

DUE DATE: 14 October 2022

TO: submissions.ihacpa@ihacpa.gov.au

RE: AGED CARE PRICING FRAMEWORK CONSULTATION

About the Public Sector Residential Aged Care Leadership Committee (PSRAC LC)

Public Sector Residential Aged Care (PSRAC) is a priority service in Victoria, supporting over 5,500 residents in 180 aged care facilities. To ensure older Victorians receive the best possible care, in 2012 the Victorian Government established the PSRAC LC - an advisory body comprised of 9 Executive Directors of Nursing (DON) from the 3 state-wide public sector DON committees - metropolitan, regional and small rural.

The aim of the PSRAC LC is to lead strategic, planned and sustainable approaches to ensure safe, high-quality care for residents and to address issues specific to the sector. The PSRAC LC is also active in seeking opportunities to influence policy directives and legislative changes relating to PSRAC and is an associate member of the National Aged Care Alliance (NACA). Since the inception of the PSRAC LC we have focused on a number of key areas affecting the sector, including:

1. **The consumer journey:** Supporting PSRAC staff to gain greater understanding of the experience of people entering residential care for the first time. The resources aim to support staff to deliver best-practice customer service and assist with improved outcomes for future residents, their families and carers.
2. **Quality Improvement Dementia Project:** Mapping to identify sector awareness of the available supports for people living with dementia and to address severe behaviour management, along with the availability of appropriate training.
3. **Celebrating Aged Care Campaign:** An awareness-raising campaign aiming to improve the image of public sector aged care in Victoria, recognise and celebrate the important contribution of the sector's staff and volunteers, and support sector-wide recruitment and retention efforts.

The Victorian public health system operates 9% of residential aged care beds across Victoria. Other states/territories have between only 0-4% of public sector managed beds.¹ Over 89% of Victorian PSRACS are located in regional, rural and remote (RRR) areas. In some of these communities, the public sector is the sole provider of residential aged care services.

The PSRAC LC notes that this consultation is the primary mechanism to provide input into the development of the Pricing Framework on:

- the pricing principles, which will underpin the Pricing Framework;
- the key challenges for aged care costing and pricing, and how to best address them in the development of the Pricing Framework; and,
- the mechanisms that support Activity Based Funding (ABF) in aged care.

The PSRAC LC also notes that the Independent Health and Aged Care Pricing Authority (IHACPA) will:

- provide advice to inform Commonwealth Government decisions on the costing and pricing of aged care services from 1 July 2023;
- support a nationally consistent method of collecting data and classifying all types of aged care residents, their care, and associated costs to enable pricing to be more closely aligned to the actual care costs for residents;
- utilise AN-ACC activity data to help identify relevant cost drivers, such as the costs related to a particular AN-ACC class or remote facilities; and,
- commence a more comprehensive costing study later in 2022 with data from a wide range of facilities to ensure that a representative sample of cost data is collected to determine any cost differentials by facility size, type or location, as well as any cost differentials associated with specific resident groups and AN-ACC classes.

¹ Australian Government, Report on the Operation of the *Aged Care Act 1997*, 2020-21, November 2021.

PSRAC LC COMMENTS ON THE FRAMEWORK

This PSRAC LC submission focusses on the unique challenges for PSRACS to ensure that these are considered by the IHACPA in developing the pricing framework. These are outlined below.

