# Submission to the *Independent Hospital and Aged Care Pricing Authority - Aged Care Pricing Framework Consultation*
# October 2022

## About Us

The Health Services Union (HSU) is a growing member-based union with over 95,000 members in every state and territory. Our members work across the health and social assistance industry, in the public, private and not-for-profit sectors. HSU members in aged care work in roles including personal care worker, enrolled nurse, assistant in nursing, physiotherapist, occupational therapist, therapy assistant, recreational and lifestyle officer, food services, laundry attendant, cleaner, and administration. HSU aged care members predominantly work in residential facilities, but also in home and community services. In addition to those directly employed in the sector, the HSU has members in health professions that require them to interact on a regular basis with older Australians. This includes paramedics, mental health clinicians, disability support workers, and other allied health professionals.

The HSU welcomes the opportunity to provide a response to the Independent Hospital and Aged Care Pricing Authority (IHACPA) Aged Care Pricing Framework Consultation. We are an advocate for reform of the aged care sector and recognise the establishment of an aged care pricing authority as an important part of this process. If designed well, the pricing framework will be central to uplifting the quality of care and attracting and retaining a highly skilled workforce. Although we acknowledge that the IHACPA will have responsibility for advising on wide-reaching pricing and funding matters, we are primarily concerned with how the authority will consider and account for labour costs. Workforce issues must be a key focus for all pricing and funding considerations. The IHACPA must put a workforce lens over all its work, given the significance of workforce issues and their relationship to high-quality care.

## Concerns regarding the AN-ACC and residential funding

(Questions 1-4)

Pricing must capture workforce needs and reflect the inextricable link between quality jobs and quality care. The HSU is aware of providers undertaking redundancies in anticipation of the introduction of AN-ACC, and since its commencement on 1 October. These redundancies have largely targeted allied health professionals and essential support roles, such as food services and cleaning. Providers have advised that funding no longer covers the costs of these services and that in order to meet the average – soon to be mandated – care minute requirements for Registered Nurses, Enrolled Nurses and Personal Care Workers, they must reduce labour costs elsewhere.

To directly align to an individual's care needs, funding must cover multidisciplinary care teams that are available to deliver proactive, restorative and reablement focused care. Sustainable and adequate funding will ensure that assessed and changing care needs can be met, without providers offsetting these labour costs against other essential staff. The AN-ACC must support best practice care and promote workforce development. Replacing the Aged Care Funding Instrument (ACFI) presents an opportunity for the sector to improve assessment and care planning functions and capacity. If pricing and funding are set too low, workers will continue to grapple with overly burdensome, rigid processes as experienced under ACFI and which inhibit the provision of quality care.

While the HSU is supportive of the AN-ACC, we remain concerned that the AN-ACC pricing, as reflected in the National Weighted Activity Units (NWAU), is not capturing the true cost of high-quality care and residents are missing out. Factors contributing to this concern include: the informing studies and care assessments are already outdated, the aged care sector lacks robust and timely data collection, the current NWAU is not adequate, stakeholders are not privy to the full basis of pricing calculations, and funding remains too low and unsustainable.

Costing studies must be carried out regularly and capture resident care profiles (individual and grouped), the size and nature of facilities, and location of services. Costing studies must also look at wages and other labour cost data and trends, including examination of wage variables and the relationship to funding. For example, providers often cite an inability to offer wages higher than Award rates due to funding that does not support meaningful increases. IHACPA must be able to access data easily and it must be captured in a way that allows the authority, and other sector stakeholders, to build data sets, identify trends, and anticipate future demands.

The HSU recommends that the IHACPA continue consultations with stakeholders and invite submissions on annual pricing reviews. This should occur alongside consideration of all available relevant data, noting that the sector is moving toward greater transparency (star ratings, care minutes, single touch payroll data, financial transparency) and this should inform funding decisions. The IHACPA itself must promote transparency and publish regular information for the sector on its decision-making processes and outcomes, including all assumptions used in pricing decisions.

