Mr David Tune AO PSM
Chair
Independent Health and Aged Care Pricing Authority
Email: submissions.ihpa@ihpa.gov.au

Our ref M22/6509

Dear Mr Tune

Thank you for writing about recent passage of the *Aged Care and Other Legislation Amendment (Royal Commission Response) Act 2022* and for providing the opportunity to comment on the Independent Health and Aged Care Pricing Authority's (IHACPA) *Towards an Aged Care Pricing Framework Consultation Paper* (the Consultation Paper).

NSW Health notes the Pricing Framework for Australian Aged Care Services will underpin IHACPA's approach to providing aged care costing and pricing advice, and that the Consultation Paper focuses on the Australian National Aged Care Classification (AN-ACC) assessment and funding model for residential aged care and residential respite care. NSW welcomes further consultation as the Pricing Framework and its various components are developed, including details of the methodology and how it will be applied.

NSW notes the AN-ACC funding model may necessitate more frequent assessments to ensure adequate funding, particularly if a resident is deteriorating or has a complex condition with a varied trajectory, type, and severity of symptoms (such as dementia). IHACPA must ensure the funding model does not inadvertently introduce perverse incentives to transfer these residents to hospital if not clinically appropriate.

The Consultation Paper notes IHACPA will consider the introduction of the AN-ACC funding model into Multipurpose Service (MPS) facilities in the medium- to long-term. NSW's submission emphasises that this will require significant close consultation with states and territories and that NSW wishes to be involved in this process.

NSW notes the establishment of the Aged Care Advisory Committee and that IHACPA will establish sub-committees relating to aged care. Clarity is needed on the governance structures and working groups which will be established support the aged care pricing functions, noting the Commonwealth has primary responsibility for aged care.

Finally, NSW notes that pricing is only one aspect of aged care reform. Broader funding and regulatory reforms are also needed from the Commonwealth to address and prevent gaps in the market. A detailed response from NSW Health is enclosed.

For more information, please contact Ms Jacqueline Worsley, Executive Director, Government Relations Branch, NSW Ministry of Health, at jacqui.worsley@health.nsw.gov.au or on 9391 9469.

Yours sincerely

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Encl.

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Independent Health and Aged Care Pricing Authority (IHACPA)

Towards an Aged Care Pricing Framework Consultation Paper

NSW Health Response

NSW Health's responses below are made with reference to the relevant sections of IHACPA's *Towards an Aged Care Pricing Framework Consultation Paper* (the Consultation Paper).

General Comments

NSW notes that the Consultation Paper focuses on the Australian National Aged Care Classification (AN-ACC) assessment and funding model in the context of residential aged care and residential respite care.

NSW also notes the Pricing Framework for Australian Aged Care Services (Aged Care Pricing Framework) will be IHACPA's key policy document for its aged care functions and welcomes further consultation as the framework and its various components are developed, including details of the methodology and how it will be applied.

Consideration of whether the AN-ACC funding model can be appropriately developed to support its use in Multipurpose Services (MPS) in the medium- to long-term will require significant consultation with states and territories. NSW wishes to be involved and consulted in this process.

NSW further notes that pricing is only one aspect of aged care reform. Broader funding and regulatory reforms are also needed from the Commonwealth to address and prevent gaps in the market.

1. Introduction

1.1 Background

NSW notes IHACPA also has a key role in the ongoing development of patient costing nationally which is the basis for development of the National Efficient Price (NEP) for public hospital services.

1.3 Consultation to develop a new Pricing Framework for Australian Aged Care Services

NSW notes that responses to the Consultation Paper will inform development of the Aged Care Pricing Framework and IHACPA's five-year vision for aged care costing and pricing. NSW welcomes further consultation on the development of costing, pricing, and indexation methodologies.

2. Overview of the IHACPA and its role in aged care

2.2 The role and function of the IHACPA in aged care

Paragraph 1 of this section states "IHACPA is committed to transparency and accountability in making impartial, evidence based and timely policy decisions that are appropriate for the aged care system." Noting the legislation refers to the expansion of IHACPA's role to provide the Commonwealth with aged care pricing and costing advice, NSW understands IHACPA's role is advisory and that the Commonwealth will remain responsible for aged care policy decisions.

