



AGED CARE INDUSTRY COUNCIL

Peak Council of Australia's Aged Care Providers



2010 – 2011

FEDERAL BUDGET SUBMISSION

January 2010

About ACIC

The Aged Care Industry Council (ACIC) is the peak council of Australia's aged care providers. It brings together the two key representative bodies – Aged & Community Services Australia (ACSA) and the Aged Care Association Australia (ACAA) – to address the issues affecting the entire industry.

The aged and community care industry includes nursing homes, hostels, care package providers, home care and nursing services, retirement villages, independent living units and seniors' housing. The provision of community care services generally includes services to younger people with disabilities as well as older people. Some services are provided specifically for the carers of older people or younger people with a disability.

Together ACSA and ACAA represent 2,836 residential care services providing care to over 160,000 people and the majority of community care services who care for 800,000 older people and younger people with disabilities living in their own home as well as providing over 60,000 retirement village units across Australia.



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EXECUTIVE SUMMARY

The Aged Care Industry Council (ACIC) is pleased to make a submission for Government's consideration in developing the 2010-11 Federal Budget.

It is an exciting and challenging time for Australia. The Rudd Government has recognised the critical importance of aged care services and the need to reform them as part of its broader health and hospitals agenda. The Third Intergenerational Report will reinforce that, with a growing aged population and decreasing tax base, reform is essential.

To get health reform right reform of aged care is critical. If aged care is operating effectively Government outlays on more intensive and expensive health services can be contained and decreased.

ACIC's submission outlines how this can be achieved and what action is needed in the 2010-11 Federal Budget to make it happen.

There are a number of issues that must be addressed to ensure a robust and sustainable aged care sector able to effectively support older people and the Governments reform agenda. The current major issues facing industry include:

- inadequate indexation driving services further and further behind the real costs of delivering quality care;
- capital funding which does not enable the building of new homes or upgrading/replacing existing facilities to meet the ongoing demand for residential care;
- not being able to provide enough community care to adequately support older people who choose to continue to live at home;
- difficulty in attracting and retaining staff – particularly nurses and care workers – to deliver care to older Australians; and
- inadequate technology infrastructure to take advantage of the emerging e-health revolution which stands to improve both productivity and clinical care for older people.

As a result industry is being forced to take action to “balance the books” to continue operations while trying to provide the level of care older Australians deserve and require. To do this, services are:

- **Reducing the hours of care older people receive** in both residential care and community care. On average Community Aged Care packages (CACP) previously provided 7 hours or more of support each week but now deliver only 5 hours¹ despite people having increasingly higher levels of need.
- **People missing out on residential aged care** as a result of the introduction of the Aged Care Funding Instrument (ACFI) funding paid to support some people with low care needs has decreased. There are an increased number of persons presenting for admission who attract no government funding at all and aged care services cannot afford to provide care for them.

¹ Report on Government Service Provision 2009.

- **Declining to apply for more aged care beds will ultimately mean** that in future older people who need residential care will not be able to find a bed. Nearly 2000 residential care places were not taken up in 2009-10 and 786 bed licences were handed back in the two years prior because aged care providers can't afford to build them.

Without Government addressing the issues older people's access to these essential services will be ever more limited and there will be ongoing blockages in the health system overall.

ACIC recommends the following:

Recommendation 1:

ACIC recommends that a new indexation methodology, which funds the real costs of care, be developed and applied to all aged and community care services. The methodology should include linking the assessment of aged care wage rates to those in the broader health system.

Pending the formulation of the new methodology, as from 1 July 2010, the greater of the Consumer Price Index (CPI) or the All Groups Pensioner and Beneficiary Living Cost Index (PBLCI) for the year ending 31 March 2010 be used to index the Federal Government's aged care subsidies.

Recommendation 2

ACIC recommends that Government create and adopt a sustainable capital raising system to ensure the ongoing provision of high quality residential care services. Features of such a system should include:

- Choice for older people and their families as to how they pay their accommodation costs at no cost to Government. This requires the introduction of alternative payment options, including refundable accommodation deposits for high care;
- Remove the distinction between high and low care at no cost to Government;
- Uncapping the daily accommodation charge for high income people and increasing it for those on a medium income so it is equivalent to the average building costs of residential care in the relevant region²;
- Linking government payments (the accommodation subsidy) for concessional residents to the average cost of building residential aged care³; and
- Allowing providers to charge differential room rates based on the quality and type of accommodation at no cost to Government.