## Pricing principles and approach

(Questions 5-11)

High-quality care that meets the needs of residents can only be delivered when the workforce is appropriately remunerated, trained, skilled, and retained. A long-term workforce strategy needs to be developed and incorporated into pricing and funding decisions. The Minister must proactively engage on advice given by IHACPA.

Wages in aged care are woefully inadequate, are not competitive with like or other labour markets (e.g., disability, public health), and are depressed by broader socio-economic factors including the undervaluation of feminised workforces. The pricing framework must enable decent wages and conditions in support of attracting and retaining a highly skilled and valued workforce. Funding decisions based on the national average wage are at risk of minimising differences between wages across providers, industrial instruments, geography, and industries. For aged care, where wages are often lower than average, this may place further downward pressure and inhibit the funder and providers from offering wages that promote quality, safe, innovative care.

We are concerned that the language underpinning the ABF 'Quality care' principle (p. 32) is suggestive of meeting minimum standards only, rather than supporting care delivery to the highest possible standard. It is the HSUs view that the Aged Care Quality Standards are not currently fit for purpose as they are only high-level and absent of any meaningful detail on how they should operate in reality. The Standards do not promote best practice, innovative, high-quality care. Regulatory reforms in aged care will – hopefully – revise the Standards and Principles to be contemporary and more prescriptive e.g., reflect care minutes and best practice models of care.

The implementation of the new pricing framework will be costly in and of itself, particularly as robust and ongoing data collection mechanisms are put in place. Expenditure on pricing activity must not impede or draw from funding for care delivery and workforce development. As outlined above, transparency is critical to the success of the framework and work of the IHACPA, including in restoring sector and public trust in aged care funding. Despite being majority taxpayer funded, there is a dearth of available information as to how exactly funds are acquitted by services. Financial transparency and reporting changes, and how the IHACPA reports, should contain clear categories of expenditure and pricing decisions, ensuring care and non-care costs are clearly disaggregated.

The HSU supports the residential aged care price definition capturing the spectrum of care, the continuum of care and increasing complexity, as opposed to the more episodic and acute-care drivers of hospital pricing. 'Extra and additional services' often contribute to best practice care and better care outcomes. However, they are not consistently available or able to be paid for by the resident. This creates a two-tiered system and does not promote care of the highest quality or consistent access to quality care. These costs should be integrated and funded.

## Indexation and adjustments

(Questions 12-18; 20)

We note that current indexation rates are inadequate and do not keep pace with inflation and other fiscal pressures. For wages, the current indexation - based on minimum wage increases set against national average weekly earnings, as opposed to reflecting Award rates and real labour costs data – places immense downward pressure on wages in the sector. It means the funding available to employers for labour costs is significantly reduced and the ability for workers to bargain for wages (and conditions) above inadequately low Award rates is severely constrained. We support the proposition in the discussion paper for the pricing authority to consider Fair Work Commission decisions however, other industrial factors and relevant real-time data on wages must also be accounted for when determining pricing for labour costs. Using only Fair Work Commission data and increases is an inhibitive and narrow scope. To meaningful improve wages and conditions in aged care and reap all related benefits by doing so (attraction and retention), pricing and funding must enable an uplift in wages and improvement to bargaining power for workers

Currently, providers often cite low funding and indexation as a reason for not expending more on wages, staff numbers, training, food, medical supplies etc. Pricing and commensurate funding based only on Award rates, even with an increase to these rates, is counterintuitive to ensuring the total cost of care is captured and the sector is uplifted to deliver high-quality care. We are concerned that IHACPAs intended methodology for calculating wage and labour costs is not yet known. In accordance with the principle of transparency, we recommend making this information publicly available as a matter of urgency. When the AN-ACC was under development, the HSU voiced similar concerns that there was ambiguity as to how the NWAU and other pricing decisions would capture and weight workforce costs and needs.

We do not support the AN-ACC incorporating hotel costs. It must be focused on care delivery and ensuring it is fit for this purpose is the priority. The IHACPA must endeavour to account for these information gaps and ensure that pricing is accurately matched to care needs, as and when they may change, and funding is able to deliver consistently high-quality care.

