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Towards an Aged Care Pricing Framework Consultation Paper Response

Independent Health and Aged Care Pricing Authority (IHACPA)

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1. Introduction

Established in 1935, Resthaven is an aged care community service of the Uniting Church in Australia. Resthaven offers a range of high quality, responsive community and residential care services for older South Australians and their carers. Resthaven is a richly diverse South Australian community founded on the principles of inclusion and unity, embracing and respecting each person's beliefs, culture, language, sexual orientation, gender identity, lifestyle, life experience and values.

Resthaven welcomes the opportunity to engage in consultation related to the IHACPAs new role, providing independent aged care pricing advice specifically for the aged care system. The IHACPA has acknowledged the importance of an approach that is committed to transparency and accountability in making impartial, evidence based and timely policy decisions that are appropriate for the aged care system. The development of the Pricing Framework, focussing at this time on the Australian National Aged Care Classification (AN-ACC), in the context of residential and residential respite aged care will set the foundation upon which future reforms will need to be considered in relation to pricing.

2. A new funding approach for residential aged care

Implementation Timeframes

Q 1. *What, if any, may be the challenges in using the Australian National Aged Care Classification (AN-ACC) to support activity based funding (ABF) in residential aged care?*

In principle, Resthaven supports an activity based funding model in residential care.

As resident care minutes are prescribed based on the resident's AN-ACC class, then it is imperative that the price allocated to AN-ACC is sufficient to meet the cost of delivering that care.

There is risk that despite the best efforts of IHACPA to maintain its commitment to the principles of fairness and transparency and determine a price that has been independently calculated and recommended, Commonwealth Government funding may not be extended to meet that revenue.

Sector feedback suggests that the starting price of $216.80 does not provide sufficient funding to deliver the necessary direct care minutes.

A further disconnect exists between the AN-ACC funding and being able to provide and adequately deliver a service that focuses on resident wellbeing and reablement. The care minute targets only specify total care minutes of Personal Care Assistants, Enrolled Nurses (EN) and then specifically of total care minutes, those required to be delivered by a Registered Nurse (RN). The total minutes fail to take into consideration the inputs of housekeeping, lifestyle and allied health staff. Consequently AN-ACC funding and the drivers it promotes are not representative of a holistic service for an older person including enabling quality of life and reablement. Current care minute targets run the risk of there being less than efficient staffing models. If further compliance measures are introduced to ensure that the delivery of these services are maintained, additional funding streams will be required to meet this cost.

The timeliness of assessments for new residents, and changes in resident acuity will be critical in ensuring that the funding received matches the care costs being incurred by an aged care home.

Any shortfall between independent cost advice provided by IHACPA and what can be afforded by the Commonwealth also needs to be considered as does a model that considers resident co-contributions.

Full transparency of the independently determined efficient price and the price government chooses to pay will be critical for all stakeholders to understand and have confidence in both the independent process and the resultant pricing.

Q 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?*

Long term improvement in sustainable and safe service provision is dependent on a funding model that supports the quality and quantity of staff and the care environment (accommodation and infrastructure).

The increase in funding under AN-ACC should enable an increase in care related staffing beyond what is afforded to aged care today. There remains a risk that the gap between the starting price of $216.80 and the actual cost of delivering the level of care deemed by the care minutes is significant, resulting in a major cost impost for government, or alternatively a significant impact to the sustainability of aged care providers.

That said funding beyond clinical and personal care, needs to be considered to ensure services, quality of care, quality of life and the care environment itself are of a high standard and are adequately funded. Resthaven believes sustainable and appropriate aged care service pricing needs to take into account the adequacy of other funding streams including the daily care fee (albeit resident funded) and the daily accommodation charge, and their adequacy in covering the current costs of aged care service provision in total (including care, accommodation and hotel services).

Once baseline funding is adequate, funding increases across all funding streams (not just AN-ACC) need to support sustainable provision of services. The determination of any change in funding needs to be better linked to the external factors that drive underlying cost changes in aged care such as aged care specific wage indexation, and inflation. In addition, changes in resident health status that may not be covered in the current re-classification criteria will require ongoing review and monitoring by government.

Q 3. *What, if any, additional factors should be considered in determining the AN-ACC national weighted activity unit (NWAU) weightings for residents?*

The mix of staff required to deliver quality care, including RNs, ENs, Personal Care Workers, allied health, lifestyle staff as well as those in hotel services. These considerations could be reflected through a cost of care study, incorporating the actual breadth of service provision, both clinical and non-clinical across residential and residential respite aged care accounting for the growing care and service needs of residents.

