

SUBMISSION TO THE PRODUCTIVITY COMMISSION PUBLIC INQUIRY CARING FOR OLDER AUSTRALIANS

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Services in remote areas

Southern Cross Care (WA) Inc. (SCC) currently provides the following aged care services in remote areas:

1. 55 residential care beds plus a range of community care programs in Broome servicing predominantly indigenous residents and clients
2. 49 residential care beds in Kalgoorlie
3. a range of community care services in the Pilbara from service outlets in Port Hedland, Karratha, Tom Price and Roebourne with a large proportion of indigenous clients

SCC has also been granted \$13m of capital funding (\$10m Commonwealth and \$3m State) to construct a 38 bed facility in Carnarvon. This project has not yet been confirmed to proceed due to the fact that, based on current recurrent funding, it would not be operationally viable.

This submission is designed to demonstrate that current funding – capital and recurrent – is inadequate given the realities of service delivery in remote locations.

Capital funding

SCC was fortunate to receive significant amounts of capital funding from both Commonwealth and State governments to construct a residential care facility in Broome. Similarly, the funding for a new facility in Collie (rural rather than remote) was adequate.

It is Southern Cross Care's experience that the amount of initial capital funding for original construction is not the problem.

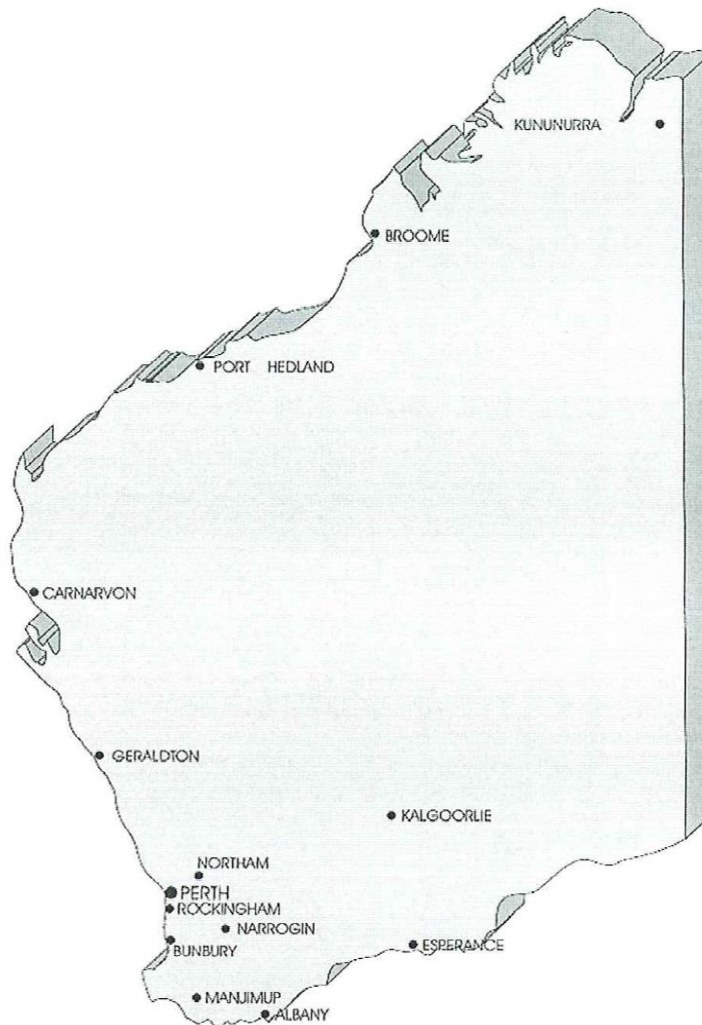
The issue of inadequate funding for capital items in remote areas is highlighted in:

- the cost of repairs and maintenance and, ultimately,
- how to set aside funds to cover the faster depreciation of buildings and major assets whose useful life, due to climatic conditions, is more limited than that in metropolitan areas.

Issues for consideration

- a) Below is the Cordell Cost guide for construction in regional centres in WA. The cost imposed in Broome (1.45) and Port Hedland (1.58) applies to initial construction but there is also a carry over effect to ongoing repairs and maintenance due to the cost of materials, freight and labour.

REGIONAL CENTRES – WA



Albany	1.12	Geraldton	1.12	Northam	1.08
Broome	1.45	Kalgoorlie	1.45	Perth	1.00
Bunbury	1.08	Kununurra	1.60	Port Hedland	1.58
Carnarvon	1.38	Manjimup	1.18	Rockingham	1.00
Esperance	1.25	Narrogin	1.18		

- b) This is confirmed in Table 1 below which shows the actual price differentials for routine repairs and maintenance between Perth and remote locations.

