



Submission to the Productivity Commission enquiry into Aged Care

Churches of Christ Living Care is responding to the matters raised in the Productivity Commission Issues Paper *Caring for Older Australians* as part of its enquiry into aged care.

Introduction

Churches of Christ nationally is Approved Provider for 3,613 residential aged care beds, 2,682 community care packages (including CACP, EACH and EACH D), extensive HACC funded community care services and 1,849 independent living units. With a proud history of quality service provision since the early 1900's we are committed to the long term future of the aged and community services sector. This submission represents the views of all state based Churches of Christ organisations other than WA who will prepare a separate submission under the trading entity, Bethanie.

Churches of Christ Living Care is participating in the Campaign for Care of Older Australians (CCOA) because we believe in an aged care system that offers choice, improves access and is sustainable for the long term.

Our submission reflects our collective belief that whilst the aged care system is not in immediate crisis, without fundamental change the system will be in crisis within the next 5 years - similar to the crisis that is currently being experienced within our public health system.

Our submission highlights the areas we believe need to be considered as part of the Productivity Commission's review.

Another review

Australia's aged care system has been the subject of a number of reviews over the past decade with a number of consistent themes emerging from those reviews. In summary those reviews have found that the current system is:

- Overly complex with consumers experiencing difficulty navigating entry and assessment criteria
- Weighed down with red tape and increasing regulation
- Struggling financially as government subsidies have failed to keep pace with rising capital and operating costs
- Under pressure to recruit and retain appropriately qualified staff

We welcome the recent government commitment to establish a National Health and Hospitals Network. The Commonwealth assuming full responsibility for all aged care services including the establishment of an aged care information and assessment service will in our view go part way to addressing the undue complexity of the aged care system from a consumer perspective. We are also pleased to see recommendations for increasing sub acute care, rehab and palliative care services and the expansion of the Consumer Directed Care model.

This submission will provide our perspective on where the system needs further change to ensure the aged care industry will still be around as demand for services peaks over the next 10 to 20 years.

Sustainability

At the outset we believe that a sustainable aged care system is a joint responsibility of both government and providers with both government and consumers supporting the cost of care and accommodation provision. From a provider perspective, the past 10 years has seen significant improvements in operational efficiency in a number of areas achieved through innovation and business improvements and structurally by partnerships, mergers and acquisitions. Despite these improvements independent reviews of the financial performance of aged care providers by independent industry analysts such as Stewart Brown, Bentleys and Grant Thornton suggests that up to 60% of residential care providers are returning operating losses.

Even though Churches of Christ Living Care is among the 40% of providers generating surpluses there is little doubt that the failure of commonwealth subsidies to keep pace with rising costs has directly impacted on service delivery. Some service delivery challenges we have experienced include:

- Reduction in care hours for Community Aged Care Package clients; we were able to provide an average of 7 hours per week about 5 years ago. This has reduced to just under 6 hours per week. Similarly, staffing levels in residential aged care are constantly under review in order for individual facilities to remain viable.
- Reduction in our ability to recruit and retain qualified staff due primarily to our inability to compete with the remuneration rates on offer to nurses employed within the public health sector.
- Reduction in our capacity to replace outdated facilities. Whilst all Churches of Christ facilities comply with Certification requirements we continue to operate a number of facilities with 4 bed share wards. Our capacity to replace these assets is hampered in large part by the inadequate capital funding framework that does not adequately compensate for escalating building costs.

Operating Cost escalation

In the past 5 years across all states wage increases have exceeded indexation. In NSW for example since 2005 wages have risen by 27% for nurses and 24% for other care staff wages compared to subsidy increases of 21% in residential care and 14% in community care. All states also experienced substantial increases (above CPI) in non-labour costs such as property, insurance and other utility charges.

Clearly this continuing gap between income and expenditure is not sustainable. It is therefore imperative that basic care subsidies and block funding are indexed appropriately to meet increasing costs. The aged care sector cannot remain viable and expand when costs increase at 5%-7%pa while subsidies increase at around 2%pa.

In particular, the most recent 2010 -11 indexation increase of only 1.7% represents one half of CPI, one third of wages increases, and one tenth of utility increases. We

agree with the Productivity Commission's previous findings that "basic subsidy rates should be adjusted annually according to indices which clearly reflect the changes in the average cost of the standardised input mix, less a discount to reflect changes in productivity. Revised indexation arrangements should be introduced as soon as possible."¹

Capital Cost escalation

Churches of Christ in Queensland and NSW have recently completed construction of high care residential aged care facilities where the costs for construction per bed ranged from \$188,000 to \$204,000. These costs are in line with those used in the Access Economics evaluation of capital financing of high care.²

As detailed in the Access Economics findings accommodation subsidies (for those incoming residents assessed as being unable to contribute to the cost of their accommodation) continue to fall well short of the actual annualised cost of providing new purpose built accommodation.

A sustainable capital funding system must be developed to ensure both the updating of existing facilities and the ongoing development of new facilities. Features of a better system of financing in our view will need to include:

- Uncapping the accommodation charge for those with high incomes and increasing it for those on medium incomes;
- Introducing flexibility into high care accommodation payments including the option of paying an accommodation bond; and
- Indexing the accommodation subsidy to the average cost of constructing residential aged care beds by planning region for those with an inability to pay an accommodation charge.