These measures must be introduced as an integrated package to achieve any real reform.

A national roundtable must be held during 2010 with key politicians, aged care providers, consumer representatives, senior Government officials and financial experts to agree on solutions to this long standing issue.

² Building costs include land, construction, fit out and financing costs which can be obtained from a variety of independent sources including Rawlinsons Survey of building costs and a variety of valuation reports.

³ As above

Recommendation 3

ACIC recommends providing increased funding for community care services to pay an appropriate (unit) price and enable the level of care provided to better meet existing clients needs. For HACC an overall increase of 20% (or \$297.78m) is required. For packaged care a 10% (or \$90.9m) increase is required. This will increase the daily subsidy for Community Aged Care Packages from \$35.42 to \$38.95 per day, for Extended Aged Care at Home packages from \$118.37 to \$130.07 per day and for Extended Aged Care at Home Dementia packages from \$130.54 to \$143.63 per day.

ACIC recommends the creation of one community care program (through the merger of HACC, CACPs, EACH and EACHD) under the jurisdiction of the Commonwealth Government to provide a range of flexible funding levels to meet individual, and changing, client needs. This recommendation would create savings rather than incurring additional cost.

Recommendation 4:

ACIC recommends undertaking a scoping study and national pilot trial of Teaching Nursing Homes, and other innovative models, including those that support clinical leadership support and more effective provision of medical care. The cost of the TNH trial would be \$4 million, clinical leadership training would be \$400,000 and trial of support arrangements between aged care, primary health and geriatricians would cost \$15 million.

Recommendation 5

ACIC recommends Government invest in the development and deployment of an electronic medication management solution for aged care, initially targeted to residential care. This would require a total of \$59m over the 2010 -11 and 2011 -12 financial years. To complete the deployment throughout aged care further investment, of a similar proportion, would be required in the following three years.

The Governments commitment to a reformed health care system can be achieved but only with a fully functioning and sustainable aged care service system. Action on the recommendations in this submission will ensure that aged care services can play their part in reform and the provision of quality care for all older Australians.

Introduction

The Rudd Government has recognised the need for substantial reform of aged care services as part of its broader health and hospitals reform agenda. The 2010-11 Federal Budget provides an ideal time to commence the reform process.

The National Health & Hospitals Reform Commission (NHHRC) agenda provides a once in a generation opportunity to get health and aged care right for our growing ageing population. Older people are significant users of hospitals and other primary health services in addition to residential and community aged care. In 2004, older people made up 53% of people in hospital on any one night. Older people are less likely to return to their usual residence after a stay in hospital and more likely to enter residential care⁴.

In addition to this, it is estimated that there are anything from 1,800 to 3,000 people in hospital at any one time that, if a bed in a residential care home was available or adequate support at home could be provided, would not need to be there. The estimated cost to Government, through its acute care funding is in excess of \$800 million per annum⁵. The cost of that same care in aged care services is less than 20% of that amount. This is but one example of reduced Government outlays that could be achieved through a greater investment in aged care services.

To ensure genuine and effective reform which will provide greater choice to consumers, it is imperative that aged care services are supported to prevent unnecessary admissions to hospital; enable the timely discharge of older people; and foster their recuperation upon returning to their homes in residential or community settings.

The aged care industry is committed to working with Government to further develop and implement changes that meet the objective of providing a healthier future for all Australians, in particular the three goals specifically outlined for aged care:

- ensuring greater choice and responsiveness for consumers;
- getting the most effective use of public monies while protecting those older people who are most in need;
- creating an environment that fosters a robust and sustainable aged care sector.

ACIC has long advocated for such reform and wants to work in partnership to achieve this. Our 2010/11 budget submission proposes a number of measures to assist the reform process including alleviating current inequities and funding shortfalls so that there is a sustainable and responsive aged care system able to effectively meet the needs of all older Australians.

The 2010-11 Federal Budget - Preparing for Reform

⁴ AIHW *Australia's Health 2007*

⁵ This calculation is based on the cost of caring for people aged 65 years of age or greater classified as maintenance care patients at the average bed per day cost of \$1282 (excluding depreciation).

ACIC's support for the reform agenda is based on the belief that much more can be achieved to successfully support older people **but** only with a fully functioning and sustainable aged care service system. The 2010-11 Federal Budget provides an opportunity to prepare for the reform process. This means that Government needs to address a number of short term issues that will maintain industry viability and support the transition towards the long term strategic solutions recommended by the NHHRC.