NSW notes that Residential Aged Care Facilities (RACFs) provide a very different range of services (i.e., accommodation, meals, clinical including palliative care, personal care, lifestyle activities) in an environment that is very different to how hospitals function. It is important that this distinction is recognised and accounted for in IHACPA's processes and operations related to aged care costing and pricing.

The Consultation Paper is not clear on the applicability on AN-ACC to short term restorative care services such as the Transitional Aged Care Program (TACP). TACP is providing shorter term care but will need an additional weighting or class classification in the model. Further consultation is needed on this.

2.4 Advisory committees and working groups of the IHACPA

NSW notes IHACPA will establish additional sub-committees relating to aged care. Advisory committee and working group representatives need to have a detailed understanding of the Residential Aged Care sector, both in financing and in the provision of aged care services.

NSW acknowledges that the proposed governance structures are in their infancy and recommends IHAPCA ensure First Nations representation and participation are embedded in the governance structure. NSW also queries where the costing governance will sit, and in particular, whether there will be a separate sub-committee to the NHCDC Advisory Committee which supports the public hospital functions.

NSW notes that under the legislation, the Clinical Advisory Committee and the Jurisdictional Advisory Committee may assist the Pricing Authority in their aged care functions. However, NSW reiterates that the new governance structures must clearly reflect that the Commonwealth retains primary responsibility for aged care.

3. Overview of the aged care system

Noted.

4. A new funding approach for residential aged care

4.1 Classification systems

NSW notes the Consultation Paper refers to the AN-ACC funding model, as opposed to the AN-ACC classification. NSW seeks clarity on what the AN-ACC funding model is, noting this is not clearly defined.

NSW notes the following with regard to the AN-ACC structure and classes:

- It appears that the classification and funding model is on a per diem basis, and therefore requires assessment daily.
- IHACPA appears to be building a funding model that reflects the current methods rather than an innovative grassroots model.
- There is limited appreciation in the classification system for people with behavioural issues and or cognitive decline who may be actively mobile.
- There are multiple classifications within the aged care system which may create confusion. NSW supports consideration of amalgamating all classifications to one single classification to cover all residents across residential aged care facilities.

It is understood that the national weighted activity unit (NWAU) will be allocated depending on the complexity/resource use based on class of service required by the patient. Generally, the categories are split between with and without compounding factors. For example, residents who have independent mobility are proposed to be classified into Class 2 (without compounding factors) and Class 3 (with compounding factors). The framework could include information that guides choosing between “with and without” compounding factors.

NSW also seeks clarity on the timeframe for moving AN-ACC to a more mature classification.

4.2 Activity data

Activity data indicates that providers will submit activity data including “AN-ACC classes of the residents as well as demographic and facility data.” IHACPA should consider the extent to which required data aligns with data already collected by providers or potential implications if new data needs to be collected (including potential funding for data collection systems). Further, clarity is required on what demographic and facility data will be sought. The size of facility, average occupancy, and for-profit / not-for-profit status, along with Indigenous status, Base Care Tariff eligibility, and MMM, should inform pricing.

4.3 Costing data

NSW queries whether participation in the costing study will be mandatory, and if optional, how IHACPA will ensure it has collected a representative sample of facilities to reliably price services (including for-profit, not-for-profit, government-owned RACFs in metropolitan, regional and remote areas). In particular, how IHACPA will ensure the cost to funding ratio is understood and made transparent for facilities that do not participate.

NSW also seeks clarity on the expected timeframe for commencement of a more comprehensive costing study this calendar year. NSW looks forward to receiving results of this costing study in due course, which is expected to provide more details around the data required.

Further consultation will be required with stakeholders on costing data to support expanded functions of IHACPA, including any future costing and pricing advice on home care services.

