Tasmania
DEPARTMENT of HEALTH and HUMAN SERVICES

SUBMISSION

on

Productivity Commission's Position Paper into Nursing Home Subsidies

The Department of Health and Human Services is supportive of the majority of the proposals set out in the Productivity Commission's position paper on Nursing Home Subsidies dated 23 October 1999.

With the exception of proposal number 12 and 13, the Department believes that the principles being proposed will provide a basis to address the major deficiencies within the current system

The Department has detailed below, in response to the Commissioner's proposals, specific comments on;

- coalescence of basic subsidies,
- additional support for rural and remote areas,
- level of funding to meet accreditation and certification requirements,
- benchmarking basic subsidy rates on efficient size facilities,
- government and ex-government operated facilities,
- managing average RCS classification and
- the two-tier concessional resident supplement

The Department has also detailed its concern in respect to proposal 12, extra service places and proposal 13, indexing of current subsidies.

COALESCENCE

The Department of Health and Human Services strongly supports the Commissioner's view that the coalescence of basic subsidies should not proceed in its current form.

In Tasmania_the financial impact of coalescence will seriously affect the viability of all nursing homes. The fact that Tasmania has the lowest number of beds operated by the private-for-profit. sector, even though there has been a number of facilities on the market in recent years, must indicate the higher risk involved in operating a facility in the State.

While the Commission's paper found only small differences in input costs, it was disappointing that the Commissioner was unable to identify any explanation, either in increased profits or inefficient service provision, for the application of the additional subsidies currently being paid to Tasmanian facilities.

The Commissioner, in proposing an alternative to achieving a national standard rate of subsidy, placed the following conditions on the recommended approach;

1. *there is adequate special needs funding to provide additional support for high cost services in smaller rural centres and more remote regions; and*

2. *the dispersion in regional cost differences is monitored to ensure that uniform basic subsidies continue to remain appropriate in the future.*

The Department believes that if a form of coalescence is to proceed, then it is essential that these provisos are adequately addressed.

RURAL AND REMOTE AREAS

The current support provided to rural and remote areas is inappropriate and equate and this is of major concern to the Department The failure of the viability supplement to provide any real support, the substantial costs associated with certification and accreditation, and the financial implications of coalescence will, unless addressed, result in the loss of genuine and appropriate residential aged care in these areas. Already it is understood that one rural facility, and the only provider in the area, is having discussions with the Commonwealth on the possible closure of its facility.

Viability Supplement
The current viability supplement is totally inadequate. Figures obtained on 12 small rural facilities within the State indicate that the payment of a viability supplement will not compensate these facilities for the loss of the "24 hour top up" subsidy in the majority of cases. Comparisons between these two subsidy steams indicated that only 3 of the 12 facilities will have a net increase, on average $12,000 per annum. The other 9 facilities will all incur an average net reduction in subsidies of $42,000 per annum.

The 12 facilities reviewed had an average of 20 beds of which 15 beds are high care and 5 are low care. Previously the "24 hour top up" subsidy was only paid on nursing home beds. The viability supplement is paid on high and low care beds. These 12 facilities will receive an average viability supplement payment of $9,000 per annum for their low care beds. The provision of a viability supplement on low care beds is the only reason any of these facilities were able to gain a net increase.

Certification The small rural facilities in Tasmania have, in general, developed out of small older styled district hospitals and are in need of significant upgrading to meet Certification.

Based on building cost estimates, undertaken on 3 sites, it is anticipated that between $1.5 million and $2 million per site will be required to upgrade each facility.

Given that these facilities average only 20 beds each, the income derived from any accommodation charge, concessional supplement payment or accommodation bond would not be sufficient to cover the interest charges on the required upgrades.

Accreditation
The cost of achieving accreditation is not insignificant in all residential aged care facilities. For small rural or remote J ties the relative cost per resident is substantially higher. Small facilities also lack the resources to fund consultants or purchase established systems or tools to assist in the accreditation process.

Rural and remote facilities also have a high cost and often experience extreme difficulty in obtaining qualified staff to enable the appropriate training of staff.

DHHS Proposal
The Department is of the view that the e is an urgent need to address the critical funding issues for small rural and remote facilities. These issues are so important and specific to the provision of residential aged care in rural areas that there is a need to separate metropolitan and non-metropolitan into two separate funding structures.

The Department would propose that the minimum basic subsidy that should be paid to providers outside metropolitan areas needs to be structured similarly to the Multi Purpose Service's subsidy structure. As has been demonstrated by Multi Purpose Service operators, the subsidies will need to be equivalent to the subsidies received on a RCS level 2 classification with viability supplement payment.

This proposal would also assist to address the issue, that many rural facilities operate "medical beds" for the Department and as a consequence are required to staff their facilities to the highest level of care provided. While it could be argued that this is a State issue, the fact remains that two very small separate units or facilities would cost significantly more. The Multi Purpose Service recognises this and provides an opportunity for a common sense approach to meet the total health needs of rural communities.

FUNDING ACCREDITATION AND CERTIFICATION

In principle th*e* Department supports the proposal that in combination with resident charges, government funding should be sufficient to support certification and accreditation. This is based on the belief that within the "government funding" there needs to be an established open and transparent mechanism for the provision of the major components. For example; support for rural and remote areas and support for concessional residents needs to be separate from general residential aged care funding. This would insure that an*y* identified shortfall in a particular component is amended by a genuine increase in funding and not merely a reallocation within the same funding pool.

