



care DIGNITY
respect
change HOPE

**Submission to the
Pricing Framework for
Australian Aged Care
Services**

October 2022

www.anglicare.asn.au

About Anglicare Australia

Anglicare Australia is a network of independent local, state, national and international organisations that are linked to the Anglican Church and are joined by values of service, innovation, leadership and the Christian faith that every individual has intrinsic value. Our services are delivered in partnership with people, the communities in which they live, and other like-minded organisations in those areas. With a combined income of over \$1.94 billion, a workforce of over 11,000 staff and 6,000 volunteers, the Network delivers more than 50 service areas in the Australian community. Our services are delivered to over 474,00 people and reach close to 1.37 million Australians in total. In all, Anglicare services reach over 1 in every 19 Australians.

As part of its mission the Anglicare Australia Network “partners with people, families and communities to provide services and advocacy and build resilience, inclusion and justice.” Our first strategic goal charges us with reaching this by influencing “social and economic policy across Australia with a strong prophetic voice; informed by research and the practical experience of the Network.”

Contact

Kasy Chambers
Executive Director

Anglicare Australia
PO Box 4093
Ainslie ACT 2602
T: 02 6230 1775
anglicare@anglicare.asn.au

Contents

About Anglicare Australia	2
Contents	3
Introduction	4
Principles for activity-based funding in aged care.....	5
Include an additional overarching principle of equity.....	5
Include an additional overarching principle of holistic, person-centred care.....	5
Include additional system design principles to prevent market failure	5
Modifications to AN-ACC.....	6
Reflect the true costs of providing holistic care	6
Modify the Modified Monash Model classification system for isolated towns	6
The residential aged care price	7
An indexation methodology.....	8
Workforce challenges and aged care pricing	8
Conclusion.....	10

Introduction

Anglicare Australia welcomes the expansion of the Independent Health and Aged Care Pricing Authority's (IHACPA) jurisdiction from health care to include independent advice on aged care pricing. We appreciate the opportunity to provide input to the IHACPA Consultation Paper on a Pricing Framework for Australia Aged Care Services (the Pricing Framework).

Everyone deserves quality care as they get older. Aged care is about supporting older Australians, keeping them healthy, and supporting people to live a full, safe and healthy life. Fair and sustainable pricing is one of the enablers of a system that can deliver this high quality of care. If aged care pricing does not include the full cost of providing high quality, person-centred care, or fails to keep up with rising costs over time, quality of care is compromised, and consumer choice curtailed. People with more complex needs will miss out on care, and their providers will fail, or leave the market.

The Anglicare Australia Network consists of social and health service organisations that are linked to the Anglican Church in Australia, that share a belief in the value and the potential of every person, and the principles of justice, hope and compassion. Collectively our services provide community-based and residential aged care services to more than 68,000 elderly Australians and employ more than 9,700 staff.

Our providers vary significantly in size, from the very large to the very small. Several Anglicare Australia Network members are specialist residential aged care providers for people who were homeless or at risk of homelessness before they entered care.

Our Network members were reassured by IHACPA's stated aim to ensure aged care funding is directly informed by the actual and true costs of delivering care. That care needs to be understood as more than clinical care. In this submission we argue for a Pricing Framework that supports holistic, person-centred care, enabling a person to live a fulfilling and meaningful life.

Principles for activity-based funding in aged care

In general Anglicare Australia supports the proposed principles. We make the following further suggestions.

Include an additional overarching principle of equity

The principle of fairness is important, but it appears to refer to fair treatment of providers, regardless of public, for-profit or not-for-profit status. There is a broader need to ensure aged care pricing supports the care needs of different people, including people on low-incomes and those with more complex care needs, including histories of homelessness, mental ill-health or alcohol and drug use. A failure to adequately consider equity in funding can result in disincentives for providers to accept more complex clients, and “cherry-picking” of easier cases. This need is recognised in the calculation of the Australian National Aged Care Classification (AN-ACC) national weighted activity units (NWAU), but should also be recognised as a principle of the Pricing Framework.

Include an additional overarching principle of holistic, person-centred care

IHACPA is understandably most familiar with pricing principles for hospitals and health care services. Much of the paper, and the AN-ACC system that is now operational are focused on personal and clinical care, and care minutes. However residential aged care services are about more than providing clinical health care, although this is part of their role. They provide homes and communities for people in the later years of their life. Principles of wellness and reablement are key to successful ageing, but too little has been done towards embedding them in the aged care system. Instead of assessing people to give them a static level of care, we should be working with older people to ensure they can live as fully as possible, including through funding for allied health, lifestyle activities and pastoral care. The Pricing Framework should recognise in its overarching principles the importance of emotional, spiritual and wellbeing needs of residents.