There should be some allowance for agency staff, which are required to cover unplanned absences maintaining safe, quality care and services. While providers should be encouraged or incentivised to keep these costs to a minimum, they are vital in ensuring adequate staffing when required.

Q 4. *What should be considered in developing future refinements to the AN-ACC assessment and funding model?*

Greater understanding and transparency on the link between the NWAU and the AN-ACC model price. Consideration needs to be given as to how IHACPA will use activity data to refine cost and price advice over time.

Cost drivers change over time, with the need to be articulated and addressed in the refinement process. This should be supported by ongoing detailed cost studies that ensure the average target for care minutes can be delivered at a cost that does not exceed the AN-ACC model price.

Regionally located residential homes that are outside of the metropolitan area but are not in the Modified Monash Model (MMM) 5-7 categories where additional funds are available, do have ongoing risks with the availability of workforce, goods, and services costs (for example, increased transport costs), and costs associated with agency including travel and accommodation.

3. Principles for activity based funding in aged care

System Design Principles

Q 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?*

The proposed principles appropriately articulate the desire of the sector to provide safe, quality customer-centric care. To realise the commitment to transparency for the benefit of providers and other stakeholders the process needs to be explicitly stated in the guiding principles. The principles do not address how IHACPA will respond to Government determinations that do not accept the independently calculated pricing recommendations. If IHACPA meets the principle of transparency it may find itself at odds with the Government.

Q 6. *What, if any, additional principles should be included in the pricing principles for aged care services?*

IHACPA's response to the government when recommendations are not accepted should be clearly articulated in the pricing principles. Transparency should extend to the reporting of the determined price, including clear explanation by the Government why it is not accepted.

Q 7. *What, if any, issues do you see in defining the overarching, process and system design principles?*

Several of the terms used in the design principles are difficult to define, such as innovation, value and harmonisation. Providers should be encouraged and incentivised to introduce new technology and innovations to improve efficiency.

The aged care industry and those who provide residential aged care should be included in any consultation on the design principles.

4. Developing aged care pricing advice

What is the national residential aged care price?

Q 8. *What, if any, concerns do you have about this definition of a residential care price?*

The proposed definition which reflects the need for facilities to sustainably meet the care minutes to deliver a standard of care and quality improvements is supported.

The residential care price must meet the cost of care, accounting for the challenges of availability of staff and the regulatory outcomes that come from being non-compliant. Some of the additional factors indicated as requiring consideration in the short to medium term should also be incorporated in the residential aged care price to bring providers to the required level in a sustainable manner.

What should the price cover?

Q 9. *What, if any, additional aspects should be covered by the residential aged care price?*

The schedule for Specified Care and Services is referenced within the AN-ACC funding guide just released by government (23/9/22) and confirms that the requirements of this schedule that are included in the quality of care principles are provided to all residents who need them. The risk sits around the fact that the principles have not at this time been updated so it is unclear of the details of the new requirements.

The funding guide states that under AN-ACC the cost of providing all specified care and services to all residents has been considered in the price and the NWAU for each AN-ACC classification.

This poses a significant financial cost to providers and therefore risks inadequate allied health provision, inclusive of physiotherapists, occupational therapists, speech therapists, dieticians and podiatrists for older people living in residential aged care with AN-ACC classifications across all levels.

The Pricing approach and level

Q 10. *What, if any, concerns do you have about the proposed pricing approach and level of the residential aged care price?*

It is reasonable that the residential aged care price is not initially set on the average cost of services, largely due to the fact that many providers may not currently be operating at the minimum care minute targets. However, the inference that aged care providers are not currently meeting minimum care, quality and safety standards is subjective and is dependent upon how the delivery of care is assessed.

The price is based on meeting a minimum level of care to ensure quality and safety standards are met. It is critical that the price is based to reflect the mix of staff required to deliver quality care and allow for the use of agency staff when needed. Account also needs to be made for the associated cost premiums relating to Consumer Price Index growth and the Fair Work Commission wage case increasing staff costs.

Q 11. *How should 'cost-based' and 'best practice' pricing approaches be balanced in the short-term and longer-term development path of the Independent Health and Aged Care Pricing Authority's (IHACPA) residential aged care pricing advice?*

A critical point is what and who is defining 'best practice' as often not the most efficient but ideally brings about a higher standard. It is important that the pricing approach is a combination of best practice and cost based. This will ensure that the desired increase in care minutes is achieved.