4.4 Pricing

NSW notes the Commonwealth has determined the first residential aged care price for an AN-ACC NWAU of 1.00 as $216.80 per day, and that IHACPA will provide advice to the Government on a recommended residential aged care price to be used from 1 July 2023. Additional information about how this initial price was set would be useful.

NSW notes the following:

- The proposal does not cover accommodation pricing nor pricing of hotel services. NSW recommends that the scope is widened.
- NSW understands the $10 food and nutrition supplement will be rolled into the AN-ACC funding model on an ongoing basis from 1 October 2022 and seeks confirmation from IHCACPA on this.
- Some vulnerable groups including Indigenous and Homeless are noted in the calculation of total AN-ACC NWAU. It is not clear as to the assessment and funding for people with a mental illness in the model, including consultation by a Psychogeriatrician/Nurse Practitioner for the provision of mental health expertise.

The framework does not appear to discuss the variation between current level of price and cost. It is understood the price will be re-based once the proposed pricing approach that combines elements of both 'cost-based' and 'best practice' pricing is finalised (Section 6.3).

4.5 Care requirements

NSW notes the new assessment system may necessitate more frequent reassessments for residents moving between classes (particularly if deteriorating) to ensure appropriate pricing and funding.

NSW welcomes IHACPA sharing more detailed work around care minutes, noting there is some concern about potential adverse incentives for providers to reduce their care minutes in line with the minimum. The funding model should not introduce any such unintended negative consequences or gaming regarding care minutes.

4.6 Implementation timeframes

NSW notes that the new AN-ACC assessment and funding model will be used to fund residential aged care facilities from 1 October 2022, and that IHACPA will provide advice to the Commonwealth to inform residential aged care funding from 1 July 2023.

Consultation Question:
Question 1: What, if any, may be the challenges in using AN-ACC to support ABF in residential aged care?

Having systems and processes in place to capture and quantify the data needed to produce the AN-ACC NWAU in the implementation timeframes may be a challenge for some providers, particularly smaller providers.

Collection of data for ABF and the Stewart Brown benchmarking survey is likely to mean two different collection mechanisms using different definitions, on top of the expanded ACFR and new QFR. There is no mention of seeking to harmonise and not increase the administrative burden for providers and data analysts.

The care needs of residents are likely to change over time and therefore their initial AN-ACC classification will need reassessment to ensure appropriate pricing and funding. Processes should be in place to ensure there is transparency for the resident and facility around the process for assessment, clarification, and reassessment. The costs associated with assessments and reassessments by specialised health care providers should also be considered.

The fixed funding component or Base Care Tariff (BCT) should include provisions for facilities that specialise in clients with dementia to support the provision of appropriate design and environmental aspects of the facility and also to support a higher level of supervision and support from staff.

Residential aged care providers and the system will benefit from policies that promote effectiveness and efficiency. It is proposed that the incentives should not be limited to reducing funding where there are adverse events. IHACPA

should also consider funding approaches that reward providers for positive outcomes, though further consultation is needed on this.

Consultation Question:
Question 2: What, if any, concerns do you have about the ability of AN-ACC to support long-term improvement in the delivery of residential aged care in Australia that is efficient, sustainable, and safe?

NSW notes the following concerns:

- AN-ACC hasn't been tested – it is a new model that may well need refining. This needs to be considered before expanding the funding model to other parts of the aged care sector. Additionally, new data to be reported by providers to the Commonwealth will also be in its infancy and will likely require refining over the first year of reporting.
- The stability and impact of patients' quality of life of weights built on immature costing.
- AN-ACC does not adequately meet the allied health needs of residents – there is no requirement in the AN-ACC model for providers to dedicate budget on allied health services. There is a risk that AN-ACC will not capture the true costs of providing care to residents, or it does not provide the right incentives to aged care providers.
- AN-ACC is silent on the ability to deliver multi-disciplinary care to residents – it is very much focused on individual specialty care minutes. There is a risk that AN-ACC will not capture the true costs of providing care to residents, or it does not provide the right incentives to aged care providers.
- AN-ACC needs to be fit for purpose for all residents. The current version appears to not cover all residents that it is intended to classify, with additional classes added e.g., for respite care. As with other classification models any identification of clinical variance needs to be identified and analysed by clinicians to help drive changes for efficiency and improved model of care.
- Retrospective funding (and funding cycle) may impact providers' ability to adequately deliver person centred care. For example, linkage of one resident needs to that of the next resident's needs may lead to a funding level that is not equal to the needs of each resident (both in higher and lower care residents).
- Potential unintended consequences impacting the acceptance of lower care need residents.
- Mobility and cognition are the primary focus, whereas in RACFs wellbeing requirements, mental health supports, and nutrition support are of utmost importance and help to raise quality of care issues.
- The needs of residents need to be considered more holistically, as the RACF is a home setting as opposed to a clinical setting.

