



26 November 02

Dear Sir / Madam

While the attached presentation attempts to summarise much that is a concern with aged care, the fundamentals of the highly regulated system appear at odds with the objective of **an aged friendly society where consumer expectations are both paramount and met**. We argue that this can be achieved, certainly with much increased emphasis on user pays, and at an affordable cost to the taxpayer.

Concerns with the present aged care system are many and well documented but include :

- ageing building stock yet inadequate capital funding available to rebuild it, particularly high care.
- recurrent funding declining significantly in real terms as particularly wage inflation, driven by State awards, acute sector pay differentials and growing nursing shortages, continues to exceed price increases paid by the Federal government to providers. At the same time, inflexibilities in nursing coverage insisted on by nursing unions add to this price / cost issue.
- **This price / cost imbalance is the central issue driving the inability to attract capital into the sector to finance the rebuild.** Why else does Robert Lister consistently value nursing homes at less than their cost to rebuild ? The focus therefore needs to be on new sources of recurrent funding .
 - Consumer resistance to the payment of bonds has been much documented. The increasing trend to high care in residential settings will only exacerbate this concern as stays become increasingly short. In any event, neither accommodation bonds nor charges will satisfy capital needs. Indeed, the latter generate 3.5 times less income than bonds. Additionally, bonds are not uniformly available across city and country.
 - Planning ratios biased 90 : 10 in favour of the more expensive residential services when almost all reliable research indicates a consumer preference for staying at home for as long as possible.
 - A proliferation of aged care providers in both residential and community. This not only spreads competent senior staff very thinly but acts against the creation of regionally based service continuums which consumers can easily navigate.

We describe in the section “ Service Delivery Implications ” a preferred **local service network** model which envisages a competitive environment in most regions. It responds to a deregulated environment in terms of planning ratios in that funding would in future attach not to the provider through bed licenses but to consumers holding valid ACASS assessments. It envisages single entry points for consumers who then move up or down the regional service continuum as their needs dictate and in consultation with the network. It envisages too the capacity to become leaders in nurse recruitment and training.

The vision indicates the demise of much of the currently available hostel level residential care taking place in substandard facilities (relative to the incoming 2008 standards) and which therefore may not need to be rebuilt. This funding saving, augmented by consumers paying their own accommodation costs wherever they choose to live, can then be redirected to an expanded community care response. Equally importantly, community care will be predominantly the domain of personal care workers. This change therefore has the capacity to free up the many nurses currently employed in this low care residential environment and ameliorate wage pressures.

This is a consumer oriented response to the ageing in place philosophy which fails in a residential setting not just on economic but also social grounds. The latter is a reference to the growing numbers of high care residents in facilities across the country. As these numbers increase, our experience is that the environment becomes less and less socially appropriate for low care residents who have progressively less in common with the majority who are high care.

Our report highlights the growing need for community housing solutions which facilitate people staying in their own home for as long as possible. The absence of well designed housing in mainstream locations where people have lived their lives is a major catalyst in the demand for residential care services at present. If such housing was widely available, organisations like our own are well positioned to more economically deliver care services as required on either a fee for service or government subsidised basis into these small , neighbour focused communities. Such housing is additional to and not a replacement for existing home options.

Summary

We envisage an aged care sector significantly refocused on community care which will be increasingly demanded by the next generation of elderly. Residential aged care will increasingly become short term in duration and focus on palliative,post acute, respite and dementia care. For this reason, bonds as a source of capital funding will become less and less reliable. The real need of the sector is long term equity capital which, if obtained, would negate the need for bonds. The obvious sources of such capital are the social infrastructure superannuation funds who require a return on invested funds in the order of 9% at present. This takes us back to the aforementioned recurrent funding central issue as the key to system viability in that it determines the attractiveness of the sector for third party investors.

Our presentation proposes profound change in the nature of aged care. It argues for the direct funding of the consumer to choose his or her care services, for the consumer to pay accommodation costs and for a significant shift to community from residential care. The **empowered consumer** will cause the care response to continue to change over time and will most certainly force poorer operators out of the industry. Equally, these proposals have the potential to more effectively use scarce government funding across the anticipated growing number of consumers.

There will equally be a place for Extra Service, the takeup of which to date has been slow. The ability to access this status at any time as opposed to during funding rounds only would be a welcome flexibility and encouragement. Extra Service brings with it the capacity not only for government to “ claw back ” part of the resident fees paid and use these monies also for the benefit of aged care consumers generally but also a capacity for providers to cross subsidise the care needs of the disadvantaged.

Gordon Gemmell
Chief Executive Officer
Baptist Community Care Ltd