Access for all

Eligibility for aged care services should continue to be independently assessed to ensure those receiving care actually need the care. We believe who pays for what needs to be simplified.

Consumer payments

For consumers of aged care services the current system provides little flexibility in the way they pay for their contribution to care and accommodation costs. We would argue that basic care services should be fully funded by government. Where a co-contribution from the consumer is deemed appropriate this co-contribution should be linked to a percentage of the pension to differentiate this payment from extra services payments. The current system with co-contribution charges and extra service charges creates confusion for consumers. Extra Services payments should relate to hospitality and accommodation services not care services. Additionally there should be no restrictions on consumers paying for additional services.

¹ Productivity Commission (2008) *Trends in Aged Care Services: some implications*, Research Paper, Canberra.

² Access Economics (2009) *Economic Evaluation of Capital Financing of High Care*. Report for Anglicare Australia, Baptist Care Australia, Catholic Health Australia, Churches of Christ Living Care, Lutheran Aged Care Australia, Sir Moses Montefiore Jewish Home, National Presbyterian Aged Care Network, UnitingCare Australia.
<http://www.accesseconomics.com.au/publicationsreports/getreport.php?report=193&id=248> (accessed 5 July 2010).

All permanent residents in residential care facilities should be able to choose an accommodation option that best suits their individual circumstances. For those assessed as being able contribute towards their accommodation costs should also be able to nominate how they pay for their accommodation, including a lump sum accommodation bond, a daily or periodic rental charge (at a level equivalent to the stream of capital available via a bond) or deferred payment from an estate.³

Government payments

The current inequity between government funding for residential care and community care needs to be addressed. A clearer distinction between the care subsidy, the hospitality services subsidy and the accommodation subsidy will enable funding to be directed to consumers based on need for care as opposed to their need for accommodation. We would suggest government funding is identified as follows:

Care subsidy, with the subsidy linked to assessed need for care. This subsidy should include any special allowances for additional health care costs, aids and equipment, oxygen and enteral feeding.

Accommodation subsidy with the subsidy dependent on individual assessed financial circumstances. The amount of the subsidy would need to reflect regional construction costs.⁴

Capital grants / loans for small remote communities should be available to assist with the establishment of services in these settings.

Given the expected longer term fiscal demands on government to fund aged care services (as demand for services peaks in 10 – 20 years) we suggest the Productivity Commission explore options for pay now use later schemes such as long term care insurance (similar to Medicare).

Reduction in red tape

Whilst Churches of Christ recognises the importance of provider accountability in the delivery of services to the most marginalised however we believe the current overly complex regulatory environment needs to be overhauled. We would concur with the Productivity Commission's listing of shortcomings presented in its Issues Paper.⁵

Churches of Christ would suggest the following changes to the regulatory environment:

- Overhaul of the Aged Care Approvals Round allocation process including the removal of the supply side controls on funded places
- Removal of the distinctions between residential, community and flexible care providers
- Department of Health and Ageing application processes need to be simplified as they are unnecessarily burdensome, time wasting and repetitive

³ Access Economics (2009) *op cit.*

⁴ Access Economics (2009) *op cit.*

<http://www.accesseconomics.com.au/publicationsreports/getreport.php?report=193&id=248> (accessed 5 July 2010).

⁵ Productivity Commission (2010) *op cit.*

- Adoption of a risk management approach to unannounced visits by the Aged Care Standards and Accreditation Agency
- Creation of an independent Aged Care Complaints Commission to replace the Complaints Investigation Unit within the Department of Health and Ageing
- Removal of requirements for compulsory reporting of assaults and missing residents in residential aged care
- Simplification of financial and prudential reporting requirements across residential and community care programs
- Removal of the building Certification requirements for aged care facilities

Workforce issues

The aged and community care workforce is currently facing unprecedented challenges from a number of fronts. The workforce is ageing with all of the associated manual handling and agility issues and it is becoming increasingly difficult to recruit younger workers into what could best be described as a physically and mentally challenging role. Similar issues are also impacting on the unpaid volunteer workforce.

A significant factor impacting on our ability to recruit and retain competent staff is remuneration. Our ability to package salaries is important however as this benefit is also available to workers in the public hospital system its capacity to act as an added inducement is limited.

The focus of both state and commonwealth governments in front line staff training and management training through the Better Skills in aged care initiative and the WELL literacy and numeracy program in recent years has been an important investment. We would recommend that this investment continue beyond the current programs.

Retirement Villages

Churches of Christ in each state except Victoria provide independent living units from basic one bedroom bed sitter units originally funded under the Commonwealth Aged and Disabled Persons Homes Act to resident funded retirement village units. Whilst much of the one bedroom and bed sitter accommodation is at the end of its useful life we believe there will be an increasing need for more affordable housing options for older people into the future.

We believe that legislation impacting on retirement villages is best left within the State based consumer protection and fair trading arena rather than seek to link retirement villages to aged care provision.

Where care support is provided to residents in retirement village units this should be individually brokered by the resident with access to the full range of HACC and CACP / EACH services readily available to older people living in their own home.