Consultation Question:
Question 3: What, if any, additional factors should be considered in determining the AN-ACC NWAU weightings for residents?

NSW recommends consideration of the following additional factors:

- Culturally and Linguistically Diverse (CALD) residents
- Quality, serious and adverse events adjustments, and a positive indicator for the reporting of serious and adverse events to encourage good governance.
- Rurality and remoteness
- Purchase and maintenance of specialised equipment that may be required to provide care
- Funded interventions should be evidence based
- Transport to access other services should be a factor for individual residents' cost of care and support, particularly in Rural and Remote areas where outreach capacity is limited

- Identification of cost drivers such as age, mobility, perhaps using tools such FIM and RUGs as currently used under the SNAP classification system

Furthermore, the care needs of residents within a given classification group will vary in terms of complexity with some requiring a higher intensity and frequency of care than others in the same group. NWAU weightings need to be appropriately averaged within a classification to accommodate a range of care needs. The term 'compounding factors' is not defined in the classification diagram in figure 3 and needs to be.

Consultation Question:
Question 4: What should be considered in developing future refinements to the AN-ACC assessment and funding model?

Consideration should be given to how AN-ACC can incentivise an aged provider to accept a new resident being discharged from hospital who may be considered more challenging to care for. This includes patients with complex behaviour associated with dementia or mental illness, as well as bariatric patients. Currently these patients are very difficult to find placement in residential aged care and even though medically ready for discharge, often remain in hospital for much longer than is clinically necessary, due to no placement being identified.

In developing future refinements, IHACPA should also consider:

- Resident experience – including resident/family/carer reported measures. Many RACFs have resident committees that discuss day to day issues that the outcomes could be transformed into reported measures.
- English proficiency of RACF staff

5. Principles for activity based funding in aged care

5.2 Overarching principles

NSW supports the five overarching principles, however, notes that work is still underway to define roles and responsibilities between the aged care and health systems (Aged Care Royal Commission Recommendation 69).

5.3 Process principles

NSW supports the four process principles. NSW agrees that it is important the process principles do not place undue administrative burden on providers. NSW also supports a transparent funding model.

5.4 System design principles

NSW broadly supports the system design principles, with additional feedback provided under Question 5.

Consultation Question:
Question 5: What, if any, changes do you suggest to the proposed principles to guide the development and operation of the Pricing Framework for Australian Aged Care Services?

NSW supports IHACPA's recipient-based system design principle of funding individual need rather than provider characteristics. NSW further supports that the model should be impartial to the business and financial structures of providers. The risk of perverse incentives is significant and IHACPA will need to implement strong controls via reporting mechanisms to prevent this.

NSW agrees with promoting harmonisation but seeks clarification on how this will work over a longer length of stay. For example, where accommodation and hotel costs need to be considered over the longer period that is usual with residential care. In all other instances where IHACPA has considered price harmonisation, it has been done on a same day basis.

Other feedback to guide the development and operation of the Pricing Framework for Aged Care Services include:

- Focus areas outside of mobility and cognition to allow for innovative patient centred and holistic care
- Greater consideration of patients that are historically more challenging to place (as noted in Question 4) to avoid preventable lengthy or frequent hospital admissions

- The Framework should include more detail for ease of reading, e.g., in Figure 3 to describe the compounding factors etc.

