



Peter Boardman,

Chairperson,
 Inquiry into Aged Care,
 Senate Community Affairs Reference Committee,
 Parliament House,
 Canberra.

27 July 2004.

Dear Madam or Sir,

While written some time ago and for another inquiry I believe the attached submission is still relevant, particularly as to its conclusions.

Yours sincerely,

Peter Boardman.

Victorian Government Community Consultation
High Care Residential Aged Care Facilities
SUBMISSION

The Consultation Paper seems to be asking are there any problems in the aged care system that could be solved by the State "addressing" gaps in the current Commonwealth regulations. This may be so providing that the gaps to be "addressed" are the right ones.

For example the gap in funding revealed by Professor R.G. Gregory, of the Australian National University, in his "Review of the Structure of Nursing Home Funding Arrangements - Stage 2" published by the Commonwealth Department of Human Services and Health in May 1994. The relevant reference is the footnote (2) to page 3 "The infrastructure funding element is based on the average approved costs for 1986-87. Since building depreciation was not an approved cost, it is not included in that funding element." (see attached).

Consequently care providers have been prohibited by law (statute barred) from recovering the full costs of running their businesses.

Another effect of Commonwealth regulation was that care providers who failed to meet standards, due to funding problems, were faced with losing their businesses or even bankruptcy. Their licences to operate could then be sold to new investors, usually on condition that the new operators spent more of their own money to bring the facility up to standard. This represents a reverse subsidy to the Commonwealth and it can even happen more than once to the same facility. At the same time residents of such facilities might be deprived of a full range of services.

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The lack of incentive to maintain good quality nursing home stock is a result of the funding system, under which nursing homes receive a set amount for each resident, based on resident frailty, which is the same regardless of the age or condition of the building. There is no depreciation element included in the funding to provide for the replacement of buildings and, even if there were, there would be no incentive for homes to spend this money on rebuilding². There is also close to 100% occupancy which leaves little opportunity to attract additional residents and thus income by improving building quality.

The Government has recognised this and provided additional funding for nursing homes that are upgraded or rebuilt. Although the Government provides this, the proprietor must contribute substantially to the cost to receive the funding. The contribution is particularly substantial for a private sector proprietor.

The result is, that to upgrade or replace a nursing home would result in higher capital costs but no additional income to service the investment. Consequently, the quality of nursing home building stock might be expected to deteriorate.

This undesirable aspect of the funding system may be offset to some degree by State and Local Government regulation of fire and health requirements and the Government's outcome standards which in some cases would more easily be met in a better building. On balance though, the impact of the funding system is likely to dominate.

To establish whether my expectations were supported by the actual quality of stock, the Australian Valuation Office undertook a survey for this Review of 150 nursing homes. Full details of the survey are at the end of this chapter. Table 1.1 on page 4 summarises its results, and shows that there is a need for substantial improvement in nursing home buildings. In the Table there is considerable overlap among the four categories, due to the same fault being included in a number of categories. In particular, there is overlap among homes which would need to be replaced to fix the identified fault.

While a full range of faults has been identified and costed, they are not all of equal urgency. Clearly, fire and health deficits potentially pose a serious risk to residents' well-being and should be a high priority.

Some of the faults in relation to Australian Design Standard AS 1428, which covers access and mobility issues, and Outcome Standards can also have a significant impact on a home's capacity to deliver high quality care and a good quality of life. Some of the faults of this type are bathrooms which do not allow a nurse to assist a resident in the shower, no grab rails, inadequate ramps, multi-storey buildings without lifts, insufficient toilets and insufficient heating or cooling. Other faults affect the safety of staff, such as where there was not room for two staff members to get into position to lift a resident. However, a further group of faults have a less serious impact on quality of care and quality of life. They include narrow corridors, lounge rooms which double as TV rooms, lack of storage capacity, rooms without an external window and lack of lever taps. They are faults which would also be present in much of the residential accommodation throughout Australia and could be addressed as buildings are replaced for other reasons.

In many cases it was these less serious faults which could only be fixed by rebuilding the home. For example narrow corridors are integral to the building's design while some homes do not have space on the site to build additional rooms.

2. The infrastructure funding element is based on the average approved costs for 1986-87. Since building depreciation was not an approved cost, it is not included in that funding element.

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The Commonwealth has repeatedly claimed that funding, of itself, was not a limiting factor in the provision of aged care. If this is so then why hasn't the Commonwealth simply taken the system over completely? This would vindicate its position, answer its critics, and earn it all the credit for the optimum aged care system thus created.

The reason may be that there are also political advantages in the existing situation. The media are easily provoked into outrage at the merest hint of any abuse of the elderly. The same media are less easily persuaded to understand or explain why the problems arise in the first place. It is much simpler and much more newsworthy to portray individual aged care providers as being the bad apples in the whole labyrinthine barrel.