Aged care can maximise older people's well being and reduce the load on more intensive and expensive health interventions including hospital treatment. This is evidenced by the number of people who:

- remain in hospital solely because an aged care service is not available; or
- frequently present at hospitals as a result of not being able to get enough support at home.

Reducing Government outlays on more expensive health services will not be achieved unless the current aged and community care program and financial arrangements are improved to ensure that there are enough aged care services of the type and level required.

The current major issues facing industry include:

- inadequate indexation driving services further and further behind the real costs of delivering quality care (refer page 9 for details of, and solutions to, this issue);
- capital funding which does not enable the building of new homes or upgrading/replacing existing facilities to meet the ongoing demand for residential care (refer page 11 for details of, and solutions to, this issue);
- not being able to provide enough community care to adequately support older people who choose to continue to live at home (refer page 13 for details of, and solutions to, this issue);
- difficulty in attracting and retaining staff – particularly nurses and care workers – to deliver care to older Australians (refer page 14 for details of, and solutions to, this issue); and
- inadequate technology infrastructure to take advantage of the emerging e-health revolution which stands to improve both productivity and clinical care for older people (refer page 16 for details of, and solutions to, this issue).

As a result industry is being forced to take action to “balance the books” to continue operations while trying to provide the level of care older Australians deserve and require. To do this, services are:

➤ **Reducing the hours of care older people receive**

In residential care both staff and residents complain about the lack of time they can spend together.⁶ On average Community Aged Care packages (CACP) previously provided 7 hours or more of support each week but now deliver only 5 hours⁷ despite people having increasingly higher levels of need.

➤ **People missing out on residential aged care**

⁶ ACSA market research & NILS Census

⁷ Report on Government Service Provision 2009.

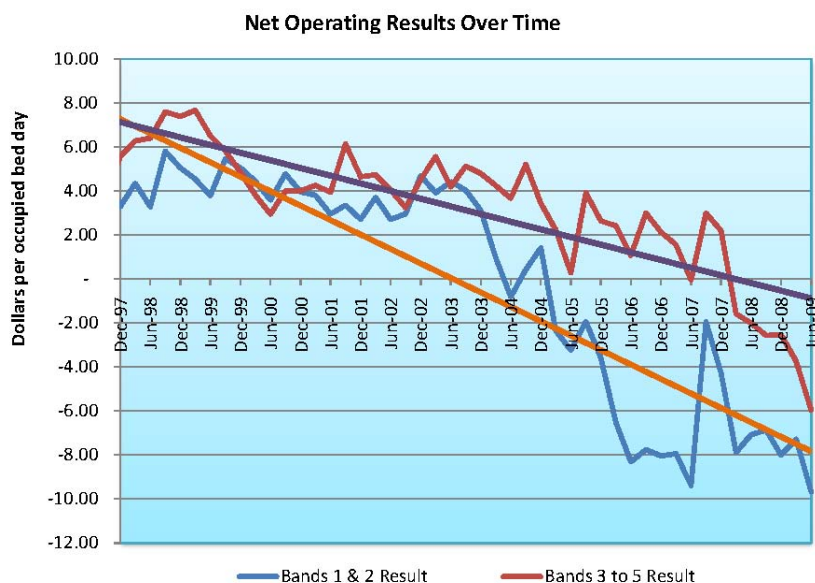
The introduction of the Aged Care Funding Instrument (ACFI) has significantly reduced the amount of funding paid to support some people with low care needs. There are an increased number of persons presenting for admission who attract no funding at all. Currently 7 – 8% of low care residents attract no funding. Were these people still being cared for at home through a CACP, Government would provide \$35.41 per day for their care and support. Aged care providers are increasingly being forced to deny access to these people who have been assessed as eligible and or residential care, to ensure they remain financially viable. This is inequitable and the NHHRC has recommended that residential and community funding be aligned with people given choice as to where they receive the care they need.

➤ **Declining to apply for more aged care beds**

During the last round of applications for bed licences, nearly 2000 residential care places were not taken up. In addition, in the previous two years, 786 bed licences were handed back because providers could simply not afford to build facilities to accommodate the beds. In the longer term this will mean that older people who need residential care, whether they are coming from home or hospital, will not be able to find a bed.

Without Government addressing the issues these actions will continue and older people’s access to these essential services will be ever more limited and there will be ongoing blockages in the health system overall.