Consultation Question:

Question 6: What, if any, additional principles should be included in the pricing principles for aged care services?

NSW recommends an additional principle which recognises that at its primary service, the RACF is a person's home and not a clinical setting or service.

NSW also recommends expansion of the recipient-based principle or an additional needs-based principle to better reflect the following statement in Consultation Paper "This principle reflects a person-centred approach, funding individual need…" (p.34).

Consultation Question:

Question 7: What, if any, issues do you see in defining the overarching, process and system design principles?

There needs to be clearly defined roles and responsibilities between residential aged care providers and state and territory public hospital systems in meeting the care needs of residential care residents. Whilst it is not the role of IHACPA to define these roles and responsibilities, appropriate pricing and funding needs to be allocated accordingly to effectively deliver these roles and responsibilities.

No other classification has a minute requirement, even the most immature classifications work on a per diem basis. There are concerns that this will encourage a minimum care effort and lead to substantial gaming and inaccurate reporting of minutes. In the longer term, this will result in the inability for the classification to be self-limiting. IHACPA's system design principle of minimising undesirable and inadvertent consequences is very important.

6. Developing aged care pricing advice

NSW notes this chapter focuses on IHACPA's development of a recommended residential aged care price for one AN-ACC NWAU.

NSW queries whether IHACPA will use an efficient cost or average cost for pricing aged care.

6.1 What is the national residential aged care price?

Consultation Question:

Question 8: What, if any, concerns do you have about this definition of a residential aged care price?

NSW notes the introduction of the direct care minute requirement, however, queries why there is a focus on this in the definition of the residential aged care price.

NSW notes the AN-ACC funding model requires the collection of significant data by already busy care staff whose roles are not in data collection. There is a risk that activity may be under or wrongly recorded and lead to less direct care, which would be an unsatisfactory outcome.

NSW supports transparency in the calculation of the residential aged care price, including a clear breakdown of how the figure was calculated.

6.2 What should the price cover?

NSW notes the residential aged care price is intended to predominantly cover the cost of care, including administrative costs directly related to care.

Consultation Question:

Question 9: What, if any, additional aspects should be covered by the residential aged care price?

The residential aged care price should cover:

- Appropriate allied health therapists, improved infection control processes and a higher standard of meals
- Hotel costs

- Socio-demographic status of resident and support networks outside of the RACF
- Aspects that maximise quality of life for all residents, for example, personal care services which may be delivered outside the RACF

The price should also address the challenges of pricing both for-profit and not-for-profit RACFs.

NSW queries whether, when a resident is admitted to hospital, the payment to the RACF be suspended for the duration of the hospital stay. The model should balance incentives and minimise perverse incentives to transfer patients to hospital if not clinically appropriate.

To incentivise lifting outcomes and resident satisfaction an element of the funding should not be activity based but provided on meeting/exceeding quality and satisfaction measures.

6.3 The pricing approach and level

NSW queries how MPS facilities will be funded for RACF type patients.

Consultation Question:
Question 10: What, if any, concerns do you have about the proposed pricing approach and level of the residential aged care price?

NSW notes the following concerns:

- An activity-based model only measures the activities that happened rather than the choice given to a resident around timings or variety of activities on offer. Providers would be incentivised to reduce choices to look more efficient, which is at odds with resident choice and person-centred care outcomes.
- There is no mention of promoting wellness, increasing both mental and physical and physical abilities and providing a reward mechanism for providers who improve the quality and length of life of residents.
- The functional status of residential aged care residents will change over time and pricing would need to be regularly adjusted in accordance with changes in care needs. Adequate resources would need to be invested in the aged care assessment workforce to be able to accommodate the volume of these assessments and reviews over time.

The initial NWAU and price determined by the Commonwealth need to be modelled against actual activity and compared against actual costs less revenue to assess the appropriateness. This should also be reassessed when the IHACPA price is available.

Consultation Question:
Question 11: How should ‘cost-based’ and ‘best practice’ pricing approaches be balanced in the short-term and longer-term development path of IHACPA’s residential aged care pricing advice?

