



Sector Sustainability

ACCPA Annual Conference 2022

Professor Mike Woods
Centre for Health Economics Research and Evaluation

12 October 2022

UTS Ageing Research Collaborative (UARC)

What UARC does

- Undertakes multi-disciplinary research on the fundamental issues facing ageing and aged care
- Supports evidence-based policy reform of system effectiveness, equity and sustainability, and improvements to operational efficiency
- Publishes biannual Aged Care Sector Reports and other policy and operational research

UARC's Governance

- Co-Directors: Prof. David Brown UTS Business School, Prof. Deb Parker UTS Faculty of Health
- Collaboration between academics, industry, workforce and government agencies

Partnerships

- StewartBrown provides deidentified data from their Financial Performance Surveys and partners with UARC on many research projects
- Policy Advisor: Prof. Mike Woods, UTS Centre for Health Economics Research and Evaluation
- Industry leaders contribute through an Advisory Committee

UARC's Sector sustainability report, June 2022

Sustainability of high quality and safe aged care is a fundamental challenge

- Demand will continue to grow, as will costs (especially wages to compete in the labour market)
- Quality and safety need to increase at the sector level
- The majority of aged care homes are already making an operating loss
- Government has high debt for at least 40 years (IGR 2021), as well as rising expenditure on interest payments, health, aged care, disability and defence (Budget 25 October 2022)

Four main dimensions of sustainability

- Fiscal: taxpayer affordability of service subsidies now and over the longer term
- Financial: sector level financial viability & confidence to invest. Specific solutions for thin markets
- Workforce: declining proportion of population will be of workforce age. Sector needs to offer competitive wages and conditions, training, career pathways
- Social: community confidence in quality and safety, and of safety nets for those in need. Taxpayer acceptance of fairness and equity of costs and benefits

Addressing sustainability: UARC's way forward

Reduce the rate of growth of demand for subsidised aged care services

- Invest in primary healthcare (nursing and allied), reablement and restorative care

Improve the effectiveness, efficiency and quality of the subsidised services

- Effectiveness: assess whether all subsidised services contribute to the system's objectives
- Efficiency of service delivery: provide consumer control and market-based incentives for providers
- Enhance workforce: remuneration, training, engagement, career pathways

Make the funding of the subsidised services more equitable

- Have strong, but equitably targeted, publicly funded safety nets
- Enable consumers who have the capacity to pay greater contributions, to have access to well designed financial products (e.g. Home Equity Access) and financial planning support

UARC Commentary on Support at Home, Sept. 2022

Diversity of the three programs needs to be reflected in the design

- The current programs have a diversity of objectives, client cohorts, services, providers, fees
- CHSP has the largest cohort, half of whom receive only one type of service

There are differences between aged care and disability care

- Greater expectation and incidence of ageing, often differences in lifetime financial situations
- Needs arise mainly from frailty, reduced cognitive capacity: for shorter duration, lower lifetime costs

Design needs to be based on clear and consistent set of principles

- Consumer choice and control, competitive market-based environment, proportionate regulation, clear responsibilities and accountabilities, sustainable & equitable funding (clients and taxpayers)

Self management and service-level contracting supports consumer choice and control

- But complex outcome accountabilities: multi-provider model; assessors, care managers, providers

Design of Support at Home (cont.)

Integrated assessment is welcome

- But assessment should be proportionate: one or two entry level services vs complex needs
- Restorative care across all cohorts wherever value-added

Service and price list transparency supported

- Flexibility constrained by overly narrow definitions of services and prices, and by assessor plans

Need for sustainable funding: 90% plus of current care costs borne by taxpayers

- Mandatory contributions, strong safety nets, progressive contributions for those with higher means
- Possible block funding for entry level programs for simplicity of funding, flexible delivery
- Variable rates of client contributions between domestic support vs health and personal care
- Annual and lifetime caps (social insurance) but higher than at present

Assess models for fair and equitable client contributions and taxpayer funding

Australia's Aged Care Sector: First Report May 2022

Purpose and content of UARC Sector Reports

- Provide independent analysis and commentary
- Multi-disciplinary: accounting, health economics and labour market perspectives
- Inform public debates, policy and operational decisions on delivery of subsidised aged care
- Financial analyses supported by aggregated, deidentified survey data from StewartBrown Financial Performance Surveys as part of a broader partnership

Key messages from First Report

- Financial performance of aged care providers has worsened compared to previous year
- Increasing and acute threats to financial viability. Consumer access to services at risk
- Providers struggling to improve staffing levels: competitive labour markets, insufficient funding levels, COVID-19 disruptions, rapid expansion of home care services

Full Year Report: November 2022

Section 1 Full Year Provider Survey results (2021-22)

- Approved Provider, Residential Care and Home Care
- Financial and workforce outcomes

Section 2 Current challenges and issues, policy and reform agenda

- Financial viability and sustainability of residential care (including AN-ACC)
- Proposed home care caps on care management and package administration
- Support At Home Program redesign
- Review of new legislation, Fair Work Commission wage case, Star ratings, October Budget update

Section 3 Topic in focus: Workforce

- Results from survey of providers' experiences of skills shortages for FY22
- 5 year trends in use of agency, overtime and brokered staff

AN-ACC: Conceptual Basis

Basic structure sound

- Base Care Tariff: fixed costs, including differences in 'availability' costs (NWAU from 0.49 to 1.80)
- AN-ACC 13 Classes: variable costs for residents' care needs (NWAU from 0.19 to 1.0)
- One-off transitioning costs of new permanent residents

Pricing and funding model reviews – also conceptually sound, but concerns

- Minister sets AN-ACC National Efficient Price: how appropriate is \$216.80
- Tying AN-ACC funding to staffing minutes reduces operational flexibility, doesn't guarantee quality
- IHACPA: informs BCTs, AN-ACC Classes, NWAUs. AN-ACC 'indexation' not tied to COPE

Governance: need clarity of responsibilities and accountabilities

- Assessor independence: clarity of criteria, national consistency, responsiveness to changing needs
- Assessors, care managers and providers accountabilities to government & residents for outcomes

Financial viability policy considerations

Providers should be accountable for the care they deliver

- Transparency and accountability enhanced if taxpayer funded care subsidy and resident means tested care fees focus on the delivery of care (noting current cross-subsidies to other costs)

Accommodation remains the largest source of operating loss

- Care fee surpluses currently used by providers to cross subsidise accommodation costs (and until recently, indirect care), and yet operating results still show, on average, a loss
- Direct care: labour costs 78.4% of expenditure (excl admin), 70.6% of revenue (SB March 2022)

Policy considerations

- Accommodation: Pricing reform needed, including transition to more market-aligned rental pricing, and accommodation models which can support continuum of care
- Basic Daily Fees. Greater flexibility for level of BDFs, regulatory certainty for additional services
- Means tested care fees are currently only 5% of care related expenditure. Lower the thresholds, increase annual and lifetime caps. Additional client funding to enhance quality and safety of care



Sector Sustainability

ACCPA Annual Conference 2022

Thank you