Include additional system design principles to prevent market failure

The aged care system’s purpose is to provide high quality care to older Australians. It can only do that if there are enough financially viable and high-quality aged care providers to care for Australians wherever they live, and whatever their circumstances.

About two-thirds of residential care providers are operating at a loss.¹ If these providers were to fail, whole communities could be left without care options and older people forced to move far from their families and support networks. One goal of the Pricing Framework must be to avoid such a crisis.

The market alone will also not deliver for everyone. The needs of vulnerable people especially are unlikely to be addressed through a reliance on market forces and mechanisms alone. For providers, working in some geographic areas, and supporting some vulnerable groups incurs costs that will never be commercially attractive. Market stewardship by governments is needed to guarantee access to the system for everyone.

Modifications to AN-ACC

The discussion paper asks for any suggested future refinements to the AN-ACC assessment and funding model. Anglicare Australia makes the following recommendations:

Reflect the true costs of providing holistic care

Anglicare Australia Network members report concerns that the AN-ACC funding model fails to take account of the holistic care needs of older people. It is focused primarily on personal and clinical care needs, and calculated based on clinical care minutes. Yet residential aged care facilities are not hospitals, they are people's homes. There are a range of other emotional, spiritual and connectedness needs that should be included in the cost of delivering high quality, person-centred care.

Costings for AN-ACC were based on 2018 data and do not necessarily reflect the current cost environment where 60 per cent of providers are now reporting losses,ⁱⁱ and inflation has risen above seven percent. Costing is also based on the care workforce – which represents about 60 per cent of the activity in a residential aged care facility. Costing for the remaining areas such as servery, maintenance, laundry, cleaning and allied health appear to be largely unrecognised in the new funding arrangements.

The short, point-in-time assessment process also undermines the effectiveness of AN-ACC, and can make it an inaccurate representation of a person's holistic care needs. One Anglicare Australia member has observed that AN-ACC shadow assessments can take on average around 20 -30 minute, which is insufficient time for a comprehensive assessment of the residents' care needs. Including residents themselves, family members and aged care workers in the assessments would reduce some of this risk, by helping assessors understand if there are fluctuations or changes in a person's needs and functioning over time, and their goals and preferences for their care. Right now, assessments are too dependent on the point-in-time judgement of the assessor, which can differ depending on who is undertaking the assessment as well as the time the assessment is being made.

Modify the Modified Monash Model classification system for isolated towns

We would like to draw IHACPA's attention to the situation of some rural providers in our Network, and the measures taken by other systems to address the difficulties they are facing. It is well established, including by University of Wollongong studies that informed the development of the AN-ACC, that rural and remote facilities have higher costs and a methodology for accommodating these differences is incorporated into the fixed Base Care Tariff structure.

However, for some isolated Australian towns, far from major cities, the methodology is failing. For example, Kalgoorlie in WA is classified as Modified Monash Model 3 (MMM3), meaning they receive a fixed Base Care Tariff at the same rate as major metropolitan centres like Perth and Melbourne. However the costs of wages, labour, good and services are significantly higher.

The National Disability Insurance Agency (NDIA) has already identified and addressed this issue by modifying the MMM classification of some locations. Where a location is surrounded by Remote or

Very Remote areas then the NDIA classifies that enclave as a Remote area for planning and pricing purposes.

The effect of the NDIA's Isolated Towns Modification is that Kalgoorlie and other towns in similar circumstances have an adjusted National Disability Insurance Scheme MMM rating of MMM6 as opposed to MMM3. A similar adjustment is necessary for aged care pricing.

While we recognise the intention to review, refine and evolve the implementation of AN-ACC over time, there is no need for older people in these geographic regions and the providers who service them to be disadvantaged in the meantime, when the NDIS has already identified and implemented an appropriate solution.

Recommendations:

Anglicare Australia recommends the needs of older people could be better met by

- Including holistic care needs in the Pricing Framework, and broadening AN-ACC's focus from clinical care
- Involving older residents, families and providers in a more inclusive assessment process
- Modifying the MMM rating classification system to recognise the additional costs of isolated towns.

The residential aged care price

Anglicare Australia recommends the following additional aspects should be covered by the residential aged care price:

- **Adequate funding for lifestyle activities and pastoral care**, which are vital supports for people maintaining quality of life, and social and emotional wellbeing.
- **Allied health services**, like speech and occupational therapy and dietetics, which were inadequately funded under the old Aged Care Funding Instrument and continue to be inadequately valued through AN-ACC
- **COVID-related costs** including the more regular need for deep cleaning, PPE, testing and ventilation
- **The costs of compliance**, which have grown significantly in recent years, reducing organisation's capacity to achieve outcomes for clients. In many cases staff time and focus is being diverted away from the delivery of care to administration, heightening the risk of worker burnout.
- **The costs of transition**. Changing funding, regulatory and service delivery systems is not cost neutral for providers. Training staff, investing in IT and system capacity and platforms, and developing new policies all take time and resources. Reforms often happen at short notice, with providers having to rush to make sure they are complying with new rules and systems, and that everything is in place for a smooth transition. If the cost of this transition is not factored into the price, it forces providers to transfer resources and staff away from supporting older people.