A clear definition of the pricing approaches is required, as well as flexibility and clear channels for review and adjustment as best practice changes over time due to new evidence and research.

In the short term, the initial price per NWAU could be reflective of the actual cost plus an adjustment for safety and quality, minimum care standards and other factors mentioned in section 6.3.

6.4 Indexation

Consultation Question:
Question 12: What should be considered in the development of an indexation methodology for the residential aged care price?

NSW recommends IHACPA apply learnings from the challenges of escalation in the National Efficient Price and National Efficient Cost models.

IHACPA has acknowledged that cost data lag creates gaps between cost and price with respect to wage adjustments. This cost data lag also creates a gap when historic data does not reflect more recent cost increases. NSW recommends minimising the cost to price data lag where possible, e.g., to two years.

The indexation methodology should be reflective of the aged care cost faced by the providers and the complexity of the operating environment. A top up mechanism should be considered if the estimated indexation falls short of actuals.

Stakeholders have also raised concern that indexation has not been adequately provided across various aged care programs in the past. Indexation needs to adequately cover CPI for goods and services and staff salary and wages overtime and price shocks around energy. The inflation for the basic services in RACFs increases at a rate greater than the average CPI. Therefore, to attract RACF staff, wages are paid at a higher rate then what they are accommodated for in the basic service amounts.

Consultation Question:
Question 13: What, if any, additional issues do you see in developing the recommended residential aged care price?

There is no indication that the IHACPA will provide a robust tool to collect data without impacting care. The extra cost to providers of systems and or people to collect data should be added to the government funding to reflect the resource or investment needed.

7. Adjustments to the recommended price

7.1 The IHACPA's approach to adjustments

Consultation Question:
Question 14: What, if any, changes are required to the proposed approach to adjustments?

NSW agrees with the need for adjustments based on rurality and remoteness, and provider specialisations to care for residents with highly complex or specialised needs.

NSW also supports the principle to minimise facility-based adjustments where possible and focus on patient-based characteristics. However, this is challenging with MPSs, where the government has a community service commitment to provide these services in rural areas and has limited ability to modify cost structure without significant investment by the Commonwealth and State.

NSW supports including adjustments for quality and safety over time.

7.2 Adjusting for factors related to people receiving care

Consultation Question:
Question 15: What, if any, additional adjustments may be needed to address higher costs of care related to the resident characteristics?

AN-ACC currently appears to reward providers whose resident cohort has limited or no mobility. There is a lack of recognition for residents with cognitive impairment, challenging behaviours, and dementia. The weightings need adjusting or additional payments for such residents.

There is also a lack of recognition for those residents who are mobile with cognitive issues/dementia with behavioural aggressive issues. Staff spend time to re-direct and provide alternate activities. Effective strategies implemented by staff can support the reduction in use of psychotropic medications.

NSW also suggests the following additional adjustments:

- Costs associated with assistive technology for some residents – this includes bariatric equipment or specialised wheelchairs that enhance independent mobility
- Time spent in liaison with medical staff (GPs and specialists), including time for staff to accompany residents to medical and other appointments
- Specialised service consultations that the residential aged care can't provide e.g., psychogeriatrician, behavioural management expertise etc.

- Needs to support activities of daily living, continence needs, complex wound management, pre-existing disabilities, and requirements to address these
- Those requiring additional staffing levels due to challenging behaviours including delirium and dementia
- Those requiring more intensive personal care such as frequent pressure area care
- Chronic conditions or condition-specific e.g., respiratory, renal, chronic heart failure
- Time spent with family and carers who provide advice and support. This is not only on admission to the facility but during the length of stay at the facility, and includes the development of communication strategies such as newsletters, letters (in particular during COVID), functions and birthday celebrations etc.
- Consideration for residents with limited family support
- Culturally and linguistically diverse status
- Socioeconomic status

Consultation Question:
Question 16: What evidence can be provided to support any additional adjustments related to people receiving care?

Assistive technology needs could be supported by allied health assessments (such as physiotherapy/occupational therapy/speech pathology).