As the determination of best practice continues to evolve over time, there should be incentive for providers to meet this expectation. As best practice moves towards the average, then a more cost-

based approach may be appropriate so long as this maintains the focus on safe, quality care for residents.

Indexation

Q 12. *What should be considered in the development of an indexation methodology for the residential aged care price?*

Impact of Fair Work Commission rulings on the cost of labour and movements in inflation as measured by the Consumer Price Index, especially when rulings are made outside of the advice cycle.

Q 13. *What, if any, additional issues do you see in developing the recommended residential aged care price?*

Should the Government elect to not support the residential aged care price as calculated by the IHACPA there is significant risk to the future and sustainability of the aged care industry.

As the cost of care is forecast to significantly increase to meet the needs of a population with a higher proportion of older people and increased quality expectations, the increasing cost to government would suggest a user pay option may need to be assessed. Any such system needs to consider the long-standing principle that aged care will be accessible to all who require it. For residents of limited means, the ability to fund their care to any extent must be a consideration, an approach based on a mix of taxpayer funding and co-contributions would be appropriate.

5. Adjustments to the recommended price

The Independent Health and Aged Care Pricing Authority's approach to adjustments

Q 14. *What, if any, changes are required to the proposed approach to adjustments?*

The question of adjustments as they relate to the BCT for example, or more so of any cost drivers not already adequately captured in the AN-ACC pricing should reflect the focus of the transparency principle in the detail of the work to justify (or not) any adjustments that the sector or consumers may see as necessary. Transparency in decision making and advice to the government as a result should be clearly articulated with reasoning and a plan of action.

Incentivising innovation through the implementation of technology or embedding best practice research findings; the increased clinical needs through the higher acuity of residents entering RACFs for example with increasing frailty factors; other unknowns (i.e. COVID-19 pandemic) need to be taken into account when adjustments are being considered. Over time these activities and changing needs will indeed see cost drivers change outside of what would be considered refinements to the model. Will the IHACPA have capacity within the framework to act and adjust for these factors outside of the review cycle, and communicate this in response to consumer expectations and provider needs?

Adjusting for factors related to people receiving care

Q 15. *What, if any, additional adjustments may be needed to address higher costs of care related to resident characteristics?*

It may be necessary to include funding supplements and adjustments for the specific resident factors as outlined.

Other factors to consider include wound care, dietary requirements and food preferences, obesity (bariatric care), complex social situations, advanced dementia – behavioural and psychological symptoms of dementia (BPSD), allied health costs and lifestyle needs.

Q 16. *What evidence can be provided to support any additional adjustments related to people receiving care?*

The additional funding supplements can be clearly evidenced through assessment of the individual resident's needs.

Adjusting for unavoidable facility factors

Q 17. *What should be considered in reviewing the adjustments based on facility location and remoteness?*

The BCT or fixed cost component, is related to occupancy. These costs largely won't change if occupancy is 100% or 50%, but the funding will be halved. If there is a genuine desire to fund the fixed costs, the funding should not be linked to occupancy. It should be a base level of funding to ensure that the service can continue operating.

Special consideration should be given to services operating in regional areas where there are limited services available and higher costs.

Q 18. *What evidence can be provided to support any additional adjustments for unavoidable facility factors?*

Facilities categorised MMM 2-4, as regional and rural locations, incur additional costs associated with service provision, including goods, services and transportation costs. There is also risk of labour supply, increasing costs associated with agency including travel and accommodation.

Consideration of additional adjustments can be explored with evidentiary data provided through a comparison of unavoidable facility factors impacting MMM 5-7 facilities already deemed to receive additional funding for similar circumstances.

Adjusting for safety and quality

Q 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?*

The expanded National Mandatory Quality Indicators give further insight into the performance of aged care providers. The indicators may highlight areas where it may be necessary to increase funding to make quality and safety improvements. Considering specific indicators to allow for adjustments to be considered over time. Prioritising the indicators and grouping those that have the biggest impact on safe quality care would be an appropriate starting point.

Review of the Aged Care Quality and Safety Commission accreditation results may also identify where issues are systemic to the industry, rather than being facility or provider specific.

Considering post hospital / procedure care needs and costs; advanced care needs resulting in additional staffing requirements; wound care; behavioural and psychological symptoms of dementia; Serious Incident Reporting Scheme; are other examples of rich data that could inform adjustments for quality and safety.

