National Rural Health Alliance

... healthy and sustainable rural, regional and remote communities

14 October 2022

NATIONAL RURAL HEALTH ALLIANCE

SUBMISSION TO THE INDEPENDENT HEALTH AND AGED CARE PRICING AUTHORITY (IHACPA): TOWARDS AN AGED CARE PRICING FRAMEWORK – PUBLIC CONSULTATION

BACKGROUND

The National Rural Health Alliance (the Alliance) is the peak body for rural, regional and remote (rural) health in Australia. We represent 46 member bodies (see Appendix 1), and our vision is for healthy and sustainable rural communities. The Alliance is focused on improving the health and wellbeing of the 7 million people residing outside our major cities. Our members include health consumers, health care professionals, service providers, health educators, students, and the Aboriginal and Torres Strait Islander health sector.

People who live in rural Australia enjoy the benefits of smaller communities with a strong sense of community spirit, less congestion and, depending on location, more affordable housing. However, they have poorer access to health, disability and aged care services than other Australians. As a result, rural people have, on average, shorter lives and higher levels of disease and injury, compared with those living in metropolitan areas.[1]

The Alliance believes that all Australians, wherever they live, should have access to comprehensive, high-quality, accessible and appropriate aged care services. The Alliance does not consider that poor access to aged care services, poor health or premature death should be an accepted outcome of living in rural Australia.

The mechanisms by which aged care services in rural Australia are funded and priced have a significant influence on the viability and provision of services and therefore equity in access to care close to home.

AGED CARE IN RURAL AUSTRALIA

There are considerable differences in the aged care sector in rural Australia when compared to metropolitan areas. Most aged care services in rural and remote areas are provided by not-for-profit organisations or government agencies, with very few for-profit providers (in contrast to the rest of the country).[2,3] This is indicative of the financial challenges faced by aged care providers in these areas.

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While the majority of residential aged care services, by far, are provided in major cities (MM1) (62 per cent)[i], Multipurpose Services (MPS) are a mainstay of service provision in small rural towns (MM5) (61 per cent of MPS are situated here) and remote areas (MM6) (22 per cent of MPS are situated here).[3] 80 per cent of National Aboriginal and Torres Strait Islander Flexible Care Programme (NATSIFACP) services are delivered in remote (MM6) and very remote areas (MM7).[3] We note that these programs are funded in an alternate manner to other forms of residential aged care and are therefore not part of the current framework in development, but that the IHACPA will consider whether the Australian National Aged Care Classification (AN-ACC) model, which came into place from 1 October 2022, can be appropriately adapted for use in these services in the medium to long term.

The AN-ACC replaces the Aged Care Funding Instrument (ACFI), under which MPS and NATSIFACP providers received a viability supplement to assist with the higher costs associated with providing aged care services in rural and remote areas.[4] Other aged care providers operating in rural and remote areas (MM4-7) were also eligible for the viability supplement.[4] The viability supplement has been incorporated into the AN-ACC starting price. To ensure that all residential aged care facilities will receive at least the same amount of funding under AN-ACC that they would have received under ACFI (inclusive of the viability supplement), a Transition Fund is being established over the two years from 1 October 2022.[5]

Usage of permanent residential aged care services per 1,000 population reduces considerably in MM5, 6 and 7 regions (despite the presence of specifically tailored programs such as MPS and NATSIFACP), where rates are 24.0, 16.0 and 3.5 respectively, compared to 40.4 in MM1.[3] The usage rate in major cities is 11 times greater than that in very remote areas.[3]

Aged care usage rates across rural and remote Australia reflect a lack of available and appropriate services to meet the needs of older people living in these communities. Older people in rural and remote Australia are often required to move from their communities to receive the aged care that they need, contrary to the preferences of many. In combination with the increased burden of disease in these areas, older rural and remote Australians are at increased risk of poorer overall health, reduced quality of life and lower life expectancy.[6]

ISSUES AFFECTING AGED CARE IN RURAL AUSTRALIA

There are a number of challenges that contribute to the significant issues with supply of and access to aged care services in rural areas, including for Aboriginal and Torres Strait Islander peoples. These include higher operating costs, smaller population sizes, workforce shortages, higher labour costs, additional infrastructure costs, and lack of economies of scale, and these result in serious viability issues.[2,7]

Labour costs are estimated to represent 71 per cent of expenditure for rural and remote aged care facilities, compared with 64 per cent in non-rural/remote facilities.[2]

The availability of aged care workforce reduces as remoteness increases, with significant gaps in remote and very remote areas.[8] There are deficiencies across all professions and occupations in these areas, from nurses and personal care workers to general practitioners and allied health professionals.[8,9,ii] A lack of training and professional development opportunities, low remuneration

[i] Refers to the Modified Monash Model (MMM) geographical classification system. Under MMM, major cities are MM1, regional centres are MM2, rural towns are MM3–5 and remote communities are MM6–7 (more information available at www.health.gov.au/health-topics/rural-health-workforce/classifications/mmm).
[ii] Analysis was performed utilising these two data sources.

rates, high workloads, and social factors, such as housing availability and employment and education opportunities for family members, are some of the key barriers impacting the aged care workforce in rural areas.[2,6,10]

The Royal Commission into Aged Care Quality and Safety (Royal Commission) highlighted the significant issues with access to and supply of aged care services in rural areas, including for Aboriginal and Torres Strait Islander peoples, calling for the Australian Government to implement measures to ensure older people in rural locations are able to access aged care in their community equitably with other Australians.[11] They recommended the expansion of flexible care programs such as MPS and NATSIFACP (including broadening the MPS program to more rural communities), increasing funding to take into account the extra costs of providing services in rural areas (noting that the (then) ACFI viability supplement was inadequate to cover the increased costs in rural areas), and ensuring an appropriate multidisciplinary workforce to meet the needs of older people.