7.3 Adjusting for avoidable facility factors

NSW seeks clarity on the definition of 'remoteness' and 'low and variable occupancy'.

Consultation Question:
Question 17: What should be considered in reviewing the adjustments based on facility location and remoteness?

IHACPA should consider the following:

- Geographical distance
- Socioeconomic factors
- Premium labour costs and workforce availability
- Providers located in regional and remote areas or serving minorities groups that incur additional cost as they would incur higher costs on an activity basis; because occupancy is lower or there are special or additional services needed
- Other reasons for patterns of under occupancy e.g., lack of GP

Consultation Question:
Question 18: What evidence can be provided to support any additional adjustments for unavoidable facility factors?

NSW recommends IHACPA provide analysis that identifies facilities that present higher cost compared to modelled. These should be investigated to identify if there are patient or provider characteristics that are consistent which are likely driving the cost variance. This will provide a basis for potential adjustments.

In addition, ABS/Census data, facility quarterly submissions (workforce).

7.4 Adjusting for safety and quality

Consultation Question:
Question 19: How should any adjustments for quality and safety issues be considered in the long-term development path of AN-ACC and the associated adjustments?

NSW recommends consideration of the following safety and quality measures:

- Prevalence of pressure ulcers
- Falls
- Care plan in place
- Food/malnutrition
- Reduction in avoidable hospitalisations
- Transfer to ED for care that does not result in an admission to hospital

NSW supports funding safety and quality improvement initiatives that improve resident care, as opposed to solely punitive measures. There should be strong reporting around quality and safety issues identified and then a price adjustment to incentivise both ways.

8. Priorities for future developments

8.1 Inclusion of hotel costs in AN-ACC

Consultation Question:
Question 20: Should hotel costs be incorporated into the AN-ACC funding model and what should be considered in doing this?

NSW supports all relevant direct and indirect costs once a resident is under the care of the facility should be included in the funding model, including hotel costs. NSW queries the rationale for excluding hotel costs for aged care pricing, when hotel costs would not be removed from the NEP or admitted price weights. NSW supports IHACPA undertaking further work to better understand hotel services costing.

8.2 Multipurpose services

NSW notes that one of the future priorities includes consideration of the inclusion of Multipurpose Services within the AN-ACC assessment and funding model" in the medium- to long-term. Any changes to funding for MPS facilities will need significant close consultation with states and territories. NSW Health wishes to be involved and consulted in this process.

8.3 National Aboriginal and Torres Strait Islander Flexible Aged Care Program

Noted.

8.4 Residential Respite Costing Study

Consultation Question:
Question 21: What should be considered in future refinements to the residential respite classification and funding model?

NSW suggests the following should be considered in future refinements to the residential respite classification and funding model:

- Indigenous status
- Culturally and linguistically diverse status
- English proficiency of staff
- Respite and default classification should become a part of the base classification for it to be fit for purpose for the residents its designed to classify.
- Funding strategies to reduce delays in the transfer of care of people from hospitals to residential aged care facilities, and encourage providers to lift standards and provide new and innovative facilities and care mechanisms.

8.5 Review of the one off adjustment for new residents

Consultation Question:
Question 22: What are the costs associated with transitioning a new permanent resident into residential aged care?

The costs associated with transitioning a new permanent resident into residential aged care are highly variable depending on their care and equipment needs. A one-off adjustment may not accurately reflect these costs and may not address pre-existing requirements to manage complex disability.

Consideration is also needed for development of a care plan and needs assessment, administration, and resident and family orientation to the care facility (including additional time needed to reassure both).

8.6 Home care pricing advice

Consideration should be given to funding strategies to support people in their homes and delay or avoid residential aged care placement where appropriate. For example, people living with disabilities who are working but require home support. This supports the principle of "the right care wrapped around people in the community."

8.7 Workforce

This is a critical issue which requires a whole-of-government approach to tackling. There is need for strategies to support residential aged care providers to recruit, train and maintain their workforce. Many personal care workers cannot afford to live in the suburbs where facilities are located. Providers would like to provide accommodation (particularly short-term for overseas staff) so that travel isn't a hinderance. There should be more encouragement and funding on career opportunities for aged care staff.

