate to forecast a start-up date of 1 July 1999, thereby providing some assurance to the industry. It is suggested that, in the first instance, implementation might commence following transfers to the non-government sector with application to government run homes taking place at a later date.

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 Government should develop and cost new special needs funding arrangements in consultation with providers, resident groups, and State and Territory Governments.

AGREE

In addition, it is recommended that current funding for residential aged care services in rural and remote locations be considered in relationship to the Multipurpose Health Service (MPS) model. A closer alignment of the two programs is supported - as is an examination of the different rates of subsidy paid for the provision of residential aged care services under the two models.

Currently, a standard subsidy is paid for residential aged care within the MPHS model which does not recognise the dependency levels of residents. In effect, an anomaly with the nursing home subsidy scheme has been established.

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

AGREE

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

AGREE

12. Regulation of extra service provision should be reduced:

a) the controls on what constitutes an extra service, where in a facility extra service places are provided, and the price charged for such services should be abolished;

b) 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; and

c) 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 the concessional resident ratios.

12.(a) - AGREE

12.(b) - DO NOT AGREE.

Queensland Health does not and has no intention of offering extra service places in S~. The suggested approach appears to deny the potential to 'free-up' dollars for allocation to the basic care pool.

12.(c) - AGREE

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 currently low subsidy States.*

AGREE

Specific Questions

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?*

Queensland Health regards the issue as tangential to the national debate and one requiring local resolution i.e. an administrative response within each facility. The level of Commonwealth subsidy is related to the care needs of each resident and the staff numbers and the mix of skills must be sufficiently flexible to enable timely responses to any change in those care needs i.e. the classification mix of residents.

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

Queensland Health recommends the discontinuation of the two tier concessional resident supplement, which links the subsidy to the proportion of concessional residents in a facility. As the subsidy reflects the inability of some residents to pay an Accommodation Charge, the rate should be linked to the rate of tile Accommodation Charge.

It is recommended the two tier rate be replaced with a flat rate, set at the same rate as tile Accommodation Charge and that the future subsidy for assisted residents be 50% of that figure.

Further and in the interests of consistency and transparency, it is recommended that responsibility for assessment of a resident's asset base (concessional resident status) be transferred from the provider to Centrelink or the Department of Veterans Affairs. Centrelink or the Department of Veterans Affairs assess income for payment of the income-tested daily fee.

The current system is considered to be onerous for the provider and open to abuse.

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

Queensland Health considers private providers should not be disadvantaged by the inequitable application of taxes on their-inputs. However, any move to recognise the inequity, namely through a tax supplement to offset taxes on inputs, must be accompanied by the removal of the discount on the subsidy paid to government providers - as expressed in preliminary view number 8.

There is concern that if a tax supplementation is built in to a new funding model, less funds are likely to be available for care purposes.

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

Queensland Health considers this a matter for non-government providers but has expressed a view in the context of preliminary proposal number 3.

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

No - except where there is industry agreement that fundamental equity issues have not been addressed by the current funding arrangements. New resident charges would be expected to add significant costs to the government and industry and be manifested in training, documentation, and application imposts.

Any further changes would not be well received by the aged care community nor their families and friends.

6. *What are the merits of, and scope to, combine the resident daily fee and the accommodation charge?*

Any proposal to amalgamate the resident daily fee and the accommodation charge is not supported by Queensland Health. Queensland Health does not levy an Accommodation Charge and amalgamation would conflict with an announced State Government policy position; cause confusion amongst residents and prospective residents; and be administratively difficult.

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

Queensland Health supports the proposals, considers they will better meet equity considerations; and is pleased about the recognition given to special needs funding in rural and remote locations.

If adopted, the proposals would likely to result in a more viable residential aged care industry and in the delivery of higher standards of care.

However, it would appear unlikely that any implementation of the proposals would be budget neutral.

8. *What is an appropriate timeframe for implementation of the full proposals, the interrelationships with the Residential Aged Care Review" and should the new arrangements be phased-in of simply introduced after a grace period?*

The implementation of a new national rate of Commonwealth funding should be linked to the accreditation date of 1 January 2001 OR the date at which a facility is awarded accreditation. Accreditation recognises a provider's achievement of the Commonwealth's own benchmark care standards and the immediate receipt of appropriate funding on being accredited, provides an additional incentive to undertake the necessary reform within facilities.

However, for Queensland, an immediate timetable should be agreed to enable the chronic underfunding to be addressed. In this regard, Queensland Health supports the solution offered by Aged Care (Qld) that *if additional government money is not available, funds earmarked for indexing subsidy rates across the board should be redirected to a progressive increase in the lowest jurisdictional subsidy rates (p 73).*

Queensland Health's view recognises that any agreement to a new national rate of funding may take some time to be achieved and implemented and that no decision is likely until after the Commonwealth has considered the report of the 2 Year Review of the Aged Care Reforms.

In addition, Queensland Health seeks the immediate discontinuation of the discount applying to subsidies paid to State Government nursing homes.