ISSUES RELATING TO THE NEW AN-ACC

The Alliance appreciates that the IHACPA consultation paper refers to the AN-ACC which is being built on the work of the University of Wollongong, including their findings regarding differences in the characteristics of facilities, such as higher costs in rural and remote areas. We note that facility characteristics (including remoteness, number of beds in MM6 and MM7 and specialised Indigenous care in MM6 and MM7) are adjusted for within the fixed component (base care tariff) of the AN-ACC National Weighted Activity Unit (NWAU) used as a basis for funding. While we support the application of this weighting as an inherent part of the model in-principle, it is difficult to comment on the starting point of AN-ACC pricing without historical data for comparison.

It is important that the AN-ACC funding model is monitored during roll-out for impact on rural services and appropriateness of the AN-ACC NWAU calculations - especially MM4-7 and those providing specialised care to Aboriginal and Torres Strait Islander peoples. In this respect, should aged care facilities in rural Australia be disadvantaged or under-resourced because of the AN-ACC funding model, this can be addressed and rectified.

IMPLICATIONS FOR THE DEVELOPMENT OF AN AGED CARE PRICING FRAMEWORK

As IHACPA develops a pricing framework for activity-based funding of residential aged care (based on the new AN-ACC), caution is needed, to ensure that *actual costs* of direct care are reflective of the *costs of providing high quality aged care*. In designing the pricing framework for 1 July 2023 onwards, it will be important for the IHACPA to ensure consultation is inclusive of issues by remoteness, including the extent to which rural residential aged care facilities (by MMM) have needed to take advantage of the AN-ACC Transition Funding.

In approaching the IHACPA's work for 1 July 2023 and beyond, including any future work pertaining to currently out-of-scope programs, the Alliance seeks consideration of the following:

- Residential aged care funding solutions for providers in rural Australia must aim to increase equitable access to high quality services by incentivising providers into the market and enabling the expansion of existing services, in accordance with population need.
- Funding must be adequate to cover increased costs, particularly in rural and remote areas, including the attraction and retention of a sustainable workforce.
- Solutions need to be flexible, allow for joint planning across different providers and care sectors, along with integration and pooling of workforce and resources.
- There is also a need for dedicated investment to enable local innovation.

- Any future attempt to adapt the AN-ACC model to classify, cost, price or apply new funding models to the MPS and NATSIFACP services must also ensure the above issues are thoroughly addressed.

CONCLUSION

The Alliance is pleased to have the opportunity to highlight the key issues in the provision of and access to residential aged care services in rural Australia and the importance of considering the implications of changes to funding models and pricing on existing or new rural aged care services.

While the inclusion of weightings for remoteness within the fixed component of the AN-ACC NWAU is promising in-principle, the lack of historical data for comparison warrants caution, monitoring, analysis and incorporation into the future models.

Design of the activity-based pricing framework for residential aged care provides a chance to ensure that the method and degree of funding enables and incentivises increased levels of service provision (new services/additional residential aged care beds) in rural areas and therefore increased access to high-quality aged care services for rural Australians. This would also positively impact broader health status and outcomes for these people.

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Appendix A: National Rural Health Alliance Members (July 2022)

Organisations with an interest in rural health and representing service providers and consumers

Allied Health Professions Australia (Rural and Remote Group)	CRANAplus
Australasian College for Emergency Medicine (Rural, Regional and Remote Committee)	Exercise & Sports Science Australia
Australasian College of Health Service Management (Regional, Rural and Remote Special Interest Group)	Federation of Rural Australian Medical Educators
Australasian College of Paramedicine	Isolated Children's Parents' Association
Australian and New Zealand College of Anaesthetists and Faculty of Pain Medicine (Rural Special Interest Group)	National Aboriginal Community Controlled Health Organisation
Australian Chiropractors Association (Aboriginal and Torres Strait Islander Rural and Remote Practitioner Network)	National Association of Aboriginal and Torres Strait Islander Health Workers and Practitioners
Australian College of Midwives (Rural and Remote Advisory Committee)	National Rural Health Student Network
Australian College of Nurse Practitioners	Optometry Australia (Rural Optometry Group)
Australian College of Nursing (Rural Nursing and Midwifery Faculty)	Pharmaceutical Society of Australia (Rural Special Interest Group)
Australian College of Rural and Remote Medicine	Royal Australasian College of Medical Administrators
Australian Dental Association (Rural Dentists' Network)	Royal Australasian College of Surgeons (Rural Surgery Section)
Australian General Practice Accreditation Limited	Royal Australian and New Zealand College of Obstetricians and Gynaecologists
Australian Healthcare and Hospitals Association	Royal Australian and New Zealand College of Psychiatrists (Section of Rural Psychiatry)
Australian Indigenous Doctors' Association	Royal Australian College of General Practitioners (Rural Faculty)
Australian Nursing and Midwifery Federation (Rural members)	Royal Far West
Australian Paediatric Society	Royal Flying Doctor Service
Australian Physiotherapy Association (Rural group)	Rural Doctors Association of Australia
Australian Primary Health Care Nurses Association	Rural Health Workforce Australia
Australian Psychological Society (Rural and Remote Psychology Interest Group)	Rural Pharmacists Australia
Australian Rural Health Education Network	Services for Australian Rural and Remote Allied Health
Carers Australia	Society of Hospital Pharmacists of Australia
Council of Ambulance Authorities	Speech Pathology Australia (Rural and Remote Member Community)