Consultation Question:
Question 23: How might workforce challenges present in the implementation and refinement of AN-ACC for the aged care system?

Access to health staff, including allied health support, particularly in regional and remote areas is a challenge for the implementation and refinement of AN-ACC and implementation of other reforms such as the care minute requirements.

Stakeholders have expressed concern over the requirements for the workforce that needs to be recruited to undertake assessments, including that the grades of the roles and the expected level of experience are not aligned.

It is recommended that Australian Government contracts for the provision of AN-ACC assessment services are longer in order to provide greater job security for assessment management organisation staff. Longer term contracts for the planned single assessment workforce (ACAT, RAS and AN-ACC) will mitigate staff retention and new recruitment challenges currently faced by assessment management services due to short term contracts.

Another challenge is that the work performed by activity officers is not covered by the direct care minutes targets (funded by the AN-ACC) nor the payments for hotels services. Without the recognition of what is a meaningful activity and a qualitative measure to inform ABF for these activities, providers may be incentivised to provide least cost "activity" and avoid interactive activities which provide better outcomes at a higher activity cost.

There may also be pressure on for-profit providers to maximise profits by modifying workforce mix.

8.8 Five-year vision

Consultation Question:
Question 24: What areas should be included in the proposed five-year vision for IHACPA's aged care pricing advice?

The five-year vision should include quality and outcome measures, and a fully inclusive price with potential adjustment for the star rating. IHACPA's advice should not distinguish those who are able to pay from those who cannot.

The five-year vision should also include a focus on promoting wellness, increasing both mental and physical abilities and providing a reward mechanism for providers who improve the quality and length of life of residents. This would be a good outcome for all parties and encourage providers to invest.

Consultation Question:
Question 25: What would be considered markers of success in IHACPA's aged care costing and pricing work?

Key markers of success would include:

- High quality, safe, evidence-based care provided for RACF residents and community dwellers
- Reducing avoidable ED visits and hospital admissions, and reducing in hospital bed block in transferring medically stable patients (back) to RACFs
- Skilled staff with qualifications to assess and provide the care that a resident requires
- Incorporating into the funding mechanism incentives to meet and exceed targets aligning resident, provider, and government expectations, ensuring that providers are paid a fair and efficient price for their services
- Providing an incentive mechanism for providers for improving a resident's care and wellbeing, mental and physical. Including their ability to undertake ADL and have social needs met, and lifestyle options including access to Exercise Physiologists/ Physiotherapists to reduce functional decline.
- Ensuring that activities provided are meaningful and stimulating for residents and recognised as part of care as well as the daily basics.
- Reducing variability of outcomes between providers
- Providers meeting operational budgets and providing services that meet/exceed the needs of residents. This means that most providers by number (90%) to be solvent, generating surpluses and the sector in total earning a commercial return on capital invested and meeting the quality, clinical, wellness, meaningful activity, resident satisfaction and ACQSC standards
- Providing a commercial margin and return on capital to allow providers to either pay dividends or reinvest in new facilities and services and so attracting innovation
- Funding providers, human talent and investment into the sector knowing there is a payback over the medium to long term

Key markers of success should also consider the recommendations from the Royal Commission into Aged Care Quality and Safety. Success would involve prices that meet reasonable and efficient costs of delivering those services (Recommendation 6). What is meant by reasonable and efficient would require further work. In line with recommendation 115 around the objects of the Pricing authority, more specific markers of success would include:

- availability and continuity of high quality and safe aged care services for people in need of them
- efficient and effective use of public funding and private user contributions in the provision of high quality and safe aged care services, taking into account the principles of competitive neutrality
- efficient investment in the means of supply of high quality and safe aged care services in the long-term interests of people in need of them
- development and retention of a highly motivated and appropriately skilled and numerous workforce necessary for the provision of high quality and safe aged care services in the long-term interests of people in need of them.

9. Consultation process and next steps

Noted.