

# Chapter 8

## Rural and Regional

8.1 Many older Australians indicate a desire to age in place. However for older people residing in rural and regional Australia, this is substantially more difficult to achieve, particularly as care level needs increase.

8.2 'Ageing in place' is commonly referred to as residential based care that enables an individual to independently remain in their own home, or to receive progressively increased services. This requires flexibility in delivery and continuity particularly for rural areas, but also access to formal care services within their own communities due to social connections.

8.3 Ageing in local community is important for not only the individual's wellbeing, but also for the stability of community and cohesiveness of family.

8.4 Ease of access is essential for the wellbeing of couples where one with dementia or other illnesses requires separate living arrangements. This can be an additional burden in regional areas due to lack of transport and large distances.

The proportion of elderly people within the population is increasing. This trend is intensified and more prevalent in rural and regional areas than in urban centers. In 2008 the number of Australians aged 75 years or over within the rural population had been growing at over 3 per cent per year for around a decade.<sup>1</sup>

8.5 Coalition Senators recognise the significant role that aged care facilities play in rural townships. Aged care facilities and services in rural and regional areas enable families to remain close as people age closer to home, family and community. Aged care services are often one of the major employers, thereby contributing to the economic activity of local townships. In regional Australia there are 1225 Residential Aged Care providers, and 1124 (91%) have 60 beds or less.<sup>2</sup> Regional aged care providers also play a significant role in providing a range of services in the one location, as compared to metropolitan facilities able to focus on niche markets.

8.6 Rural and regional service providers made significant representation to the inquiry.

8.7 From submissions received, and evidence presented at hearings, all submitters recognise the need for reform in the Aged care sector, and welcomed the Productivity Commission's report, *Caring for Older Australians*. Regrettably, only 5-6% of the

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1 Bureau of Rural Sciences, 2008, *Country matters: Interactive social atlas of rural and regional Australia*, Commonwealth of Australia, Canberra, p.3

2 Department of Health and Ageing, Service List Analysis, June 2012.

recommendations proposed by the Productivity Commission have been adopted in the Living Longer Living Better package of bills.

8.8 Coalition Senators are particularly concerned about the impact of this package of bills on rural and regional areas. These Bills do little to recognise the unique issues faced by rural aged care providers. Evidence presented at four public hearings in Perth, Sydney, Melbourne and Canberra, and in over 100 submissions received, highlighted some of the specific challenges faced by rural and regional providers:

- The inadequacy of the existing ‘viability supplement’ to compensate for the challenges faced by regional providers.
- The inequity of bond calculations given the much lower property values of regional areas compared to metropolitan and coastal locations.
- The removal of retention payments affecting the viability of regional providers.
- The challenge of recruiting and retaining staff in regional locations.
- The burden of accreditation and administration on smaller providers.
- The challenges of rural providers to meet the staff and training requirements of the Workforce supplement.
- The lack of funding for rural providers to invest in capital works, expansion or upgrade of facilities, and recognition of the additional cost of building in rural areas.
- Duplicating service delivery provided by other levels of government.

8.9 There has been increasing concerns raised by rural and regional providers about their future viability and the need to reform Australia’s aged care system. The need for reform has been long overdue, markets by their nature, cannot offer certainty and providers who cannot attract enough clients will fail. This can pose risks for the clients of these providers, especially in the case of aged care. There are also risks that providers will not enter a market where demand is limited, such as in rural and remote areas or where there are relatively few clients with particular needs, or a capacity to pay, as rural providers are already closing down.

There are providers in rural and remote areas of Queensland that have decided to withdraw their services due to viability issues.<sup>3</sup>

8.10 Addressing failures of the aged care market is a further reason for government involvement. There are a number of areas where the market for aged care lacks features of an ideal market. The level of demand for aged care services varies across location and the cost. The expectation in regional area of the reform package following the Productivity Commission’s report was high.

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3 The Hon Lawrence Springborg MP, Minister for Health, Queensland – *Submission 98*, p. 2.

8.11 Coalition Senators are concerned that the government's piecemeal approach to so called reforms will result in increased complexity and cost without addressing the core issues of both providers and people dealing with ageing in rural Australia.

