Anglicare Australia
in every Community

# Submission to the Pricing Framework for Australian Residential Aged Care Services 2024-25

**August 2023**

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## About Anglicare Australia

Anglicare Australia is a network of independent local, state, national and international organisations that are linked to the Anglican Church and are joined by values of service, innovation, leadership and the Christian faith that every individual has intrinsic value. Our services are delivered in partnership with people, the communities in which they live, and other like-minded organisations in those areas. With a combined income of $2.28 billion, a workforce of over 21,000 staff and 7,000 volunteers, the Network delivers across more than 50 service areas in the Australian community. Our services are delivered to over 503,000 people and reach close to a million Australians in total. In all, Anglicare services reach over 1 in every 26 Australians.

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

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## Introduction

Anglicare Australia welcomes the opportunity to provide input to the Independent Health and Aged Care Pricing Authority's (IHACPA) Consultation Paper on the Pricing Framework for Australian Residential Aged Care Services 2024-25. We appreciate the consultative approach IHACPA is taking as it gathers evidence to inform its costing and pricing advice to the Australian Government.

The Anglicare Australia Network consists of social and health service organisations that are linked to the Anglican Church in Australia, that share a belief in the value and the potential of every person, and the principles of justice, hope and compassion. Collectively our services provide community-based and residential aged care services to more than 68,000 elderly Australians and employ more than 9,700 staff in these services. Our providers vary significantly in size, from the very large to the very small. Several Anglicare Australia Network members are specialist residential aged care providers for people who were homeless or at risk of homelessness before they entered care.

Everyone deserves quality care as they get older. Aged care is about supporting older Australians, keeping them healthy, and supporting people to live a full, safe and healthy life. In this submission we draw on the experience of our member organisations of twelve months of the AN-ACC funding model, around how the needs of older Australians in residential aged care are being met. Getting the classification and assessment processes right is so important to making sure people receive the level and mix of high-quality care they need, in a timely way, and that no-one is being excluded from the system.

We draw IHACPA's attention to areas where further work and consideration is needed, including around allied health and lifestyle and pastoral care; respite and palliative care; and adjustments for regional service delivery.

## Determining residential aged care pricing

Fair and sustainable pricing is one of the enablers of a system that can deliver high quality of care. If aged care pricing does not include the full cost of providing high quality, person-centred care, or fails to keep up with rising costs over time, quality of care is compromised, and consumer choice curtailed. Anglicare Australia recommends IHACPA give further consideration to how the following components of care and aged care operations are reflected in the aged care price:

### Lifestyle activities and pastoral care

Residential aged care services are about more than providing clinical health care. They provide homes and communities for people in the later years of their life. There are a range of other emotional, spiritual and connectedness needs that should be included in the cost of delivering high quality, person-centred care. If not factored appropriately into the aged care price, the implementation of the 200 care minutes requirement may have the unintentional impact of redirecting services from lifestyle and pastoral care to personal care. This will harm the overall wellbeing of older people in aged care facilities, if their emotional and spiritual needs are not met.

### Allied health services

Allied health care is essential for reablement and encouraging a person to live as healthy and fulfilling a life as possible. Allied health services, including speech therapy, physiotherapy, occupational therapy and dietetics, were inadequately funded under the old Aged Care Funding Instrument and continue to be inadequately valued through AN-ACC.

The aged care price is intended to include allied health care, but the reality is that people are missing out. The most recent Quarterly Financial Snapshot found that on average residents of aged care facilities are receiving less than five minutes per day of allied health care, a reduction from before AN-ACC was introduced and well below the 22 minutes recommended by experts. The Royal Commission recommended the development of a nationally consistent care assessment and planning tool, but this has not yet occurred. Nor is there a benchmark for the number of minutes people should receive.

Anglicare Australia calls for this to be rectified. The real costs of providing allied health care to meet a person's needs and support their wellbeing and reablement should be calculated, monitored and included in the AN-ACC price.

### COVID-related costs

Aged care providers continue to bear additional costs related to the ongoing COVID-19 pandemic, including the need for more regular deep cleaning, PPE, testing and ventilation. Many of these costs remain despite the fact that the pandemic has faded from public consciousness, with expectations around cleaning and infection control changed permanently. These costs must be captured as part of the pricing arrangements.

## The costs of compliance

Administrative and regulatory requirements have grown significantly in recent years, and continue to do so with the introduction of more extensive financial reporting, care minutes and governance requirements. We strongly support transparency and accountability by providers for the funding and the quality of care they provide. But the reality remains that staff time and focus is being diverted away from the delivery of care to administration. Time allocation for this is not funded, even though these requirements reduce the care minutes of workers, especially registered nurses.