An indexation methodology

When the cost of providing care rises, but the funding provided doesn't keep pace, the inevitable consequence is poorer quality or fewer services for older people. In recent years, the rate of indexation applied to aged care funding has fallen far below the real increasing costs of delivering services.

The 1.7 percent indexation applied to aged care funding in 2022-23 was woefully inadequate. With two-thirds of residential aged care providers already operating in deficit, it is sending more services into financial crisis.

We support a formula and methodology that reviews available data and reports. As well as Fair Work Commission decisions, other wage impacts like increases to the superannuation guarantee should also be considered. Indexation should also fully fund any adjustments to wages made by the Fair Work Commission in real time, even if it is outside the IHACPA advice cycle.

In addition, it would be beneficial if the IHACPA could align its indexation methodology with other government funding and pricing approaches. Many Anglicare Australia Network members deliver a wide range of social and community services, including housing, family violence, mental health and disability services. In 2022-23, while aged care providers received 1.7 percent indexation, disability service providers were advised the NDIS price limits increased by almost nine percent. Department of Social Service funded agencies received no advice at all and were unable to make informed budget planning decisions or provide staff with certainty about employment. This is neither fair, nor workable for providers working across multiple service areas.

Recommendations:

Anglicare Australia recommends IHACPA develop a fair and transparent indexation formula that fully covers the increased costs of care, and where possible is consistent with other government processes.

Workforce challenges and aged care pricing

The only way to deliver high quality aged care is with a strong workforce. Yet Australia's aged care workforce is under pressure. The system is now facing major workforce shortages. More than 110,000 care workers will be needed within the next decade as the sector tries to meet growing demand for care,ⁱⁱⁱ and unpaid care continues to decline. Services are competing for workers with the National Disability Insurance Scheme, the health system, and the community sector. Each of these sectors is funded to offer higher pay to their workers.

Research from the Australian Aged Care Collaboration and Anglicare Australia has shown that wages for aged care workers haven't kept up with living costs, with workers across the sector being priced out of their own communities. Based on average earnings and expenses, an aged care worker in a single household would have \$96.07 of income each week after expenses. An aged care worker in a

single-parent household with one child would have \$9.68 of income each week after expenses.^{iv}

This helps explain why so many workers are leaving the sector. This has been further exacerbated by the very low levels of unemployment which provides incentives for staff to reconsider their current careers in aged care. The attrition rate is concerning, estimated to be 65,000 workers a year. Without action many more will follow, worsening the workforce crisis.

While the Consultation Paper acknowledges these well documented issues, it notes they are mainly the responsibility of the Government and the Department. Anglicare Australia does not believe that aged care pricing can be divorced from the workforce and wage challenges the sector faces.

For example, we warmly welcomed the Government's support for a pay increase for aged care workers. However any gap in fully funding such a pay increase will be borne by providers, further threatening their financial viability. Many Anglicare Australia Network members are already paying well above award wages in order to recruit and retain high quality staff. The outcome of the Aged Care Work Value Case is unlikely to change their need to pay above the average or award wage. This will need to be accounted for in assessing the Residential Aged Care Price.

We look forward to continuing the conversation with IHACPA about the workforce challenges facing the sector, and how they intersect with the principles and considerations of aged care pricing.

Conclusion

Anglicare Australia thanks IHACPA for the opportunity to make this submission.

Fair and sustainable pricing enables the aged care sector to deliver high quality care. Our recommendations focus on the need for the pricing structure to reflect the cost of providing the care that Australians expect for themselves and their family members. This means ensuring that pricing keeps up with rising costs over time and recognising the costs of delivering care in regional and rural areas.

Anglicare Australia also calls for a Pricing Framework that supports holistic, person-centred care, enabling a person to live a fulfilling and meaningful life. This means broadening the current focus from clinical care.

We would welcome the opportunity to further discuss these recommendations, or to elaborate on the examples we've provided from the Anglicare Australia Network.

ⁱ Stewart Brown (2022) [Aged Care Financial Performance Survey Sector Report March 2022](#)

ⁱⁱ Stewart Brown (2022) [Aged Care Financial Performance Survey Sector Report March 2022](#)

ⁱⁱⁱ Committee for Economic Development (2021) [Duty of care: Meeting the aged care workforce challenge.](#)

^{iv} Australian Aged Care Collaboration (2022) [Priced out: Aged care wages and living costs.](#)