8.12 There are considerable challenges faced by aged care service providers in rural and remote areas when it comes to implementation, delivery and management of holistic aged care service including<sup>4</sup>:

- The relatively high cost of establishing and delivering services.
- Difficulties in attracting, retaining and professionally developing suitably qualified staff
- The limited availability of medical practitioners and allied health professionals to support the provision of aged care services.
- Low incomes asset value
- Distance
- Logistics of continuous care provisions in rural locations

8.13 With this in mind, the Coalition points to the Productivity Commission Report which gave special consideration to older Australians living in rural and remote locations and concluded:

Where there are unavoidable and significant variations in occupancy, alternative funding models, such as supplementary block funding and capital grants in addition to mainstream funding, may be required to ensure the ongoing availability of aged care services in these locations.<sup>5</sup>

8.14 It is disappointing that despite the Commission's findings in 2011, the Living Longer Living Better package of Bills that seek to reform the aged care sector, continue to ignore the concerns raised by rural and regional providers.

8.15 Coalition Senators recognise the desirability of certainty for aged care providers in regional areas. This will assist to ensure that the infrastructure that is the lifeblood of these small community towns remains viable, as recommended by the Productivity Commission Report. This perspective was supported by industry:

There were a couple of things recommended by the Productivity Commission which certainly the National Presbyterian Network and also Aged and Community Services Australia have in the past supported. They include looking at enhancing the capital funding stream; it is very small for the number of facilities in regional areas. You can look at the fact that maybe you need to do some block funding. At the moment, we fund aged care by the number of residents or clients in aged care packages. If you do not have any old people, you do not get any money. Maybe you need a

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4 Productivity Commission Report, *Caring for Older Australians 2011*, p. 265.

5 Productivity Commission Report, *Caring for Older Australians 2011*, p. 265.

level of guaranteed funding so that there is an infrastructure that stays in those small community towns<sup>6</sup>.

8.16 The following points highlight some of the concerns raised by rural and regional providers in evidence provided to the Committee during the inquiry.

### **Inadequacy of the existing viability supplement**

8.17 Coalition Senators recognise that aged care reforms cannot apply a 'one size fits all' approach as providers in rural and regional locations face different challenges to metropolitan areas. These concerns were identified in the Productivity Commission's report, recognising the relatively high cost of establishing and operating an aged care service compared to similar services in metropolitan and other regional locations. In addition, older Australians living in rural and remote communities may not have high levels of income and assets from which aged care providers can draw additional payments, such as significant accommodation bonds or extra service fees.<sup>7</sup>

8.18 Coalition Senators are aware that the Government's package of bills to reform the aged care sector fail to address this issue of ongoing viability of regional providers, and the specific challenges that they face.

8.19 When asked how the Living Longer Living Better legislation will improve access to residential aged care for people living in regional, rural and remote areas, the answer provided by the Department of Health and Ageing's Question and Answer Fact Sheets state:

Under aged care reform, resources will be targeted to the areas of aged care most in need. In general it is more expensive to build and deliver aged care services in non-urban areas, compared to urban areas. A viability supplement will continue to be made available to eligible providers operating in regional, rural and remote areas. This will ensure services are available for all older Australians regardless of where they live.<sup>8</sup>

8.20 The government's response was put to rural and regional providers and their response was dismissive. The quote below from Narrogin Cottage Homes best encapsulates their comments:

I love that comment: 'This will ensure'. It is an incredibly laughable statement. I am very surprised that they used those words, because that is saying that it meets a need. It does not. The viability supplement was put in place many years ago. It was quite a complex ... The methodology itself is so old and out-of-date. It has not been looked at for some considerable

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6 Mr Paul Michael Sadler, Chief Executive Officer, Presbyterian Aged Care New South Wales and Australian Capital Territory, National Presbyterian Aged Care Network – *Hansard Tuesday 30 April 2013*, p. 43.

7 Productivity Commission Report *Caring for Older Australians 2011*, p. 266.

8 DoHA, *Questions and Answers Regarding the Legislative Changes*, p. 11, <http://www.livinglongerlivingbetter.gov.au/internet/living/publishing.nsf/Content/ageing-legislative-questions-and-answers-toc> (Accessed 21 May 2013)

period of time. So, when you make a statement that it will ensure that these services are available, it is not making them available. It certainly assists, but it is not a true reflection of cost of care. .. I am not saying the viability supplement should be scrapped; I am just saying that, if we do have to keep it, it needs to correctly reflect services in the region that the viability supplement is being applied to.<sup>9</sup>

8.21 Clearly the existing measures are not working whilst the government's failure to address the underlying issues of the viability of service providers in rural areas.