Implementing significant reform without addressing the fundamental issues of grossly inadequate income (Government and consumer), increased demand and consumer and community expectations, will threaten the very existence of aged care services and place increased pressure on the public purse to fund intensive and expensive health services.



The above illustration from the Stewart Brown *Aged Care Financial Performance Survey* (June 2009) depicts the movement in the net trading results of high and low care facilities over time. It illustrates the continued step decline of the financial position of low care facilities. It is imperative that this budget address aged care issues so that reforms can proceed.

To effectively prepare for reform Government must, as the NHHRC states, create an environment that fosters a robust and sustainable aged care sector. This means that Government must develop:

- An indexation formula which meets the real costs of providing quality care;
- A sustainable capital raising system to build quality facilities;
- An effective community care service system;
- A modern, learning and supported workforce; and
- Aged care IT capacity to support the e-health agenda.

This submission outlines how each of these steps can be achieved and why this is critical.

An indexation formula which meets the real costs of providing quality care

The current indexation methodology for residential and packaged care is the Commonwealth Own Purpose Outlay (COPO) formula⁸. COPO delivers an annual average increase of only 2% sometimes less, while aged care providers are typically experiencing annual increases of approx 5-6%⁹. These increases are due to the rising cost of wages (which represent approximately 75% of a provider's expenditure); utility charges; insurance premiums; compliance with workers' compensation regulations and Government administrative requirements; fees and other costs associated with accreditation for residential care; and accountability costs for community care.

The table below graphically illustrates the difference between income received from the COPO and the rising wage costs experienced over an eight year period:

Table 1: Comparison of COPO index and increases in selected classes of average weekly earnings.

Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Mean	Overall
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Annual	increase
															Increase	
COPO%(a)	1.7	1.7	1.4	1.5	2.1	2.3	2.4	2.2	2.0	1.9	2.0	2.0	2.3	1.9	2.2	21.6%
Persons; Full time; Adult; Ordinary time earnings August – annual % increase	3.76	4.33	4.07	2.05	6.05	4.95	4.80	5.52	3.50	6.15	2.83	5.42	4.73	5.9	4.6	64.06%
Females; Full time; Adult; Ordinary time earnings; August – annual % increase	3.45	4.47	4.05	3.34	5.09	5.51	4.97	5.64	3.60	5.52	2.05	5.72	4.62	4.5	4.47	62.53%

Data sources: 13500DO017_201001 Australian Economic Indicators, Jan 2010 ABS
6302.0 – Average Weekly Earnings, Australia, August 2009 ABS

⁸ COPO comprises 25% CPI and 75% Labour Costs (calculated as the dollar value of the Safety Net Adjustment divided by Average Weekly Earnings). This gives a lower % increase to providers than the minimum wage increases.

⁹ See for example data collected by Stewart Brown and Co which shows that cost increases for all levels of residential care outstripped revenue in 2008/09.

The Federal Government's new industrial relations system will significantly increase costs (in wages and system complexity) to service providers in some states (up to 11% in South Australia) and will place even greater pressures on services. Providers will be forced to further reduce services to frail older people to absorb these costs.

In 2004, the Government recognised the inadequacy of COPO and provided a Conditional Adjustment Payment (CAP) to residential aged care services as compensation. The CAP was reviewed and annual increases to the CAP ceased in the 2009-10 Federal Budget. A compensatory move which saw providers able to access income from increased pensions provided welcome short term relief. But this will not meet future cost increases above CPI and therefore fails to properly address the ongoing issue. The findings of the review were never made public and should be. They may be useful in determining an indexation method which funds the real costs of quality care.

The table below from the Stewart Brown *Aged Care Financial Performance Survey* (June 2009) shows the results of the current indexation approach with *no services* achieving an operating profit – a necessity if services are to be efficient and able to respond to residents' needs.