Table 1

Metro vs Broome Property Trades Comparison			
Service	Metro Rate	Broome Rate	Increase Factor
Air Conditioner Ad Hoc Service - Hourly Rate	\$80.00	\$95.00	1.19
PM Air Conditioner Service - Room A/C	\$21.50	\$23.75	1.10
PM Air Conditioner Service - Ducted Split Unit	\$43.00	\$47.50	1.10
Fire Indicator Panel and System Annual Service	\$850.00	\$1,250.00	1.47
Fire Extinguisher Annual Service	\$8.00	\$9.00	1.13
Electrician - Hourly Rate for ad hoc work	\$72.00	\$100.00	1.39
Plumber - Hourly Rate for ad hoc work	\$55.00	\$95.00	1.73
Supply & replace 260l gas HWU Roebourne	\$2,865.00	\$6,715.00	2.34

- c) Given current policy settings and funding, it is very difficult to achieve better than break-even before depreciation for residential care in remote locations (see recurrent funding below). How are providers to set aside funds for the replacement of buildings in such circumstances? The solution may lie in amendments to the eligibility criteria for Commonwealth capital grants so that it is possible for providers to apply to be funded for building and asset replacement, even though the particular facility may have been originally funded, in whole or in part, by a capital grant.

The current eligibility criteria are written in such a way that it could be interpreted that funding for replacement would be considered. It is recommended that that possibility be made explicit.

Recurrent funding

As stated above, it is difficult to provide good quality residential aged care services in remote locations given the current funding regime. The Viability Supplement purports to bridge the gap between costs in remote and other locations but is patently inadequate even following significant increases in the last couple of years.

It is well known that the cost of living is significantly higher in remote as opposed to metropolitan locations. Southern Cross Care can demonstrate how this translates for aged care providers:

1. Food and other costs

The following comparisons provide clear evidence of the cost differential on basic goods between Perth and Broome and Perth and Kalgoorlie. These are actual prices paid by SCC to its normal providers in each location.

Daily item pricelist Broome			
Dry Goods			
Item Description	Pack Size	Price in Perth Metro	Price from Broome's local provider
Baked Beans	2.95KG	6.54	8.70
Basa Flts 120/170	10KG	48.70	69.50
Biscuits Classic Assorted	500g	3.60	4.75
Biscuits Cream Assorted	500g	4.35	5.32
Biscuits Family Assorted	3KG	19.99	26.90
Booster Chicken	2.4KG	20.70	27.35
Frozen Cauliflower	2KG	8.03	10.60
Cheese Shredded Light & Tasty	2KG	19.14	23.66
Coffee Instant Blend 43	1KG	45.16	60.56
Corn Kernels	2KG	6.58	8.70
Eggs 50 Gram Medium Bulk	20 Doz	35.70	46.00
Frozen Peas	2KG	5.70	7.50
Sugar White	2KG	3.17	4.23
Sweetener P/c Sachets Cafe Edition Pillow	750's	25.61	38.95
Tea Cup Bags	1000's	32.36	44.50
Bacon Middle Rindless	2.5KG	26.17	29.50
	Total	311.50	416.72
	% Diff	-	33.78%
Dairy Products			
Item Description	Pack Size	Price in Perth Metro	Price from Broome's local provider
Full Cream Milk - Pl. Bottle	2L	2.40	3.98
Hi Lo Milk - Pl. Bottle	2L	2.40	3.99
Skim Milk -Carton	1L	1.32	2.60
Calcium Plus Milk	1L	1.64	2.80
Choc, Chill flavoured milk	600ml	1.85	2.32
Whipping Cream - Carton	600ml	2.35	4.15
Orange C	3L	\$2.70	3.63
Orange C	2L	\$1.80	2.85
Peach, Banana, Passion Yoghurt	1KG	\$3.15	5.05
Strawberry Sundae Yoghurt	1KG	\$3.15	5.05
Vanilla Yoghurt	1KG	\$3.15	5.05
	Total	25.91	41.47
	% Diff	-	60.05%

Daily item pricelist Broome (cont'd)			
Bakery			
Item Description	Pack Size	Price in Perth Metro	Price from Broome's local provider
White sliced toast	650g	1.35	3.26
Wholemeal toast	650g	1.35	3.20
	Total	2.70	6.46
	% Diff	-	139.26%
Fresh Fruits/Vegetables			
Item Description	Pack Size	Price in Perth Metro	Price from Broome's local provider
Capsicum Red	1KG	9.30	11.31
Carrot	1KG	0.65	1.62
Onion Red Peeled	1KG	2.90	3.39
Cucumber Continental	each	2.50	3.01
Lettuce Iceberg	each	1.05	1.13
Orange Naval	1KG	2.25	4.71
Potato Peeled	1KG	2.20	3.01
Celery Bunch	each	2.35	2.82
	Total	23.20	31.00
	% Diff	-	33.62%
General Consumables			
Item Description	Pack Size	Price in Perth Metro	Price from Broome's local provider
2 ply Toilet Roll 40 per bag	ctn	35.50	46.95
Garbage Bag 80L 5x50	ctn	43.50	48.85
Slim I/L Towel Sapphire	ctn	32.10	51.45
	Total	111.10	147.25
	% Diff	-	32.54%