### **Inequity of the bond calculation**

8.22 A further challenge faced by rural and regional providers through this legislation is the strengthened dependence on bonds. Coalition Senators recognise that aged care providers depend on the investment earnings of Bond money to run their facilities. However, this 'one size fits all' approach by the Government fails to recognise the significant inequity in property prices. One submitter said;

In most country towns people's properties are not worth as much as they are in coastal areas and in metropolitan areas. That means the refundable accommodation deposit—in the new language—that they will potentially pay will be lower. Under the current arrangements, we accept in our rural services a substantial number of part bond payers who are not paying the full amount of the bonds.<sup>10</sup>

8.23 Another issue for rural and regional communities is in the case of a family farm, where the asset is inherited by the next generation leaving the aged "owner" without the capacity to meet bond requirements. Coalition Senators are keen to see greater flexibility in service delivery ensuring that regional Australians are not disadvantaged by their geography as they age.

8.24 In giving clients greater flexibility to move into an aged care facility and decide within 28 days if they want to remain, the delay in Bond payments creates uncertainty for the provider and the relationship with their financial institutions. The question remains that if someone wants to move in and fails to pay, how can they be forced out, and where will they go?

### **Removal of retention payments**

8.25 In many rural areas providers accept part bond payers, who are not paying the full amount of bonds because their property's value is low— and therefore the aged care facilities rely on retention payments. Under these bills, retention payments have been replaced by refundable accommodation deposit – but the amount will potentially be a lot lower. Increasing the total price to raise sufficient interest is not viable in

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9 Mrs Julie Annette Christensen, Chief Executive Officer, Narrogin Cottage Homes, Hansard Monday, 29 April 2013, p. 45.

10 Mr Paul Michael Sadler, Chief Executive Officer, Presbyterian Aged Care New South Wales and Australian Capital Territory, National Presbyterian Aged Care Network – *Hansard Tuesday 30 April 2013*, p. 42.

rural communities, where people simply do not have the money, either from the value of their property or other assets.

The challenge for us under the government's new arrangements is: with the retention amount removed from the equation there is then the question of how do you make that up? The government appears to be saying that the mechanism you use is to increase the total headline price to raise sufficient interest in order to cover the lost income. There is a real question of whether that will be viable in rural communities because people may simply not have the money, even off the value of their property let alone other assets they might own.<sup>11</sup>

8.26 Coalition Senators recognise the risk of unintended consequences from 'one size fits all' policy initiatives.

### **Challenge of recruiting and retaining staff in regional locations**

8.27 Coalition Senators recognise the challenge that rural and remote communities face in recruiting and retaining aged care staff. In some rural areas there are limited training opportunities where skill development relies on the expansion of accredited courses, vocational training opportunities and availability of advanced nursing courses. Whereas nursing staff in metropolitan areas can easily access courses to develop their professional skills or participate in advanced clinical courses under the watchful eye of trained professionals, these opportunities are limited in regional and rural areas. Distance can inhibit training opportunities for regional and rural service providers, and further research needs to be undertaken to harness technological advances to expand training opportunities in regional locations.

8.28 At the heart of the challenge facing many regional providers is the cost of wages and labour, expressed by Anita Ghose, Director of Life Services with Baptistcare;

I think one of the main issues that we face in rural and regional areas is around our workforce. And the challenge we have is dual: we need to provide a quality service—our clients, our residents, demand and expect that—but we also need to provide quality staff who are trained and supported in that environment. We have a unique demographic in Western Australia, which I think has been lost in the national debate, which is around the challenges of the tyranny of distance but also what has happened in terms of the cost of living and the issues around our mining and resources sector, which in some cases is being used as the explanation for every problem in the west. But I have to say unequivocally that the issue around the cost of wages and the cost of labour in regional and rural areas is decimating the viability of regional providers. For Baptistcare, as Dr Morris mentioned, we have 60 per cent of our services in regional areas. Our challenge is to not only find good staff but to keep them. Unfortunately we have had to resort to bringing in expertise from overseas using the 457 visa

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11 Mr Paul Michael Sadler, Chief Executive Officer, Presbyterian Aged Care New South Wales and Australian Capital Territory, National Presbyterian Aged Care Network – *Hansard Tuesday 30 April 2013*, p. 42.

process. We have brought in nurses and qualified practitioners from Ireland, the UK et cetera. The challenge in retaining those individuals..We have firsthand experience of using recruitment agencies, at great cost to the organisation. Our cost structures have increased in our recruitment processes and bringing these individuals in from overseas. In one instance, one of them lasted one week in a country town—and that was Albany. They do not last that long because of the issues they face around being in regional areas. The challenge for regional providers is that they are the rich fabric of our demographic in Western Australia and we need to prioritise and support. I do not think the workforce supplement does that at all. I think what it does is erode the viability of those providers and disadvantage them.<sup>12</sup>

