

**Brief for Senate Committee
RE Living Longer Living Better Reforms**

Welcome

Good morning Senators Moore, Siewert, Brown, Furner, McKenzie, Smith and Fierravanti-Wells, and thank you for the opportunity to present to your committee on important legislation that will have a significant impact on aged care in Australia.

My Name is Graeme Prior and I am the Chief Executive Officer of the Hall and Prior Aged Care Organisation. I have been involved in aged care for over 20 years and I can honestly say I have never been more excited about the future of the industry.

Hall and Prior:

The Hall and Prior Aged Care Organisation is a private aged care provider in Western Australia and New South Wales.

We provide care to 1,200 people in 19 residential aged care facilities and 80 people living in their own homes in the community. The majority of people in our residential facilities have very high care requirements and are typically pensioners (64% are supported by the federal government). Our services encompass the full spectrum of residential care including low (hostel) level care, high (nursing home) level care, palliative care, respite care, dementia-specific care and extra services.

We also have a specialist homeless and indigenous care program.

As a group we employ 1,400 people from a diverse range of professions including registered nurses, enrolled nurses, personal carers, hospitality staff, allied health staff, dieticians, speech pathologists, chefs, nurse practitioner, and administrative staff.

Our operations are managed by an executive management team of approximately 60 people.

Legislation:

The legislation under consideration has been a long time in development. It has been formed from a number of enquires and investigations. The aged care industry has been able to (and has) contributed to this process.

The proposed legislation has thus been well researched and well informed.

In its proposed form it will significantly change the Australian Aged Care Industry for the better.

It is my opinion that the legislation should be supported and passed through both houses of parliament. However the legislation is only a broad framework for the reform process. Much of the detail is still to be outlined in the relevant Principles, Guidelines and Determinations. Until this detail is clarified, the full impact of the changes cannot be assessed. With this legislation reform program, our primary concern – at this stage – is to ensure that the most vulnerable older people in our community are protected and are able to access high quality aged care when they need it.

The industry has been underfunded for many years. The introduction of the ACFI made the first steps to addressing this issue and this new legislation will provide certainty to providers and the industry in general. This legislation is an important step towards the implementation of the recommendations of the Productivity Commission.

I will briefly mention some of what I consider are the key aspects of the proposed legislation.

Workforce Compact

The current aged care workforce is fragile and needs to be developed.

In Western Australia during the period 2006 to 2008 we had tremendous pressures to attract and retain quality aged care staff. Population demographics inform us that the demand for aged care services will continue to increase and it has been estimated that an additional 600,000+ staff will be required to meet the workforce requirements in coming years.

The industry will only be able to attract this number of employees if it can compete and offer a genuine value proposition for staff. Currently the workforce has poor purchasing power. It is generally poorly paid and indiscriminate in remuneration. This is evidenced by some organisations are able to offer Fringe Benefit Tax concessions such as Salary Sacrificing whilst others can't. The current Salary Sacrificing arrangements enable some aged care operators to offer \$16,000 of tax free income to employees. This provides an unfair playing field and is an injustice.

As an employer of over 1,400 employees (with an annual wages bill of in excess of \$60m each year) we support the Workforce Compact.

We have been a long supporter of union based enterprise agreements and have recognised the valuable part employees play in aged care. Since November 2005 we have increased the wages of carers by 40% and registered nurses by 46%. This represents effective annual increases of 5.4 to 6.3% respectively per annum. Over this time COPO (the Commonwealth's own measure of funding indexation) has averaged 1.9%.

Under the existing legislation framework, in Western Australia our forecast earnings profile will deteriorate by approximately \$800k over the next 6 years and in New South Wales by \$200k. Thus impacting our group by approximately \$1.0M. This reduction will occur if the existing recurrent operational funding and expenditure processes continue (namely revenue continuing to increase by 1.8 to 2.0% per year and wages/remuneration (composite / grossed up) at 4+% per year).

Our high level analysis of the Workforce Compact has indicated that it will be cost neutral to us in both WA and NSW. This assumes that the Workforce Supplement continues beyond the 2016/17 financial year.