Results by Income Band Extracts from Stewart, Brown & Co aged care financial survey for the year ended 30 June 2009.	Operating Income				
	Band 1	Band 2	Band 3	Band 4	Band 5
	\$	\$	\$	\$	\$
<i>Total of Facilities 333</i>					
Income	178.29	161.48	138.51	110.29	88.25
Care Costs	119.45	105.52	84.42	56.30	41.59
<i>Care costs as % of income</i>	67.00%	65.35%	60.95%	51.05%	47.13%
Operational Costs	68.19	66.22	62.58	57.01	52.93
Total Costs	187.64	171.74	147.00	113.31	94.52
Net Operating Result	(\$ 9.35)	(\$ 10.26)	(\$ 8.49)	(\$ 3.02)	(\$ 6.27)
EBITDA per bed per annum	\$ 1,829	\$ 741	\$ 1,957	\$ 4,036	\$ 2,307

While it has been claimed that COPO is a "whole of Government" approach, the Veterans' Home Care Program (comparable to the Home and Community Care (HACC) Program) uses a different indexation method. Clearly other indices can, and should, be applied where it is relevant to the sector and services being funded. Aged and community care is just such a case.

A new indexation methodology, which funds the real costs of care, is required to ensure aged care services are viable and able to continue the provision of quality care and support to the million people a year who currently require them. The NHHRC highlighted that there needs to be reviews of the adequacy of funding subsidies to meet people's care needs.

Pending the formulation of the new methodology, as from 1 July 2010, the greater of the Consumer Price Index (CPI) or the All Groups Pensioner and Beneficiary Living Cost Index (PBLCI) for the year ending 31 March 2010, should be used to index the Federal Government's aged care subsidies.

Recommendation 1:

ACIC recommends that a new indexation methodology, which funds the real costs of care, be developed and applied to all aged and community care services. The methodology should include linking the assessment of aged care wage rates to those in the broader health system.

Pending the formulation of the new methodology, as from 1 July 2010, the greater of the Consumer Price Index (CPI) or the All Groups Pensioner and Beneficiary Living Cost Index (PBLCI) for the year ending 31 March 2010, be used to index the Federal Government's aged care subsidies.

A Sustainable Capital Raising System to Build Quality Facilities

The current capital raising system for residential care is proving totally inadequate for the expansion and maintenance of aged care beds.

The seeds of the capital problem facing aged care were sown in 1997 when a decision was made by the Howard Government to limit lump sum refundable deposits low care beds. Some 72% of new residents require high level care in aged care homes. This has effectively limited the amount of capital funds that could be raised overall.

Currently the capital cost of aged care homes is financed through a combination of government funding and user contributions. Older people requiring care are assessed by Centrelink to determine whether they have the means to contribute toward their accommodation or whether Government contributes to the full cost on their behalf. The contribution by either the Government or the individual is currently set at a maximum of \$26.88 per day. On any of the building cost models detailed at Table 2, \$26.88 per day is significantly less than the capital funding stream required to build quality new or replacement care homes.

Table 2 is an extract of a report undertaken by PricewaterhouseCoopers in 2007 for ACIC, which analysed various sources of data on the average cost of construction in a typical aged care facility. It shows that in 2007 the cost of building an aged care bed ranged between \$152,000 and \$215,000 – much more than was allowed for in the 2004 Hogan Report even adjusting for cost increases. The table does not highlight the variable building costs for different cities (for example the difference between building in Adelaide and Sydney) or regional areas (such as boom time areas in Western Australia) where costs are often significantly higher. Building costs are also affected by local government regulation and requirements which naturally vary between council areas.

	Hogan Report - June 2003 dollars based on 45 m ² \$		Hogan Report - Grossed up from 45 sq metres to 62 m ² \$		Rawlinson's Cost Guide – February 2007 dollars based on 62 m ² \$		June 2006 Parliamentary Report – January 2006 dollars (size not known) \$	RLB Construction Cost Estimation – November 2007 Dollars based on 62 m ² \$
	Low	High	Low	High	Low	High		
Building	60,000	65,000	82,667	89,556	106,777	115,112	144,044	154,000
Fittings	5,000	7,500	6,889	10,333	12,000	12,000		16,250
Working Capital	3,815	6,910	5,256	9,520				
External Works					8,542	9,209		15,000
Professional / Construction Fees	4,800	5,200	6,613	7,164	10,678	11,511		22,250
Land	8,300	8,300	8,300	8,300	8,300	8,300	8,300	8,300
TOTAL	81,915	92,910	109,725	124,874	146,297	156,132	152,344	215,800

In addition to a shrinking capital income base, Government has required industry to substantially upgrade buildings so that the average cost of building a bed is now much higher. One of the outcomes of this is that low care residents paying refundable accommodation deposits have been cross-subsidising high care accommodation residents and government funded concessional residents.