The previous Federal Government implemented a system of regulating aged care services based on monitoring outcome standards. In part this involved a fixed allocation of funding to cover non-nursing costs regardless of local circumstances. Very simply this assumed that nursing homes, anywhere in Australia, had similar overall operating costs. Since Professor Gregory revealed that the funding system excluded a significant real estate expense it is not hard to appreciate why there are such extremes in the quality of aged care facilities.

This aspect of the funding regime was known as the Standard Aggregated Module (SAM). Colloquially it became known as "Smoke and Mirrors"! Perhaps the more authoritative verdict is the Commonwealth's own. In "Raising the Standard", Braithwaite and others, Department of Health, Housing and Community Services - January 1993 the following refers "Again, the conclusion is inexorable. You cannot judge outcomes sensibly without diagnosing inputs." (page 14 lines 38 & 39 - see herewith).

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an absence of complaints by residents, special care is needed to avoid arbitrary and unjust regulatory decisionmaking. Thorough dialogue within the team, then with nursing home management and other stakeholders, is the most important practical safeguard against injustice. As Aged Care Australia pointed out in its comments on an earlier draft of this report, intimidation can cut both ways: "Standards monitors ought to be mindful not to intimidate residents into making complaints that they do not fully support".

There is a more general implication about standards which can be read as inputs being outcome oriented in practice (and *vice versa*). This is that the best sense cannot be made of outcomes unless they are framed within a dialogue about the inputs that lead to them. Some critics of the Australian process fail to grasp this when they shake their heads at the time teams spend investigating structures and processes. To judge whether an observed outcome is part of an ongoing pattern, it can help enormously to understand the processes that lead to the outcome. Consider, for example, the following criticism of the alleged Australian process:

You get a complaint about burnt beans. You go and check the food is fine. So what? Is this a case of an occasional normal lapse, or a serious problem? The only solution is to look at processes—a food services committee, surveys of what people think of the food. Are suggestions taken up? Temperature probes, reviews of wastage. Is all the pumpkin being thrown out? Audit of quality control systems.

This sophisticated critic may be absolutely right in the information gathering she prescribes. Where she may be wrong is in assuming that an outcome orientation makes it inappropriate to gather this information. Every cook does have their bad days, and a team that finds the kitchen to have exemplary outcome monitoring (quality control) systems in place should be more willing to interpret the single poor outcome as that one bad day when the beans were burnt. On the other hand, if the kitchen is chaotic and devoid of quality control, the team will look for (and find) more bad outcomes. Having found the poor outcomes, and understanding something of the defective processes that lie behind them, the team can do a better job of encouraging management to diagnose and find their own solution to the problems in the kitchen. Where the Australian process parts company with this critic is when she says that the failure to conduct a proper survey of wastage should result in the home being marked down. If the residents are enjoying as much food as they want (because of the infallible memory or generous helpings of the cook) why should the government worry about whether systematic wastage surveys are being done?

More fundamentally, a poor outcome should not result in an adverse rating of a nursing home if there are no inputs within the control of the nursing home that contributed to the poor outcome. Residents die in nursing homes, a poor outcome. But a death should not cause an adverse rating if there is nothing the nursing home could have done to prevent the death. Again, the conclusion is inexorable. You cannot judge outcomes sensibly without diagnosing inputs. There is a difference, however, between diagnosing inputs and mandating them. The important thing is that the bottom line regulatory judgment be focused on requiring improved outcomes rather than demanding specific inputs.

Appendix B shows that the Australian standards monitoring process, with its emphasis on accomplishing an outcome orientation through a dialogue about the outcomes that are subjectively important to residents, works almost as well in nursing homes with high numbers of very sick or confused residents as it does in homes where residents have lower levels of disability. It is simply not true, as some of the critics have suggested, that a resident centred process cannot work well where levels of disability are high. Granted, the process

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Following a politically unpopular attempt to enhance aged care funding by means of resident entry contributions the present Federal Government adopted an accreditation system. This perpetuates the problems of tenant operators, common in Victoria, to meet all standards including building deficiencies. Landlords have never been subject to Commonwealth regulation and hence will presumably continue to take the money and run !

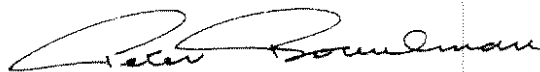
Thus it follows that there cannot be much or meaningful improvement in the general standard of aged care accommodation until two fundamental defects are recognised:

ALL COSTS ACKNOWLEDGED

ALL PARTIES ACCOUNTABLE

These six words are the absolute prerequisites to every other question raised by the Consultation Paper. All else is peripheral.

As an experienced former nursing home proprietor the writer would be happy to expand on this submission as may be useful to the Committee.



Peter Boardman

24 July 2000.