It will be cost neutral to us as we have a very high level of resident acuity and we already pay wages above the margin for the relevant award rates. We do appreciate that this will not be the case for all providers, particularly those providers that have residents with low care requirements and who currently only pay award rates.

We thus support the Workforce Compact and feel it will invigorate the aged care workforce.

Accommodation Payments / Bonds

It is our opinion that the proposed changes to accommodation payments (via either a daily payment or lump sum bond) will be generally good however we do have a number of possible concerns.

There is some confusion as to whether the value of any lump sum payment will be exempt for the resident's calculation for means testing. We believe that lump sum payments should NOT be included in this calculation.

There is also potential that the removal of the bond retention amount will result in higher bond prices (to make up for the lost revenue). From an economics view point this will certainly be the case. We need to ensure that this won't leave residents unable to pay accommodation bonds, particularly those on low income levels.

Generally caution needs to be exercised to ensure that there is no freezing out of residents with low incomes. The government's undertaking to pay the accommodation fees of residents with low means is supported.

Accommodation Supplement

The government has announced that it will pay a higher accommodation supplement to facilities that have completed a significant refurbishment. We warmly support this move as it is important legislation that protects existing facilities.

The vast majority of residential aged care services are provided from facilities built greater than 10 years ago. In our group we have some homes that were built more than 80 years ago. It is imperative to the aged care system that these facilities remain an attractive option. This initiative will give providers confidence to invest in these facilities.

The proposed mechanisms for this are equitable, fair and easily administered.

Pricing Authority

We support the establishment of the pricing commissioner. With the broadening of the accommodation payments, it is important that this is controlled and regulated. The proposed Aged Care Pricing Commissioner will give confidence and protection to consumers and this should be supported.

However we would encourage this appointment promptly, to ensure that the transition is well managed and minimise the uncertainty of the change.

Pensioner / Concessional residents

Whilst we support a general approach towards a more user pays system, this needs to be carefully managed to ensure equitable access of care for all Australians.

Currently there are already significant financial pressures on pensioners and these pressures are amplified when one partner of a couple requires care. (Senators I would welcome further discussion on this very important topic).

We are concerned that some of the changes to accommodation payments may inadvertently discourage providers from caring for

pensioners (as they will derive less income by caring for them). This should be avoided, and the government must ensure equitable access to care for all.

Homeless / Indigenous

This equity of access of also a key issue for homeless and indigenous residents. We currently have a dedicated homeless and indigenous care program and are thus aware of the financial pressures this can bring.

Currently the viability supplement helps meet this shortfall, however this is only accessible if the service provides care to > 50% of its residents who meet this criteria. The viability supplement should be extended to cover all homeless and indigenous residents so that all providers are encouraged to offer care, rather than limiting it to providers who can meet the 50% requirement.

Agency

As an Approved Provider, I have a vested interest in ensuring that ALL aged care operators provide quality aged care. As such I am a strong supporter for any strategy that raises the level of quality in the industry.

The proposed transition of the Aged Care Accreditation Agency into the Australian Aged Care Quality Agency reflects this emphasis on quality.

The increased transparency of care outcomes through avenues such as the myagedcare website will also assist to lift the standard of aged care delivery.

Summary and Conclusions

1. In summary, you have the opportunity to make significant and meaningful change to the Australian Aged Care Industry.
2. These changes offer the potential to ensure that Australia remains the world leader in aged care services into the future. This will only be achieved with a viable and sustainable aged care industry ^{that is} ~~who are~~ equipped to deliver quality care and services to all who need it.
3. We believe that all key stakeholders will work together in a highly cooperative manner to clarify the final detail of the legislation.
4. The Government, Department and Approved Providers all wish to ensure that viability and sustainability of the industry.
5. Furthermore all parties wish to ensure that the most vulnerable older people in our community are able to access high quality aged care when they need it.
6. As a long term moderate provider we welcome the safe passage of these 5 bills through both houses of parliament – we are of the firm view that this legislation has been very carefully thought through by the government and DoHA, with extensive consultation with key stakeholders and will significantly reform and improve the aged care sector well into the future.

I would encourage you to support this legislation and ensure that it is approved.

Thank you again for this opportunity.