## The costs of transition

Changing funding, regulatory and service delivery systems is not cost neutral for providers. Training staff, investing in IT and system capacity and platforms, and developing new policies all take time and resources. Reforms often happen at short notice, with providers having to rush to make sure they are complying with new rules and systems, and that everything is in place for a smooth transition. If the cost of this transition is not factored into the price, it forces providers to transfer resources and staff away from supporting older people.

**Recommendation**

Anglicare Australia recommends IHACPA consider in its pricing advice whether aged care pricing is adequately meeting the costs of providing lifestyle and pastoral care, allied health care, compliance and transition costs.

## Reviewing assessment and classifications

The AN-ACC classification system uses an assessment tool to evaluate a person's functional, cognitive and physical capabilities and assign them to one of thirteen classes. The first twelve months of this system has now provided enough evidence and experience to show that the assessment and classification system is failing to provide the level of support needed to some people in residential aged care.

Where the needs of certain residents are inadequately recognised, their care is underfunded. They may then miss out on some service types, or the amount of care time they need. It can also create disincentives where providers may seek to avoid taking on the care of these residents because they feel unable to provide quality care at the assessed qualification.

### The assessment process

The assessment process plays a pivotal role in supporting the funding model, because it determines the level of funding people will receive for their care. The assessment process must deliver consistent, accurate and timely outcomes to ensure timely, high-quality, person-centred care for older people and provider sustainability.

The point-in-time assessment process means assessors are required to make complex clinical judgements in short amounts of time, and without a comprehensive understanding of a person's circumstances, wishes and goals. One Anglicare Australia member has observed that AN-ACC assessments can take on average around 20 -30 minute, which is insufficient time for a comprehensive assessment of the residents' care needs. Including residents themselves, family members and aged care workers in the assessments would reduce some of this risk, by helping assessors understand if there are fluctuations or changes in a person's needs and functioning over time, and their goals and preferences for their care. Right now, assessments are too dependent on the point-in-time judgement of the assessor, which can differ depending on who is undertaking the assessment as well as the time of day the assessment is being made.

Significant delays in reassessment are also impacting on people receiving the care they need promptly. Assessment organisations lack capacity, leading to delays or rejected referrals for reassessment. For example, one Anglicare Australia member organisation reported in July 2023 alone 66 requests for reassessments were rejected by assessment organisations due to 'insufficient capacity'. When reassessments are rejected or delayed, people either miss out on the higher care they need, or providers must bear the cost of the higher care needs until the reassessment is completed. With aged care funding margins so small, this can be a significant financial burden for providers, especially on smaller organisations or those with a large number of people waiting assessment. Some organisations have reported not being back-paid the costs of the increased care after the assessment is eventually completed and the person reclassified at a higher level of need.

## Palliative care

Delayed reassessment is particularly problematic when a person is transferring to receive end-of-life palliative care. Sometimes people pass away before the reassessment occurs, leaving the provider to bear the cost of the palliative care, with no option for backdating (because an assessment can no longer take place). Palliative care in residential aged care is already poorly funded relative to palliative care in health settings, despite both services being similar in nature. Some providers are now also reporting a trend where the weightings and algorithms for assessing end-of-life care appear to have changed, so people are consistently being assessed at a lower level of need than they used to be, exacerbating the difference in funding and care being provided in residential aged care services.

## People with cognitive impairment

Anglicare Australia Network members report issues in assessing the needs of people who have higher levels of mobility, but significant cognitive impairment. The current AN-ACC classifications emphasise physical mobility, at the expense of cognition. A person with dementia can have complex and intensive support and care needs, regardless of whether they are ambulatory. The current assessment cognition component is also quite subjective and dependent on the assessor's knowledge and experience with assessing people with cognitive deficits.

It is not clear how compounding factors are weighed and accounted for in assessments and classification. One Anglicare Australia member noted that it is far more difficult to predict the level someone will be classified at in the classes where there are confounding factors, and also that there are wide disparities in the needs and experiences of people within these classes.

## Respite care

The introduction of specific respite classes has provided a welcome incentive for the provision of respite care services. However there are still barriers to providing respite care. For example, when someone is admitted for respite care the onboarding costs are the same as if they were a permanent resident, including set up documentation, clinical and lifestyle assessments, observations and reviews, development of an agreed care plan and care conferences with families. In some cases, there may be additional costs for specialist equipment or dietary requirements. Yet the initial entry subsidy is only paid for permanent residents, not temporary respite care residents. We recommend the entry subsidy be paid for both, and administrative requirements be streamlined where a person is re-entering respite care again after first stay.