It is believed that without a genuine commitment and transparent mechanism, the funding allocations will reduce in real terms. This is likely to result in an ever increasing reliance, by residential aged care facilities, on resident charges which in turn will alter the balance between. concessional and non-concessional residents.

BENCHMARKING SUBSIDY ON EFFICIENT SIZE FACILITIES

The Department supports the view of the Commissioner that the basic subsidy should be linked to the cost of providing the benchmarked level of care.

The Commissioner's proposal that the cost be based on an efficient sized facility needs to be qualified, Whilst the Commissioner's view that subsidies should not support inefficient metropolitan facilities is supported, for Tasmania, the number of facilities of 60 or more beds is relatively few.

The Department would also express a need for caution, for while there may be a theoretical capacity for smaller metropolitan facilities to merge, such mergers often require significant facilitation and access to resources to support the required structural reforms and service delivery changes. Therefore, additional resources will need to be provided to assist facilities undertaking this process or paid to support smaller facilities where the Commonwealth believes that a restructure was not in the public interest.

GOVERNMENT AND EX-GOVERNMENT FACILITIES

The Department strongly supports the proposal that government operated facilities, and those transferred to the non-government sector, should receive the same level of basic subsidy.

At the current time the Department is operating less than 20 % of the "S" beds in the State. All these beds are located at small rural facilities, meeting community. service obligations with limited opportunity to transfer them to the non-government sector.

The Department is currently subsidising non-government facilities for the short fall in Commonwealth subsidies on the 80% of "S" beds transferred to the non. government sector.

The Commonwealth includes "S" beds in the calculation for the distribution of. residential aged care places and therefore they form part of the Commonwealth's obligation to the community. Yet the Commonwealth fails to provide full subsidy on the basis that they are operated by or have previously been operated by a state .government

The subsidy reduction does not apply to any additional Commonwealth funded beds obtained by the State. Therefore, the Commonwealth's argument that the reduction applies to costs not incurred by state governments is inconsistent.

MANAGING AN AVERAGE RCS CLASSIFICATION

The Department believes that larger metropolitan areas provide sufficient opportunities for residential aged care facilities to manage the RCS classifications of residents to ensure that a stable average RCS classification is maintained.

In rural and remote areas the same opportunities do not exist and therefore, a mechanism to facilitate and maintain an appropriate staff skill mix would be appropriate. If funding for all rural and remote facilities were based on the Multi-Purpose Service model, as proposed by the Department, then this issue would be resolved.

THE TWO-TIER CONCESSIONAL RESIDENT SUPPLEMENT

The current tiered concessional resident supplement provides an incentive for facilities to provide accommodation to the financially disadvantaged. Although, if the concessional resident supplement fails to keep pace with the maximum accommodation charges or there are insufficient concessional residents to achieve anticipated levels, then the incentive becomes ineffective and the provision of equity comes under pressure.

The only true method of ensuring equity in the provision of access, care and accommodation will be to ensure concessional payments provide an equivalent financial gain. Any financial pressure placed on a business will inevitably generate a second class customer; someone being "carried"' by the organisation, shareholders and the other "valued" customers. This trend is becoming evident throughout many industries and is not without a social cost. The Banking Industry is a typical example that has gained wide media interest.

The Department believes that a simpler and more equitable method, may be to apply a maximum accommodation charge on all residents, with the Commonwealth subsidising the resident on a sliding scale based on the individuals capacity to pay.

PROPOSAL 12: EXTRA SERVICE PLACES

The Commissioner, in the "overview of the residential aged care sector" page 11, noted that the greater encouragement of self-provision in retirement through occupational superannuation may result in pension dependency rates declining and an increase demand for extra services places.

There are also treads which would suggest an increasing number of asset poor pensioners as opposed to full pensioners with modest assets, primarily the family home. This trend is observed in the State's public housing data.

Nationally, public rental dwellings represents 5.4% of all occupied dwellings. In Tasmania this figure is 8.7%. In Tasmania 30% of tenants of public rental dwellings are over the age of 65.

If they were to rent in the private rental sector 90% of all tenants would pay greater than 25% of their gross income in rent.

The Department is concerned that changes to encourage more* contribution from those in society who can afford to pay and a opening up of "extra services" will lift the bar on accessibility. This again, demonstrates the need for a mechanism which increases support for the financially disadvantaged to ensure equity is maintained.

The Department is of the view that a monitoring system on extra service places, as proposed by the Commissioner, does not provide sufficient controls.

PROPOSAL 13: INDEXING OF CURRENT SUBSIDIES

The Department is opposed to the use of funds earmarked for indexing current subsidies being redirected to increasing basic rates for the currently low subsidy states.

In proposal number 1 the Commissioner recommends that coalescence should not proceed in its current form. Until the Commissioner's work is completed and an appropriate structure can be determined with subsidy levels set to ensure appropriate levels of care, then indexing of current subsidies should continue.

Failure to maintain a level of indexing would, in those States disadvantaged by the decision, put pressure on the level of care.