- The cohorts in Victorian PSRACS consist of some of the most complex and vulnerable aged care clients, with many at the most severe end of care needs, including those requiring tracheostomy care, tube feeding, complex wound care, diabetes-related issues, severe obesity and bariatric care, dialysis cases and conditions such as multiple sclerosis.² This is a result of the difficulty of these clients have in finding private sector services willing or capable of providing the requisite level of care.
- PSRACS have a greater number of clients with challenging behaviours including: sexual assault convictions, significant aggression, and, acquired brain injuries, requiring one-on-one care. There is no mechanism to fund the additional needs of these clients except in exceptional circumstances.⁴
- There are unique funding impacts on PSRACS not experienced by non-government providers with PSRACS making even greater operational losses than non-government facilities because of the Adjusted Subsidy Reduction (ASR)⁵ and lack of access to Commonwealth Capital Grants.⁶
 - The ASR is applicable for residents in an aged care service operated by state or territory governments. The ASR is indexed annually and represents about a 9% reduction of the daily high care ACFI subsidy. This leads to significant funding inequity for PSRAC residents (about \$7,000 per year)⁷ compared with those in residential aged care operated by non-government aged care providers.
 - Under the current aged care framework, it is the responsibility of aged care providers to fund construction, maintenance and upgrade works to aged care facilities through operating revenues or Federal subsidies and resident charges. However, PSRACS are not eligible for Commonwealth capital grants.⁸
 - PSRACS are unable to generate a sufficient level of operating surplus and do not hold sufficient accommodation deposits to provide financing for capital projects.
- There are significantly increased costs associated with aged care reform and the compliance burden.⁹
- PSRACS are often called upon by non-government services for additional support – particularly during the COVID pandemic where many services were unable to access protective personal equipment (PPE) from the National Medical Stockpile (NMS). Data provided to a Senate Inquiry showed that in Victoria in July-August 2020, at the peak of the pandemic, 1,180 homes made requests for PPE with 364 declined by the Commonwealth Government. In March 2020 as cases were beginning to escalate, 696 of the 910 requests made for PPE were declined.¹⁰

It should be noted that the Victorian Government provides significant funding for PSRACS over and above Commonwealth funding.¹¹¹²

- About \$97.8 million in supplementary funding is provided to PSRACS subject to nurse-to-resident ratios each year. Of this, \$78.3 million is a contribution towards the higher cost of nursing staff in PSRACS because of the legislated nurse-patient ratios that apply to high care beds.
- \$4.5 million is provided each year to support smaller services with the additional costs of operating in a rural location, known as the Small Rural High Care Supplement.

² <https://agedcare.royalcommission.gov.au/sites/default/files/2020-09/WIT.0481.0001.0001.pdf>

³ Productivity Commission, Report on Government Services 2021, Chapter 14 Aged Care Services, Table 14A 12.

⁴ <https://agedcare.royalcommission.gov.au/system/files/2020-06/WIT.0420.0001.0001.pdf>

⁵ www.health.gov.au/resources/publications/adjusted-subsidy-determination-2016

⁶ <https://agedcare.health.gov.au/reform/acfa-update-on-funding-and-financing-issues-in-the-residential-aged-care-industry>

⁷ Australian Government, Report on the Operation of the *Aged Care Act 1997*, 2020-21, p.99.

⁸ Victorian Healthcare Association, Public Sector Aged Care in Victoria – Policy Challenges and Recommendations, July 2019.

⁹ Sutton, N. et al, Australia's Aged Care Sector: Mid-Year Report (2021–22). The University of Technology Sydney, May 2022.

¹⁰ Australian Government, Parliamentary Inquiry Question on Notice, Department of Health Senate Select Committee on COVID-19, Australian Government's Response to the COVID-19 Pandemic, Written Question received 28 August 2020, PDR Number: IQ20-000593

¹¹ Victorian Department of Health and Human Services, Submission to the Royal Commission into Aged Care Quality and Safety, WIT.0481.0002.0001

¹² www.pc.gov.au/ongoing/report-on-government-services/2022/community-services/aged-care-services

- \$14.7 million is provided each year to offset the ASR, which historically the Commonwealth removes from funding provided to PSRACS.
- \$0.3 million is provided as a complex care supplement to support the specific additional care needs of more complex residents in PSRACS.

Residential aged care goes beyond clinical care and the PSRAC LC notes that the emotional, social and psychological needs of residents require consideration in the new framework.

The PSRAC LC looks forward to the development of a new aged care pricing framework through genuine partnership and urges that the unique characteristics of public sector residential aged care services are given serious consideration in the development of the new framework.

Yours sincerely,



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