

26<sup>th</sup> April 2013

Senator Bridget McKenzie  
P O Box 2047  
DELIVERY CENTRE BENDIGO VIC 3554

Dear Senator McKenzie,

It may be that I am too late for this submission to be considered by the *Senate Standing Committees on Community Affairs*, however, I have been on annual leave and did not receive your letter until this week when I returned.

I have many concerns related to the *Living Longer Living Better* aged care reforms, and given that I am already late in lodging a submission, I will try to be succinct.

On four occasions now I have been present when the Minister for Mental Health & Ageing, Mark Butler MP, has made presentations to support the *Living Longer Living Better* paper that was released in April 2012. On each occasion he has stated that he has consulted widely with the public and from his discussions "no-one wants to live in a nursing home". I agree that people do not voluntarily ask to be placed in a nursing home, just as people do not look forward to going to hospital. However, I would not impose changes to the public health sector that would quite possibly see hospitals close, based on the premise that people do not want to go to hospital.

I am the CEO of a relatively small aged care facility that considers these reforms to be a threat to its future.

Glengollan Village is a not-for-profit organisation that was established in 1956, and its profile is currently a 90 bed residential aged care facility and 117 independent living units. We have around 250 residents and 120 staff, as well as 80 volunteers

From the *Living Longer Living Better* paper it is acknowledged in the Forward:

- Not enough nursing homes are being built;
- Employers are having trouble recruiting and keeping aged care workers;
- The aged care system is no longer meeting our needs; and,
- There needs to be better access to residential care.



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The Minister for Mental Health & Ageing has made it quite clear that the thrust of the reforms is to maintain people in their homes longer, and that funds will be directed away from residential aged care in order to fund more care in the home. Some of the points identified in the paper include:

- The aged care reform package will provide \$3.7B over 5 years;
- \$660.3M to deliver better residential aged care through:
  - More residential care facilities to be built;
  - Supporting the viability of services in regional, rural and remote areas;
  - Trialling Consumer Directed Care in residential aged care;
  - Strengthening means testing for residential care by combining the current income and assets tests;
  - Establishing a new Aged Care Financing Authority;
  - Improving the Aged care Funding Instrument;
- \$1.2B to strengthen the aged care workforce;
- By 2050 over 3.5M Australians will access aged care annually, with around 80% of the services delivered in the community (if 20% is residential aged care, this is 700,000. Currently there are approximately 190,000 aged care places and this represents an additional 14,000 residential aged care places each year for the next 37 years);
- The Government is reforming aged care financing arrangements to give aged care providers the certainty they need so that more aged care homes can be built and existing homes can be significantly refurbished, and this will be achieved by:
  - The accommodation supplement will be increased from \$32.58 to \$52.84 from 1<sup>st</sup> July 2014. However, this will only apply to facilities that have been built or significantly refurbished after 20<sup>th</sup> April 2012, which disadvantages Glengollan, which spent around \$8M in 2011 and will not be eligible for the higher fee;
  - The LLLB paper states that from 1<sup>st</sup> July 2014 residents will have the choice of how they will pay their accommodation costs, and this can be a fully refundable lump sum, periodic payments or combination of both if they can afford to do so, and this gives the impression that the current distinction between High and Low Care may disappear when it comes to setting fees and charges. Fully refundable indicates that there will be no retentions on Accommodation Bonds, and this will reduce Glengollan's income by (at least) \$160k pa;
- Providers will be expected to provide more services to the Low Care residents, such as all the provisions and services currently supplied to High care residents, eg incontinence aids, walking frames, physio and podiatrist, the opportunity to purchase more expensive food options and entertainment options;
- No resident will pay care fees greater than \$25,000 pa (\$68.49/day), and no resident will pay more than \$60,000 in care fees over their lifetime. There are numerous questions these figure raise, such as:
  - At what stage does the \$60k in care fees start, ie when they are receiving care in the home, before they enter residential aged care?
  - How will the provider know what the balance will be when a resident enters the facility?
  - \$60,000 will only cover care for just under 2 ½ years, so the only residents in aged care will be terminal/palliative, and this goes against the claims of the LLLB strategy to give consumers greater choice and control;
  - At present a fully supported resident pays 85% of their pension, which is \$44.54/day, which will give them 3.7 years in aged care before they reach the \$60,000 cap;