We acknowledge data lags as an inhibitor to pricing. We recommend, in addition to what is suggested, consulting with relevant stakeholders such as unions, utilising new /upcoming reporting such as star ratings, QFR, financial regulations, as well as considering the wages and conditions in other like sectors, for example disability.

## Quality and Safety

(Question 19)

Given the comprehensive regulatory reform agenda for aged care, following the Recommendations of the Royal Commission, we appreciate the myriad potential impacts on pricing and funding. The HSU supports comprehensive regulatory reform as inextricable to quality and safe care.

We expect funding to support and be responsive to the introduction of a positive worker registration scheme (noting this will be for personal care workers), stringent provider registration, a proactive and visible Regulator, and improved processes and mechanisms for incident management, including educating and training workers and older persons in their rights and responsibilities. Here, a positive registration scheme is one that retains and streamlines criminal history screening requirements, is cost-proportionate to wages, has a minimum Certificate III qualification with recognised prior learning and grandparenting for existing workers, has continued professional development and supports career pathways, and has accreditation for care specialisation and advance qualifications.

In addition to the above, adjustments must be made that immediate and future workforce supply and retention. We acknowledge the ageing aged care workforce and ageing population, and the realisation of this intersection must be accounted for. Inadequate staffing numbers contribute to poor care outcomes and reduced safety for workers and care recipients. Ensuring there are enough, appropriately and highly skilled workers is critical, particularly as people are choosing to stay in their homes longer and residents care needs are subsequently increasingly complex. Preparing for and meeting the changing care needs of residents protects quality and safety. This will require better integration of diverse health professionals and carers, such as multidisciplinary allied health teams that can meet the social, emotional and clinical care requirements of ageing and older people.

## Workforce challenges

(Question 23)

Building on our above comments, IHACPA must make workforce a key consideration in price setting. Prices should support a highly and diversely skilled workforce, with decent wages and conditions. Providers must be incentivised to deliver care beyond just minimum standards. Given the workforce crisis currently impacting the sector, it would be unacceptable not to comprehensively consider workforce costs and issues.

Under NDIS pricing, restrictively low and capped prices were put in place from the scheme's inception. This has left the sector and its workforce structurally undervalued for the skills, emotional labour and dedication they bring to their roles. If aged care pricing does not heed these lessons it will, without question, undermine capacity and sustainability as the sector becomes less attractive to prospective workers at the precise moment it is requiring workforce expansion and undergoing significant reform,

Where are assumptions are made regarding labour costs (average wage, patterns of work and mode of employment, leave entitlements etc) and they do not accurately reflect real costs and growth, workers will continue to experience limited scope for bargaining above minimum standards. On the mode of employment issue, assumptions are often made that there are high rates of permanent employment in aged care. While part-time contracts are common, these are increasingly low and zero-hour contracts. Additionally, there is a push from some parties to see more gig and causal work in aged care.

The HSU is of the view that the rate of insecure and low employment is higher than reported in aged care and rising. The pricing authority must ensure it considers various modes of employment and ensure its pricing assumptions account for an accurate ratio of permanent and casual employees, wherever this may be considered. Pricing should also account for training and skills development of the workforce, at no expense to the worker, in recognition of the increasingly complex skill set required to work in aged care.

## Concluding remark

We are concerned by the lack of transparency in aged care pricing and funding. A new approach to pricing is a welcome opportunity to address this issue and restore sector and public trust in aged care. However, success will be depending on keeping with transparency, accountability, centring of the older person and responding to real and desired care needs and supporting workers to enter and remain in the sector. We are concerned that the AN-ACC is not adequately capturing true costs and cost drivers for high-quality, best practice care. Pricing needs to allow for multidisciplinary care teams, which AN-ACC does not do as allied health is largely excluded. It must allow for forward planning of increasingly complex care needs in residential facilities. This will be more pronounced, as is already the case, at the intersection of specialist care services, particularly as these services are most impacted by other pressures such as a lack of housing/property, workforce supply issues, and limited home and community care service availability. The workforce must be a key factor in all pricing and funding decisions.

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