AMANA LIVING
part of the Anglican community

Winner ACSA 2009 National Excellence in Care – Best Organisation
Winner ACAA 2008 National Employer of Choice Award
Winner ACSWA 2009 Excellence in Care – Best Organisation
Winner ACSWA 2009 Excellence in Care – Media Award

17 March 2010

The Commissioner
Caring for Older Australians
Productivity Commission
PO Box 1428
Canberra City ACT 2621

RESPONSE TO PRODUCTIVITY COMMISSION DRAFT REPORT – JANUARY 2011 - INQUIRY INTO CARING FOR OLDER AUSTRALIANS

EXECUTIVE SUMMARY

Amana Living strongly supports the thrust and intent of the Productivity Commission's draft report and its redesign of the aged and community care system.

However, in this submission, we highlight the following significant risks to delivery of a sustainable system into the future:

- A continuation of inadequate funding levels from the Commonwealth
- The proposed funding arrangements may lead to service inequities because of failure to allow for regional cost variations
- Consumer choice and control may prove to be more tokenistic than real
- Proposed safety nets may be inadequate to prevent a two-or multi-tiered system
- Capital development might fail due to inadequate cashflows arising from a flight from bonds
- System integration with the health care system may continue to be inadequate and inefficient
- There may not be enough workers, particularly in WA, to support the proposed new arrangements

Amana Living supports the detailed submission made by Aged & Community Services Australia (ACSA).

As currently structured and funded, aged and community care services in Australia do not meet the needs of their target group and are unsustainable.

As such, radical reform of the system is required and we congratulate the Productivity Commission on delivering a logical, balanced blueprint for sector reform.

We believe the Productivity Commission has articulated sound principles upon which a successful new structure can be built. We support the report's emphasis on:

- Wellness and restoration
- Entitlement
- Choice
- Qualified market-based system
- Co-contributions from users with safety nets
- Removal of artificial program barriers
- Proportionality of regulation

We believe that the propositions advanced by the Productivity Commission could generate an effective and sustainable system by:

- Focusing on meeting consumer need (by attuning services to demand rather than supply)
- Offering genuine choice and control to consumers
- Promoting equity between consumers and the general taxpayers
- Improving efficiency through better service-targetting and incentives to improve performance

As positive as we are about the Productivity Commission draft report, we all know that the road to hell is paved with good intentions. We leave comment on the detail of the proposals to our peak body, ACSA, preferring to concentrate in this submission on what we perceive as the KPIs for a reformed system, or to put it another way, the stress points in the proposal that could serve to bring it undone.

a. The quantum of funding coming into the system for operating and capital needs to increase

Currently the system is grossly underfunded leading to sub-optimal service delivery in both residential and community care. Clearly, the Productivity Commission's proposal is designed to generate funds from user contributions. This is appropriate; however, the key determinant of success for these reforms will remain the level of funding flowing from the Commonwealth government. Under current arrangements, the Commonwealth government minimises its fiscal risk by, inter alia, limiting the supply of licences and care packages. Under the proposed arrangement, the Commonwealth may continue to do so by ramping up the eligibility bar at the Gateway and by failing to index its contributions once the initial cost of care study has been done.

The new system will stand or fall on the quantum of Commonwealth funding to support the growing numbers of older people in society.

b. Funding arrangements will need to be sophisticated enough to cope with regional variations

Currently the system operates like a blunt instrument. Base funding no longer equates to the cost of service delivery and does not in any meaningful way compensate the various jurisdictions around Australia for cost disadvantages. This is equally true for the "boom State" of WA where the costs of labour, materials and construction far outstrip most other parts of the country as it is for regional and rural areas in general where the so-called viability supplement for residential care makes little or no practical difference.

The new system will need to reflect in a sophisticated fashion the variability in service-delivery costs across this diverse island continent if equity of service-delivery outcomes is to be achieved across jurisdictions.

c. User contributions towards capital costs need to enhance provider cashflows as well as contribute to the cost of building

The Productivity Commission draft report takes positive steps towards addressing the need for funds for capital purposes, but treats the alternatives of bonds vs accommodation charges as being matters that should be left to consumer preference. This ignores the critical role that bonds currently play in managing cashflow and we contend that any significant trend towards charges and away from bonds would seriously hamper capital construction and impair future supply.