The result of Government policy since 1997 has been that very few stand alone residential high care facilities have been built in Australia in recent years and as outlined (on pg 7) aged care providers are not applying for, and/or are handing back, bed licences because they simply can not afford to build new beds.

Government must now develop and adopt a sustainable capital raising system to ensure ongoing access to high care for older people in accommodation of the highest standard. The need for this to occur is now widely agreed, with church and consumer representative groups supporting the call for a sustainable capital system.

A fundamental principle of the new capital raising system must be that all people are treated equitably and be given the opportunity to choose how they fund their accommodation costs in the manner that best suits their financial circumstances. These options could include payment of a refundable accommodation deposit (which the NHHRC report also recommends) realistic periodic payments and other potential mechanisms such as an aged care annuity. (Refer Attachment 1 for details of how an aged care annuity could work).

In addition, removing the distinction between low and high care would create greater equity for older people using residential care and remove a number of unproductive regulatory requirements that must be met as a result. The ACFI funding model ensures that funding reflects people's level of need, so the removal of the high/low distinction would not impact on the clinical care currently provided.

Recommendation 2

ACIC recommends that Government create and adopt a sustainable capital raising system to ensure the ongoing provision of high quality residential care services. Features of such a system should include:

- Choice for older people and their families as to how they pay their accommodation costs at no cost to Government. This requires the introduction of alternative payment options, including refundable accommodation deposits for high care;
- Remove the distinction between high and low care at no cost to Government;
- Uncapping the daily accommodation charge for high income people and increasing it for those on a medium income so it is equivalent to the average building costs of residential care in the relevant region¹⁰;
- Linking government payments (the accommodation subsidy) for concessional residents to the average cost of building residential aged care¹¹; and
- Allowing providers to charge differential room rates based on the quality and type of accommodation at no cost to Government.

These measures must be introduced as an integrated package to achieve any real reform.

A national roundtable must be held during 2010 with key politicians, aged care providers, consumer representatives, senior Government officials and financial experts to agree on solutions to this long standing issue.

An effective community care service system

Community care services – such as home help, home modification, assistance with showering and nursing – support older people to retain their independence at home; help to prevent the need for more expensive services (such as hospital or residential aged care) and help people return home more quickly after a stay in hospital.

In 2007, the Australian Institute of Health and Welfare (AIHW) reported that 1,004,400 Australians aged 65 years and over need some form of assistance to help them stay in their own homes. More than 330,000 of these people indicated their care needs were being met only partially, and over 50,000 indicated that their needs were *not being met at all*.¹² In attempts to meet this demand, community care services are being rationed and spread thinly with approximately a quarter of a million older people receiving an average of just 31 hours domestic assistance per year (or 35.7 minutes per week) and 80,028 very frail clients receiving an average of 54 hours of personal care (showering and shaving) per year (or 62 minutes per week).¹³

¹⁰ Building costs include land, construction, fit out and financing costs which can be obtained from a variety of independent sources including Rawlinsons Survey of building costs and a variety of valuation reports.

¹¹ As above

¹² AIHW *Older Australians at a Glance* (November 2007): 102-104.

¹³ HACC MDS Statistical Bulletin 2006-07: 13-14

http://www.health.gov.au/internet/main/publishing.nsf/Content/hacc-pub_mds_sb_2006-07.htm~hacc-pub_mds_sb_2006-07-3.htm

Community Aged Care Packages (CACPs) five years ago used to provide 7 hours of care per week but now deliver only 5 hours per week on average.¹⁴ Extended Aged Care at Home (EACH) packages have experienced a similar decline in hours.

All community care services, including packaged care, have for years only received COPO indexation, the CAP was never extended to community care. This means that the price per package is far below the cost of delivering the services. This situation is compounded each year by inadequate indexation.

Essentially there needs to be more community care available, paid at a price (per unit of service) that supports quality service delivery as well as greater flexibility for services to meet the increasing needs of clients. Getting the unit prices right will be an important step to ensuring further effective reforms, including providing consumers with greater choice.

The current step between the low level community care offered by a CACP and a high level EACH package is too large. The NHHRC report has recognised this and recommends the introduction of more flexible funding arrangements suggesting that an additional five pay points may be required. ACIC proposes that the various programs (HACC, CACPs, EACH and EACHD) be merged, under the jurisdiction of the Commonwealth Government, to create one program with a range of flexible funding levels to meet an individuals needs. This would create administrative savings which would be better invested in delivering care to older people.

