4 April 2016

Committee Secretary
Senate Standing Committees on Community Affairs
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Canberra ACT 2600

Future of Australia's aged care sector workforce: Additional information

We wish to draw two additional matters relating to aged care in the UK to your Committee's attention. These are relevant to our submission and to workforce issues in the marketplace. Both acknowledge the close relationship between corporate financial performance, staffing and quality of care. Both are looking at ways of protecting the vulnerable.

In our main submission, we highlighted the immediate risks to staffing and care associated with a rapidly consolidating market as well as the ongoing long-term consequences of the sort of culture that develops - as revealed in the USA. It becomes a very expensive and ineffective system. Health care costs, for example, are far greater in the corporatised USA than the financially more stable not-for-profit health system in Canada, which generally provides superior care.

The problems in staffing and care in the UK are different. They are due to the cost pressures when large companies are under financial pressure and are failing. While the prime offender in the UK has been private equity[1], other giant corporations including BUPA, which operates in Australia, are mentioned in both the sets of documents, although it is not a focus of attention.

1. The UK has met the critical problem for staff and residents by creating a list of those large providers whose corporate failure would pose a serious threat to the system. Their *Care Quality Commission* (CQC) has been given the responsibility of tracking the financial performance of these large entities and then warning the local authorities that contract the care of citizens to these companies.

The main relevant issue here is the complexity of the corporate structure of many of these companies (similar to the USA). This makes their true financial status opaque. It would be difficult for any oversight body to monitor this.

Related links:

- Market Oversight of adult social care: http://www.cqc.org.uk/content/market-oversight-adult-social-care
- Market Oversight of 'difficult-to-replace' providers of adult social care - a quick guide *(pdf)* : http://www.cqc.org.uk/sites/default/files/20150327_market_oversight_quick_guide_all_providers.pdf
- Registered providers in CQC's Market Oversight Scheme *(pdf)* : http://www.cqc.org.uk/sites/default/files/20160304_Market_Oversight_Brands_and_Legal_Entities_for_website_03.pdf

1 Southern Cross wakes us up to the business of caring (The Guardian, 11 Jul 2011): http://www.theguardian.com/commentisfree/2011/jul/11/southern-cross-business-of-caring

2. Report: *Where does the money go?* Financialised chains and the crisis in residential care by CRESC (**C**entre for **R**esearch on **S**ocio-**C**ultural **C**hange[2]) Public Interest Report, March 2016 http://www.cresc.ac.uk/medialibrary/research/WDTMG FINAL -01-3-2016.pdf

This report looks critically at the financial structure of these same large corporations and concludes that these structures are ill suited to the sector. High-risk high profit strategies are *"being applied completely inappropriately to an activity like adult care which is low risk and should be low return."*

This seems to be very much the case in Australia. Large profits are being made by the large corporates in the sector. Private equity groups are being attracted. The report emphasises the *"complex multi-level corporate structures, which undermine any kind of accountability for public funding".*

The study attributes much of the crisis in aged care in the UK including the past failures and current threatened corporate failures to this complex structure. It focusses on the accumulation of debt that is often hidden by the complex structure. Debt increases with each change of ownership, leading to progressive financial vulnerability. They consider that this, rather than government underfunding, is responsible for the financial problems that threaten the sector in the UK.

The report examines the adverse consequences of this for the workforce and for the care of residents.

We attach a copy of the March 2016 CRESC report.

It is important that your committee carefully consider both the short and long term consequences for the workforce and residents of the policies that are currently being pursued in Australia[3].

We feel that our proposal for a community centred aged care system would shift the emphasis away from financial structure and massive profits, by making good care a critical consideration. This would turn our system into a more sustainable moderate-return system targeting those wanting secure long-term investment rather than quick profits. Corporations would be more likely to focus on staff and the care they provide.

The culture in these nursing homes would be markedly altered if there were less focus on profitability and competition, and more on stability and social responsibility. We would have an environment where we can build a stable, well trained and highly motivated adequately rewarded workforce.

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2 **Note:** CRESC is a joint initiative between The University of Manchester and The Open University. It caries out *"critical analysis of chronic and dramatic, socio-cultural turbulence."* It uses *"state of the art research methods to challenge contemporary myths and offer empirically grounded accounts of change in specific key areas."*

3 **Residential Aged Care Policy in Australia - Are We Learning from Evidence**: http://onlinelibrary.wiley.com/doi/10.1111/1467-8500.12131/abstract
Baldwin, R., Chenoweth, L. and dela Rama, M. (2015), Residential Aged Care Policy in Australia – Are We Learning from Evidence?. Australian Journal of Public Administration, 74: 128–141. doi: 10.1111/1467-8500.12131
The Future of Aged Care in Australia: A call for evidence based policy
http://www.thepolicyspace.com.au/2015/22/55-the-future-of-aged-care-in-australia-a-call-for-evidence-based-policy