8.29 A similar view was expressed by Mr Paul Michael Sadler, Chief Executive Officer, Presbyterian Aged Care New South Wales and Australian Capital Territory, National Presbyterian Aged Care Network;

The other area that needs looking at is clearly the workforce costs in some of these small communities in order to access things like registered nurses and so forth. Particularly when you get to the really remote areas, and Aboriginal services, they are huge and that need to be recognised.<sup>13</sup>

8.30 Skill shortages in regional areas occur for a number of reasons and not only in aged care. Coalition Senators acknowledge that technology can deliver innovative ways to access training and placement opportunities – which are not addressed in these bills.

### **The burden of accreditation and administration on smaller providers**

8.31 The accreditation process is yet another element that presents significant challenges for rural and regional providers. Additional administrative burdens are continually added that have a significant cost to small rural service providers unable to defray the costs over multiple sites like larger providers.

8.32 The need to tailor the challenges of the accreditation process are outlined in the following submission by LHI Retirement Services:

It is proposed that a provider can be suspended from undertaking ACFI appraisals if there have been two incorrect appraisals submitted. An educative approach would be preferable to assist staff to undertake ACFI appraisals rather than the proposed punitive approach. The educative rather than punitive approach will assist smaller country rural and remote facilities

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12 Anita Ghose, Director of Life Services with Baptistcare, *Committee Hansard 29 April*, p. 14-15.

13 Mr Paul Michael Sadler, Chief Executive Officer, Presbyterian Aged Care New South Wales and Australian Capital Territory, National Presbyterian Aged Care Network – *Hansard Tuesday 30 April 2013*, p. 43.

to use the ACFI process appropriately and accurately, and reduce the number of facilities that will otherwise have to cease operating.<sup>14</sup>

8.33 Balancing regulatory burden is important in a sector concerned with frail older Australians. However, its impact should be minimised on front line service delivery and economic viability for providers.

### **Inability of regional providers to meet the workforce supplement requirements**

8.34 Regional providers have highlighted that retaining registered nurses in remote areas leads to a higher workforce cost, which needs to be taken into consideration when looking at the real cost of delivering aged care services in regional areas. When added to the already thin margins of regional providers, the onerous workforce supplement requirements could result in significant job losses in areas where employment opportunities are limited.

8.35 During the inquiry, industry raised concerns that rural providers may struggle to fund the additional costs of meeting the requirements of the supplement;

ACSWA rural and remote providers, and small providers are particularly impacted by the proposed Workforce Supplement. Members have provided examples of the cost impost with respect to legal advice on the terms and conditions of an enterprise agreement, travel and accommodation surcharges to access relevant training, or to bring trainers or specialists to their sites. This has particular relevance for providers in areas of WA that have to compete with the mining resources sector to secure accommodation and airfares for staff or presenters that significantly contribute to additional expenses.

Speculation about the additional costs to providers to fund the Supplement requirements suggest that mitigation factors such as a reduction in staffing numbers will be the most likely result, as providers have no other option than to cut their costs and many are already under financial duress. Providers have limited opportunities to increase their income to cover the additional costs incurred by the Workforce Supplement as they are constrained by a tightly regulated environment and there are no additional income streams available to recoup the additional expenses to achieve the requirements of the Workforce Supplement. ACSWA has received feedback that most small and rural and regional providers will not be able to afford to take up the Supplement. In one instance a 31-bed residential care provider has estimated that to receive \$17,000 from the supplement, it will cost them an extra \$30,000 to meet the requirements.<sup>15</sup>

8.36 Submissions received requested greater flexibility be given to smaller regional providers in satisfying the requirements to access funding;

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14 LHI Retirement Services, *Submission 8* – same information also present in 4 other submission from Lutheran Homes

15 Aged & Community Services - Western Australia, *Submission 77*, p. 3.



The workforce supplement will have significant impacts on the sustainability of providers and the level of care delivered to the frailest and most vulnerable members of our community....the capacity of small, independent, rural and remote aged care providers to satisfy the requirements to access this funding must be identified, acknowledged and addressed. For example, rather than have an arbitrary delineation of 50 beds as a determining condition there should be greater flexibility taking into consideration factors such as the provider's rural, regional and remote situation. The size of a facility should not necessarily be the sole determining factor as other factors such as remote location influence wage matters. Neither rural, regional and remote providers nor standalone providers should be financially compromised in the implementation of the workforce supplement.<sup>16</sup>

8.37 The government's blunt response fails to acknowledge the unique workforce issues across regional Australia. Thin margins, lack of skilled workforce, low number of training options and high recruitment costs of rural and regional service providers already impact on their economic viability. The government's changes could see a reduction in employment levels in aged care services across the regions - a negative result for workers and the community.