Daily Items Pricelist for Kalgoorlie			
Dairy Products			
Item Description	Pack Size	Price in Perth Metro	Price from Kalgoorlie's local provider
Full Cream Milk - Pl. Bottle	2L	2.40	3.53
Hi Lo Milk - Pl. Bottle	2L	2.40	3.79
Choc, Chill flavoured milk	600ml	1.85	2.95
Peach, Banana, Passion Yoghurt	1KG	\$3.15	5.28
Strawberry Sundae Yoghurt	1KG	\$3.15	5.28
Vanilla Yoghurt	1KG	\$3.15	5.28
Thickened Cream	5L	\$14.25	20.49
Sour Lite Cream	2L	\$6.30	7.75
Vanilla Custard	1L	\$2.02	2.72
Assorted Yoghurt	1KG	\$3.15	5.28
Shredded Cheese	2KG	\$18.10	18.84
F/union sliced cheese	1.5KG	\$13.80	15.50
	Total	73.72	96.69
	% Diff	-	31.16%
Bakery			
Item Description	Pack Size	Price in Perth Metro	Price from Kalgoorlie's local provider
White slice	650g	1.35	2.86
White Toaster	650g	1.35	2.86
Wholemeal toast	650g	1.35	2.86
	Total	4.05	8.58
	% Diff	-	111.85%

Daily Items Pricelist for Kalgoorlie (cont')			
Dry Foods			
Item Description	Pack Size	Price in Perth Metro	Price from Kalgoorlie's local provider
Basa Flts 120/170	10KG	48.70	63.07
Booster Chicken	2.4KG	20.70	24.42
Frozen Cauliflower	2KG	8.03	9.27
Coffee Instant Blend 43	1KG	45.16	53.47
Eggs 50 Gram Medium Bulk	20 Doz	35.70	46.05
Frozen Peas	2KG	5.70	6.68
Tea Cup Bags	1000's	32.36	35.35
Snapper Beer Batt	5KG	53.90	60.96
Broccoli lqf	1.5KG	8.61	10.13
Beans Butter Yellow Sliced	2KG	6.80	8.00
Brussel Sprouts	2KG	8.16	9.42
Carrots Rings	2KG	5.53	7.05
Ice Cream Vanilla Light Creamy Low Fat	2L	4.28	5.37
Booster Chicken	8KG	63.24	78.08
Gravy Mix Rich	7.5KG	64.05	89.53
Soup Cream Of Mushroom	1.8KG	22.56	27.95
Sugar White Graded	15KG	19.55	24.10
Salt Plain Table	750g	2.66	3.62
Mayonnaise Free 97%	2.7KG	10.83	14.73
Canola Oil	4L	16.51	19.98
	Total	483.03	597.23
	% Diff	-	23.64%
Fresh Fruits/Vegetables			
Item Description	Pack Size	Price in Perth Metro	Price from Kalgoorlie's local provider
Carrot	1KG	0.65	1.10
Onion Red Peeled	1KG	2.90	3.20
Cucumber Continental	each	2.50	2.85
Lettuce Iceberg	each	1.05	1.35
Orange Naval	1KG	2.25	3.75
Celery Bunch	each	2.35	3.75
Pear	1KG	2.60	2.90
Watermelon	1KG	1.20	1.30
Banana Large	1KG	2.70	4.00
Rock Melon	each	4.15	4.50
Cabbage	each	2.15	2.60
	Total	24.50	31.30
	% Diff	-	27.76%
General Consumables			
Item Description	Pack Size	Price in Perth Metro	Price from Kalgoorlie's local provider
2 ply Toilet Roll 40 per bag	ctn	35.50	40.47
Garbage Bag 75L 75x90cm	ctn	45.89	53.72
Slim I/L Towel Sapphire	ctn	32.10	38.50
Colgate Tooth Paste 90g	each	1.96	2.63
	Total	115.45	135.32
	% Diff	-	17.21%

Freight costs render the option of purchasing these goods in Perth and transporting them to Broome quite impracticable.

2. Staffing

It is well recognised that residents in care facilities appreciate constancy and stability in staffing – they want to see familiar faces. It is extremely difficult to provide such comfort in remote locations where the population is often transient and the funding regime fails to reflect the realities of providing the quality care which the community expects and the residents deserve.