Recommendation 3

ACIC recommends providing increased funding for community care services to pay an appropriate (unit) price and enable the level of care provided to better meet existing clients needs. For HACC, an overall increase of 20% (or \$297.78m) is required. For packaged care a 10% (or \$90.9m) increase is required. This will increase the daily subsidy for Community Aged Care Packages from \$35.42 to \$38.95 per day, for Extended Aged Care at Home packages from \$118.37 to \$130.07 per day and for Extended Aged Care at Home Dementia packages from \$130.54 to \$143.63 per day.

ACIC recommends the creation of one community care program (through the merger of HACC, CACPs, EACH and EACHD) under the jurisdiction of the Commonwealth Government to provide a range of flexible funding levels to meet individual, and changing, client needs. This recommendation would create savings rather than incurring additional cost.

A modern, learning and supported workforce

The NHHRC report recognises the critical role the workforce will play in a reformed health and aged care system and outlines its plans to create a modern, learning and supported workforce. The aged care workforce is a critical component of the health workforce overall and its needs must be met.

The industry is experiencing increasing difficulties in attracting and retaining all types of staff, particularly nurses and care workers, required to deliver critical services. The recent report *Who Cares for Older Australians? A Picture of the Residential and Community Based Aged Care*

¹⁴ Productivity Commission, Report on Government Service Provision 2009.

Workforce, 2007 from the National Institute of Labour Studies (NILS), highlights that a quarter of personal carers and community care workers (the largest group of employees) and one in five nurses have to be replaced each year.

The current service models, particularly in residential aged care, have been in place for many years and are not best placed to respond to the implications of increased demand for services and changing technical capability.

Residential care is heavily premised on the availability of nurses at a time of international shortage. The current model requires nurses to undertake many and varied roles, including management and keeping pace with the excessive government paperwork regime, which doesn't always make the best use of their clinical skills.

New models which utilise the skills of all staff more effectively are required. One such model is the Teaching Nursing Home (TNH) which links aged care homes and staff into clinical training programs for student nurses to increase their skills and encourage and support them in a career in aged care. Industry experience highlights that a positive clinical placement is what encourages undergraduates to consider a career in aged care. This is extremely important as much of the focus of undergraduate training is on acute care. The TNH model would enhance the placement experience and through this, make recruitment and retention strategies more effective overall. In addition it will build staff capacity to meet the increasingly complex needs of residents.

The TNH model not only provides a positive experience for undergraduates but supports the aged care clinical leaders so critical to the maintenance of effective clinical care. As aged care employs around 6,000 managers as Directors/Deputy Directors of Nursing and Care Managers it is essential that there is strong clinical leadership support. The TNH model could be supplemented with specific, ongoing clinical leadership training.

A TNH scoping study and national pilot trial should occur over a two year period commencing in 2010. The trial should include a focus on clinical leadership training.

Recent Government legislation has opened up the possibility of more expansive use of Nurse Practitioners in aged care. Nurse Practitioners would be a valuable addition and ACIC is keen to work with Government on enhancing the role, availability and funding of nurse practitioners in aged care.

The availability of GPs and other health support for older people in residential care is highly problematic in many parts of the country. Models which support arrangements between aged care, primary health care providers and geriatricians to provide visiting sessions and on-call medical care to residents of aged care homes should also be identified and trialled. Such models could include direct contracting of medical services or contracting of group practices by aged care providers. Different uses of the Medicare rebate, including cashing out to support aged care providers direct contracting, will need to be considered.

In community care, Government program constructs and industrial demarcation create rigidities that work against flexible service delivery. Redesigning and reducing the number of current

program and funding arrangements would enable new models, which make better use of existing resources, to be developed.

Recommendation 4:

ACIC recommends undertaking a scoping study and national pilot trial of Teaching Nursing Homes, and other innovative models, including those that support clinical leadership support and more effective provision of medical care. The cost of the TNH trial would be \$4 million, clinical leadership training would be \$400,000 and trial of support arrangements between aged care, primary health and geriatricians would cost \$15 million.

Aged Care Information Technology

Over the past decade, aged care provider use of IT has improved rapidly and now more than half of the industry uses some form of IT support system to better manager clinical information and data.

The transfer of the payments system to Medicare Australia, the introduction of the Aged Care Funding Instrument which can be lodged electronically along with the need for continuous quality and efficiency in care and administration has driven this rapid improvement. While there are many areas of operation that could be improved by further application of technology there are some specific gains to be achieved in medication management.