### **Investment in capital works and facility upgrades**

8.38 Providers have expressed concern at the continued restrictions on the use of bond money, which restricts the ability of smaller regional providers to expand their services, and broaden their income base by widening the range of aged care support services provided. Where metropolitan services can develop niche services, rural aged care facilities fulfil a very different role, providing in many cases a one stop shop for aged care services.

8.39 Providers have been critical of the lack of adequate capital funding needed to upgrade their facilities;

Half of our members would be rural organisations. Until recently I was a member of the board of Mary MacKillop, which is also providing care in rural areas. They are a group that looks after the people nobody else wants. They will tell you it is dire straits in country areas with facilities. They have not been able to upgrade. Often the family farm is inherited, so there is not the capital. I think it is very un-Australian for us to continually focus on user pays and ignore the fact that people in country areas are doing it so tough that we cannot within our system, whatever it is, find a solution to their particular problems. It is only going to get worse for them. Most of them do not have a competitor down the road; they are often the sole provider for a very large area. I am sure there will be a need for the government to come up with some better ideas.<sup>17</sup>

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16 Ms Alexandra Zammit, Chief Executive Officer, Thomas Holt – *Submission 74*, pp 5-6.

17 Mr Tim Gray, Chief Executive Officer, LHI – *Committee Hansard*, 30 April 2013, p. 42.

8.40 LHI have expressed a need for capital certainty if they are to remain viable, as highlighted in a submission from LHI;

Refundable Accommodation Deposit (formerly Accommodation Bonds) are the most important capital base for the future viability and development of aged care facilities. The proposed periodic payments system must not undermine the capital base of organisations and threaten future aged care developments, particularly in the smaller rural and remote section of the industry. A significant growth factor for residential care services is expected to continue into the future and the capital base must be secure to ensure replacement and additional developments are viable for the care of the elderly.<sup>18</sup>

8.41 Many regional providers of residential aged care are not-for-profit community facilities utilising fundraising efforts from small communities in order to meet increasing costs. As evidenced in the inquiry, the government's failure to acknowledge the lack of desire for investment in regional areas, due to low demand, indicates their disconnection from the realities of operating aged care in the regions.

### **Summary**

8.42 Coalition Senators recognise that any reform of the aged care sector needs to take into account the unique aspects of ageing in rural and regional communities. From the evidence received, it is clear that a flexible approach is required in rural and remote communities. The Living Longer Living Better package of 5 bills inadequately addresses the specific needs in rural and regional area allowing for continuity of care, within their community, recognising the financial reality of lower incomes and asset levels, the higher importance of access to home care and the acknowledged greater service delivery costs in those areas.

8.43 Providers have suggested that flexible funding and delivery models are required to address the specific concerns of rural and remote communities. Evidence gathered during the inquiry supports reforms of the aged care sector that will ensure the maintenance and development of facilities, high standards of service delivery, adequate training, and coordinated delivery of aged care services in rural and remote areas.

8.44 The Government has failed to take account of these realities due to the lack of modelling to inform their response which does little to address the problem, as the key recommendations within the Productivity Commission report are ignored.

8.45 The Government has also failed to recognise that in many rural areas there is not the demand, or at the very least, the stability of demand to ensure a competitive process in aged care service provision. This is a significant issue ignored in these bills.

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18 LHI Retirement Services, *Submission 8* – same information also present in 4 other submission from Lutheran Homes

**Recommendations**

**That the Government reconsider the changes to address the unique challenge of aged care service provision in regional, rural and remote Australia as identified by the Productivity Commission enquiry “*Caring for Older Australians*”.**

**That the Government take into account the need for flexible funding and flexible provision models, that consider the many issues raised throughout the inquiry, such as:**

- **building stock;**
- **standards of delivery;**
- **staff development;**
- **delivery of HACC services;**
- **service sustainability and support; and**
- **flexible methods of service provision.**

**Senator Sue Boyce**

**Senator Concetta Fierravanti-Wells**

**Senator Bridget McKenzie**

**Senator Dean Smith**