**Recommendations**

Anglicare Australia recommends the entry subsidy be extended to respite care residents. Anglicare Australia also calls for refinements to the classification system to:

- Better reflect the needs of people who are ambulatory but experiencing cognitive impairment
- Ensure people requiring end-of-life care are having their needs adequately and consistently met
- Ensure assessments and reassessments are consistent and completed in a timely way, so as not to undermine the effectiveness of the funding and care system

# Adjustments to the recommended price

## Adjusting for location

The AN-ACC funding model has now been in place for nearly twelve months, and it has become very clear that it is not adequately reflecting the cost of providing care in regional Australia. It is well established that rural and remote facilities have higher costs and a methodology for accommodating these differences is incorporated into the fixed Base Care Tariff structure. But for some regional towns, far from major cities, the methodology is failing. For example, Kalgoorlie in Western Australia is classified as Modified Monash Model 3 (MMM3), meaning they receive a fixed Base Care Tariff at the same rate as major metropolitan centres like Perth and Melbourne. However, the costs of wages, labour, goods and services are significantly higher.

The effects of this for services located in these regional areas is staff shortages and financial losses. They are being forced to reduce their capacity, and even consider ceasing operation. For the older people in these towns this means the loss of choice about their care and the very real possibility of leaving their community and disrupting their relationships to access aged care elsewhere. For some people it may mean no care available at all.

The National Disability Insurance Agency (NDIA) has already identified and addressed this issue by modifying the MMM classification of some locations. Where a location is surrounded by Remote or Very Remote areas then the NDIA modifies that classification for planning and pricing purposes. The effect of the NDIA's Isolated Towns Modification is that Kalgoorlie, Broken Hill, Emerald and other towns in similar circumstances have an adjusted National Disability Insurance Scheme MMM rating of MMM6 as opposed to MMM3 or 4. A similar adjustment is necessary for aged care pricing.

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

While there are grants available to support services in isolated communities to transition to the new model, this will only provide assistance to June 2024. It does not address the structural issue with the classification system.

**Recommendation**
Anglicare Australia recommends modifying the MMM classification for isolated towns, consistent with the NDIA's approach.

## An indexation methodology

When the cost of providing care rises, but the funding doesn't keep pace, the inevitable consequence is poorer quality or fewer services for older people. Providers consider closing beds or services. In recent years, the rate of indexation applied to aged care funding has fallen far below the real increasing costs of delivering services. The 1.7 percent indexation applied to aged care funding in 2022-23 was woefully inadequate. With two-thirds of residential aged care providers already operating in deficit, it is sending more services into financial crisis. This was noted by Commissioner Pagone in the final report of Royal Commission into Aged Care Quality and Safety, who said that "indexation arrangements applied to aged care…over the past twenty years have systematically reduced the real value of the funding that is available' and this this has 'negatively impacted the care available to older Australians." [i]

The interim formula included in the price recommendation by IHACPA in 2023 was a welcome change in approach that better recognised the true changes in costs of providing care. But there is room for further refinement to the methodology and formula. Wage costs are a substantial proportion of aged care provider costs. As well as Fair Work Commission decisions, other wage impacts like increases to the superannuation guarantee and changes to industrial relations law should also be considered. Indexation should fully fund any adjustments to wages made by the Fair Work Commission in real time, even if it is outside the IHACPA advice cycle. Using the consumer price index would likely be appropriate for a smaller proportion of the formula, recognising the changing costs of food, utilities and medical supplies, as long as there were appropriate adjustments where necessary to meet changing costs in areas of importance to aged care services.

**Recommendation**
Continue to refine the interim indexation formula to ensure it fully covers changes in wage and operating costs in the aged care sector and reflects the real costs of providing care.

## Conclusion

Anglicare Australia thanks IHACPA for the opportunity to make this submission. IHACPA's role in providing advice on the pricing and costing of aged care services is vital not only to the continued sustainability and strength of the aged care sector, but to the quality and timeliness of care provided to older Australians.

Fair and sustainable pricing enables the aged care sector to deliver high quality care. Our recommendations focus on the need for the pricing structure to reflect the cost of providing the care that Australians expect for themselves and their family members.

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

[i] Royal Commission into Aged Care Quality and Safety (2021) Final Report: Care, Dignity and Respect. Volume 1: Summary and Recommendations,