The revised system should provide incentives for consumers to pay via bonds where possible to ensure ongoing cashflow for capital construction.

d. Consumer choice and control needs to be meaningful and real and not just tokenistic

While consumer choice is a noble ideal, it is hard to deliver in practice in a situation where there is an imperfect market and where consumers cannot be assumed to be fully competent and informed. Overseas experience suggests that consumer-directed care has often failed to live up to its name or its desired expectations. The devil will be in the detail here and the Productivity Commission will need to generate proposals to ensure that the industry and noted experts have the opportunity to devise the best possible approach for the unique Australian circumstance.

"Clayton's consumer control" may very well lead to worse outcomes for service users than the current provider-driven arrangements.

e. Safety nets will need to be sufficiently robust to prevent a two-tier or multi-tier system

Introduction of a market-based system has much to recommend it, however, the market for aged and community services will clearly be an imperfect one, compromised by the limitations of consumer 'competence' to exercise informed choice and the improbability that communities outside the major capitals will elicit significant investment.

The Productivity Commission has developed proposals to prevent providers from exclusively servicing more wealthy consumers and has also put forward an approach to block funding for remote areas. These measures will need to be well-researched and practical. For example, the proposal to tie the accommodation subsidy for supported residents to the capital cost of a shared room with shared bathroom has no basis in the reality of what is demanded by Australians from all socio-economic groupings and consequently currently provided. The

Productivity Commission is to be commended for announcing at an early stage that this provision will be re-considered.

A reformed system based on market forces will need to strenuously guard against the risk of disadvantaging the "poor" – both in terms of individuals without means and locations where cost structures are high and investment prospects low.

f. The aged and community care system can only operate effectively if it has a high level of integration with the broader health care system

As people age, they consume disproportionate levels of health care and as they become very aged they live with a complex array of health care needs. Currently there is very little integration between the aged care and health care systems. This leads to the classic case of "bed blocking" where older people occupy a hospital bed for in excess of $1,000 per day for want of an aged care bed or service that may cost the government a maximum of $250 per day. Equally, frail residents of residential aged care facilities are typically taken to hospital in the event of an acute episode when their health needs would undoubtedly be better served by ramping up the clinical capability in the aged care system.

We believe that the positive stance taken in the report to funding palliative care delivered by the aged care system at 'hospital rates' should be extended to the delivery of a diverse range of clinical inputs.

The Productivity Commission report does not seem to place sufficient weight on the need to get the interface right between the aged care and health care systems to promote resident/patient outcomes and to promote efficiency.

g. Workforce challenges are the greatest single threat to the sustainability of the aged and community care system

The Productivity Commission draft report appears to work from an assumption that current measures in place will deliver a workforce of sufficient size and skill to get the job done. In relation to Western Australia, this assumption is clearly false. Across Australia, there is an impending structural shortage of skilled and unskilled labour for the aged care sector arising from the fact that the existing profile of aged care workers is heavily skewed towards the older age group. This structural problem is significantly compounded in Western Australia by its "boom State" conditions. In 2007/08 the resources sector sucked workers from the community sector in their droves. In aged care, turnover rates of 40% pa were normal. The sector had no choice but to take on workers who, in more normal circumstances, would have been considered unsuitable. In addition to this, high agency usage was financially crippling. CCIWA projects that WA will be 210,000 workers short by the end of the decade under current policy settings.

Existing measures will not deliver a sufficient number of skilled or unskilled staff for aged and community care in WA into the future. This situation will not be corrected without significant improvements in funding to underpin higher wage rates and without a major immigration program to bring workers to WA from overseas. By contrast, stipulating artificial ratios would only make matters worse.

The aged and community care sector is highly labour-intensive and the very fabric of the Productivity Commission's reform program is threatened by the urgent labour problems facing the sector as felt most strongly in WA.

CONCLUSION

In conclusion, Amana Living strongly supports the thrust and intent of the Productivity Commission's draft report and its redesign of the aged and community care system. However, in this submission, we highlight the significant risks to delivery of a sustainable system that arise in terms of:

- A continuation of inadequate funding levels from the Commonwealth
- The proposed funding arrangements may lead to service inequities because of failure to allow for regional cost variations
- Consumer choice and control may prove to be more tokenistic than real
- Proposed safety nets may be inadequate to prevent a two-or multi-tiered system
- Capital development might fail due to inadequate cashflows arising from a flight from bonds
- System integration with the health care system may continue to be inadequate and inefficient
- There may not be enough workers, particularly in WA, to support the proposed new arrangements

Amana Living looks forward to the further economic modelling and system design work that the Productivity Commission will be undertaking before releasing its final report and is prepared at any time to lend its knowledge and expertise to the process.

Yours sincerely

RAY GLICKMAN
Chief Executive Officer