6. Priorities for future developments

Inclusion of hotel costs in AN-ACC

Q 20. *Should hotel costs be incorporated into the AN-ACC funding model and what should be considered in doing this?*

Stewart Brown regularly reports that the resident contribution through the basic daily fee does not meet the costs of hotel services across the aged care industry and providers are subsidising the extra cost from other sources. Inclusion of funding in the AN-ACC to support the gap in funding should be considered or review of the current resident contribution to the basic daily fee.

We note the current references are often to the quality of food and food services. The costs of hotel services and utilities are significant to provision of safe, quality living environments, The COVID-19 global pandemic has highlighted the reliance on high standards of cleaning for example, and have driven significant additional cost, as does the management of high standards of infection control.

Residential Respite Costing Study

Q 21. *What should be considered in future refinements to the residential respite classification and funding model?*

The model needs to consider the unique costs associated with residential respite, one of which is the short length of stay. Also accounting for the increased administration and intense short term clinical focus as it relates to the time taken to admit a permanent resident being equal to a respite resident and knowing the admission process is repeated for each period of respite.

As acknowledged, residential respite was out of scope for the RUCS and AN-ACC development this alone highlights the need to prioritise a costing study. If such a study is not prioritised, with the

calculated recommendations adopted to truly reflect the costs of service, it has the potential to disincentivise providers to offer this important type of service into the future.

Care needs differ with individuals regardless of permanency. To that extent, the one-off costs of permanent admission very closely reflect the costs of each respite admission, this coupled with turnover of respite residents raises the inherent costs of respite services in the residential setting.

Further, the goals of residential respite for the consumer must be considered as for a permanent resident. The care needs may be similar to permanent residents, however if a respite stay is to facilitate a goal of reablement or a focus on restorative care, how would this be funded appropriately?

Review of the difference in cost to transition a new permanent resident compared to a new respite resident in relation to the period of time services will be delivered requires consideration.

Review of the one off adjustment for new residents

Q 22. *What are the costs associated with transitioning a new permanent resident into residential aged care?*

Getting to know the resident and their story. Learning about a person in a holistic way, socially, emotionally, clinically, to establish a relationship of trust and confidence. Understanding the resident, their aspirations and desires through liaison with the resident, family and their broader support network.

Obvious costs associated with admitting the resident, orientating to site, documentation, introductions, social engagement to lay the foundation for authentic connections and relationships to improve quality of life outcomes. Of course, assessments both clinical and non-clinical making referrals as appropriate, medication management, liaison with treating doctors, labelling of clothing as a baseline of general requirements.

Workforce

Q 23. *How might workforce challenges present in the implementation and refinement of AN-ACC for the aged care system?*

Attracting and retaining a workforce in both skilled and unskilled roles within aged care has been and continues to be a recognised challenge for the sector.

One of the most significant and immediate challenges relates to the availability of key staff such as Registered Nurses and this will ultimately impact the cost of the delivery of services, especially if it is necessary to employ agency staff to fill unplanned vacancies or staff shortages. This is particularly challenging in regional and remote locations outside of MMM 5-7 categories, also accounting for the staff mix employed to meet the minimum care minutes.

Innovation in models of care will be driven by quality and best practice evidence and emerging roles of technology. If the AN-ACC is too closely linked to specific types of personnel, roles and minutes

of input to care then this may inhibit innovation if perverse incentives are created in the funding model to maintain outmoded models for the sake of maximising funding.

Five-year vision

Q 24. *What areas should be included in the proposed five-year vision for IHACPA's aged care pricing advice?*

The five-year vision will need to be responsive to the ongoing reform program and the impact that it has on the cost of service delivery. It will need to consider the aged care quality standards and compliance, consumer feedback and financial results of individual providers as well as the sustainability of the whole aged care industry. Monitoring enhancements in efficiency through technology and improvements in safety and quality that require constant review and how this links through to and impacts increased demand for aged care services over the time period.

Q 25. *What would be considered markers of success in IHACPA's aged care costing and pricing work?*

Quality and sustainability of services increasing to meet demand with the number of providers reporting deficits reducing over time.

Resident and family satisfaction and provider delivery of safe, quality care. The easing of the current sustained challenges as they relate to workforce attraction and retention.

The perceived benefit of the move from ACFI funding (driven by providers' requirements to employ registered nurses to undertake extensive documentation) as compared to the external assessment model of AN-ACC may be lost in the increasing burden of ongoing aged care reform and associated reporting.

7. Other comments

Resthaven consents to IHACPA contacting Darren Birbeck, CEO, or Tamara Henwood, Manager Service Development for information or clarification about this submission.