In most employment categories, aged care providers are competing for staff with the public sector in general and the public health system in particular - a classic case of an uneven playing field.

In addition to salary differentials, there are a number of other employee benefits provided in the public sector making it even more difficult for aged care providers to compete.

The contradiction of the government's position is clearly exposed when, by its own actions, it accepts that to recruit and retain its own staff, significant additional benefits have to be provided, yet the cost of providing such additional benefits is not reflected in its funding of aged care providers in those same locations.

2.1 Salaries and wages

The most obvious example of the recruitment and retention challenge faced by aged care providers is the comparison of pay rates.

The comparison below summarizes the cost of salaries at Southern Cross Care's Broome facility using current actuals against the cost which would be incurred were Southern Cross Care try and compete by matching public health rates – a variance of over \$270,000 per annum.

Summary Broome costs at Public Health rate as at January 2010

	Fortnightly Cost	Cost PA at current rates	PA Oncost at current rates
Manager	\$3,462	\$90,000	\$112,500
Admin & Staff Dev	\$3,923	\$101,998	\$127,498
Clean, Laundry & Kitchen	\$5,183	\$134,758	\$168,448
Chef	\$2,019	\$52,494	\$65,618
Maintenance	\$1,590	\$41,340	\$51,675
Care	\$57,843	\$1,503,918	\$1,879,898
RN & CN	\$18,192	\$472,992	\$591,239
EN	\$5,392	\$140,192	\$175,240
PA Totals	\$97,604	\$2,537,692	\$3,172,114

Summary Germanus Kent House costs at SCC rates as at September 2010

	Fortnightly Cost	Cost PA at current rates	PA Oncost at current rates
Manager	\$3,270	\$85,000	\$106,250
HR & Admin	\$3,566	\$92,716	\$115,895
Clean, Laundry & Kitchen	\$4,805	\$124,930	\$156,163
Chef	\$1,974	\$51,324	\$64,155
Maintenance	\$1,590	\$41,340	\$51,675
Care	\$52,825	\$1,373,450	\$1,716,813
RN & CN	\$16,709	\$434,423	\$543,029
EN	\$4,473	\$116,298	\$145,373
PA Totals	\$89,212	\$2,319,481	\$2,899,352

2.2 Location Allowances

In many rural and remote locations staff are paid district allowances to compensate them for the additional cost of living expenses.

Recently, the WA Government increased District Allowances to eligible public sector employees. In Karratha, for example, the allowance was increased from \$3,953 to \$9,839 per annum. Those with dependants receive double this amount.

In 2009/2010 Southern Cross Care spent \$63,454 in 'location allowances' in Broome.

2.3 Staff accommodation

In Broome, even the most modest house attracts a weekly rent of \$700. In Karratha, rents of \$2,000 per week for a family home are common.

To deal with this reality, most public sector staff in remote locations are provided with housing or housing subsidies.

We understand that one WA Government department last year paid more than \$500,000 per year in housing subsidies in Broome alone.

Aged care providers receive no realistic supplementation to take account of the real cost of operating in remote locations and are compelled to draw from reserves, should there be any, to remain competitive for staff. In Broome, in order to attract staff SCC invested \$400,000 of its own resources to convert premises to staff accommodation.

2.4 Other staffing issues

- Agency staff are typically not available to assist in the maintenance of reasonable staffing levels and standards of care in these locations.
- This results in significant overtime costs which are not reflected in the SCC salary and wages figures above. In 2009/2010 overtime costs in Broome were \$92,278.
- Attracting and retaining a suitably skilled workforce in such locations can be extremely difficult and resource intensive. The potential inability to attract and retain a core of key personnel – facility manager, clinical, registered and enrolled nurses, and allied health professionals can leave providers badly exposed – introducing fly in-fly out arrangements is not unheard of.
- Providing adequate support (e.g. Dementia Consultant) to remote locations is expensive not only in terms of travel and accommodation but also staff time.
- Staff turnover is typically higher in remote locations. This results in additional costs in advertising, orientation and training. In 2009/2010, training costs in Broome were double those of similar sized facilities in Perth.
- SCC has a policy of employing as many indigenous staff as possible, particularly in locations where most of the service recipients are indigenous. This policy results in additional costs in staff replacement, support and training.

RECOMMENDATIONS

This paper has clearly demonstrated the significant financial challenges faced by aged care providers in remote locations. If these challenges are not ameliorated in some way – that means government action – some of those providers may no longer be able to operate in these locations.

It is therefore recommended that:

1. *Consideration be given to explicitly encouraging providers in remote locations to seek and receive capital funds to address long term replacement of buildings (depreciation).*
2. *Differential funding be provided to operators in remote locations to address the true costs of delivering high quality aged care services.*