- Page 14 of the LLLB paper has the title “*Improving the Aged Care Funding Instrument (-\$1.6B redirection)*”. This very brief statement shows that the Government will change the ACFI to allow funds to be clawed back and redirected, and from the points above we can see this is another reduction in funding at a time when providers are going to be asked to give more with less;
- Pages 15 and 16 address Workforce and \$1.2B is to be injected. The figure of 304,000 aged care workers in 2010 is identified, and by 2050 there is expected to be approximately 827,100 aged care worker, and this calculates to 523,100 additional workers over 40 years, or an annual net increase in worker of 13,078pa for 40 years. The paper acknowledges the current issues faced by the sector, including a turnover rate of 25% higher than comparable sectors, difficulty in attracting and retaining skilled workers, all leading to reduced productivity and negative impacts on the quality of care.
  - The government are allocating \$1.2B over 4 years, and the figures on page 37 show that for 2013 there will be \$14M allocated, which equates to \$46.05 per worker, based on 304,000 workers;
  - The increased funding (\$46.05/worker pa) is for providers to introduce (i) higher wages, (ii) improved career structures, (iii) enhanced training and education opportunities, (iv) improved career development and workforce planning, and (v) better work practices;
  - To access these funds it will be necessary to enter into a Compact that will provide above award increases at the following rates:

<b>Aged Care Worker</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
PCA’s and other workers	1.5%	3.0%	3.0%	3.0%
Enrolled Nurses	2.5%	5.5%	8.5%	8.5%
Registered Nurses	4.0%	8.0%	12.6%	12.6%

Given that the Forward Estimates on page 38 of LLLB shows a redirection of aged care funding far in excess of the \$1.2B being injected to improve wages, the figures published by the Government will see providers go to the wall;

- It is acknowledged that many older Australians are in hospitals because they have nowhere else to go and that approximately ¼ of residential aged care residents will go to hospital every year. It is then suggested that 30% of these admissions could be avoided if GP’s or primary health care professionals were available. However, the questions of why aren’t they available and why do so many refuse to take patients of aged care facilities have not been addressed. There is simply a statement and funding allocated, and this will solve that problem! The issues of increased elderly, (quite possibly) less aged care facilities due to this reform, etc, seems to suggest that the impact on hospitals will be horrific;
- While the increasing levels of dementia is acknowledged on pages 21 and 24 of LLLB, stating that in 2010 there are 257,000 cases and by 2050 it will increase to just over 981,000, but there is no indication that these people with dementia will need an aged care facility unless they have “behavioural problems”, and the statements under “*Tackling Dementia*” seem to focus on how well the people will be cared for in their homes;
- The most damning evidence of the LLLB reforms are on pages 37 and 38, where the Forward Estimates are identified:
  - Residential care - \$486.0M over 5 years through better support to build more residential care facilities (if you have spent money after 4/2012 on significant upgrade to the facility); \$65.4M over 5 years to provide greater choice and control (whatever that means); \$108M over 5 years to sustain aged care in rural and remote areas;
  - Workforce - \$1,188.9M over 5 years to address workforce pressures (refer to notes above);

- The figures identified in the previous 2 dot points come to \$1,848.8M over 5 years, and on page 38 the paper shows that to fund the reform package \$2,558.4M over 5 years is to be redirected away from residential aged care to fund the various initiatives and set up more government departments. Over 5 years this is a reduction of \$710.1M from residential aged care, and with approximately 190,000 residents in facilities at present, that figure would equate to \$3,737/resident over 5 years. However, it needs to be recognised that many facilities would not be eligible for some of the tagged funding, and with the additional demands on the sector, residential aged care is set for a fall.
- In summary, it would seem that LLLB will deliver the following:
  - Reduced funding to residential aged care through ACFI, as the Government claws back \$1.6B over 5 years;
  - Restrictions on Accommodation Bonds, including no retentions after 1<sup>st</sup> July 2014;
  - The possibility that Accommodation Bonds will need to be insured by providers;
  - Accommodation Bonds –vs- Accommodation Charges;
  - Fees and charges will need to be advertised and residents can challenge the fees;
  - Low Care residents will have difficulty in securing accommodation;
  - Increased governance, which may require additional staff to administer;
  - Expectations that staff will be given increased wages, education and career structures, even-though the Government do not employ the staff;
  - Residents will have shorter stays, and this will add to the administrative requirements.

As a relatively small organisation, the LLLB reforms are a threat to us, and rather than reform the industry for the better, it looks set to destroy it. It is extremely disappointing that the Government, with all its resources, considers this is the best solution for aged care.

Yours sincerely

John Gerrard  
Chief Executive Officer