There are nearly 560 million medications administered per annum during the 70 million days of care (approx) provided in residential care homes. Each resident is, on average, taking 9 medications. There are over 30,000 admissions to hospitals each year from residential care and according to the AIHW at least 8,000 of these admissions are preventable.

Medication management issues are a major cause of older people having to go to hospital. In addition, the inefficient systems used to administer medications result in aged care staff, GPs and pharmacists spending considerable time and effort on prescription writing, (including chasing new prescriptions when the current ones expire) and double handling of excessive paperwork. Clearly this is an area for potential and significant productivity improvement for all three stakeholder groups.

In recognition of this, ACIC has been working toward the establishment of a whole of industry electronic medication management solution, which will support e-prescribing by GPs, e-dispensing by pharmacists and electronic medication administration by aged care staff. The intent is to raise the capability of all aged care providers within four years to support e-transactions and e-health more generally. This is in line with the NHHRC emphasis on the importance of e-health in delivering a better and more efficient health care system.

To date, this project has included substantial consultation with a broad range of health industry stakeholder organisations and a business case submitted to the Department of Health and Ageing (DohA).

DoHA has supported this project (in 2009/2010) to enable a full assessment of industry capability, determine the barriers to full deployment and complete further development work with NeHTA and other stakeholders on the final form of an industry wide solution.

A significant investment is needed to support this project. However, the investment will be offset by reductions in service demand in other parts of the acute health setting. For example, if the medication management system reduced or removed the 8,000 preventable hospital admissions (from residential aged care) a saving of \$24 million per year would result. In addition, the industry plans to use the deployment of IT support systems to work towards the reducing the total number of medications per resident from nine to seven with an estimated annual saving of \$23 million.

Investment in the project would be used in 2010/2011 to complete the technical systems design for whole of industry deployment which would commence in 2011/2012 and continue over a three year period.

Recommendation 5

ACIC recommends Government invest in the development and deployment of an electronic medication management solution for aged care, initially targeted to residential care. This would require a total of \$59m over the 2010 -11 and 2011 -12 financial years. To complete the deployment throughout aged care further investment, of a similar proportion, would be required in the following three years.

Conclusion

Aged care is an integral component of our health and care systems. For hospitals and other health services to operate at maximum efficiency and effectiveness, aged care needs to be “got right”. The Government’s commitment to a reformed health care system can be achieved but only with a fully functioning and sustainable aged care service system. Action on the recommendations in this submission will ensure that aged care services can play their part in reform and the provision of quality care for all older Australians.

Attachment 1 Aged Care Annuity - A Possible Option for Inclusion in a Sustainable Capital Raising System

ACIC believes that consumers should be able to purchase an Aged Care Annuity (effectively a refundable lump-sum) from an aged care provider for an amount of their choice. This annuity would be government guaranteed and provide the same pension benefits as currently exist in relation to accommodation bonds.

The Aged Care Annuity would attract a predetermined interest return, either agreed between the provider and the resident or, alternatively, at a rate set by the Government at the time of entry.

The aged care provider would off-set this interest return against the resident's accommodation charge. In this way, depending on the size of the annuity purchased, a resident could potentially reduce their accommodation charge to zero, with the understanding that, upon departure, the full value of the annuity is returned to either themselves or their estate.

Below is a practical example of how this may work. For the purpose of this example, it is assumed that the accommodation charges range from \$60 per day for a single room to \$36 per day for shared accommodation. The interest rate applicable to the Aged Care Annuity is assumed to be 8.76% (the current maximum interest rate applicable to accommodation bonds).

	Daily Accommodation Charge				
	with no Annuity	with \$50,000 Annuity	with \$100,000 Annuity	with \$200,000 Annuity	with \$250,000 Annuity
Single Room	\$60.00	\$48.00	\$36.00	\$12.00	Nil
Shared Room	\$36.00	\$24.00	\$12.00	Nil	

Daily Accommodation Charge reduces by \$12.00 for every \$50,000 paid as an annuity (i.e. effective interest rate 8.76%).

There are, of course, many options that may be considered in relation to using the Aged Care Annuity as a way of funding accommodation charges. For example, it could extend to potentially fund the resident's daily care fees in addition to just the accommodation charge. It is also worth considering whether there could be an amount of retention applied to the value of the annuity at the point of refund to further assist the provider with capital funding.