

# SUBMISSION

Thursday, 31 August 2023

## **Pricing Framework for Australian Residential Aged Care Services 2024-25**

### **AMA submission to the Independent Hospital and Aged Care Pricing Authority consultation**

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The AMA welcomes the consultation by the Independent Health and Aged Care Pricing Authority (IHACPA). This submission will address the key areas of relevance for our members, including how aged care pricing should ensure quality care of older people.

#### **Principles for activity based funding in aged care**

The AMA is generally supportive of the principles for activity based funding in aged care, as outlined in the consultation paper. IHACPA's policy objectives include promoting the person-centred, quality care expected by the community in line with the Aged Care Quality Standards, while supporting improvements in the sustainability and efficiency of the aged care system over time.

We particularly welcome the recognition that quality care should be guiding the pricing advice in line with the Aged Care Quality Standards.

#### **The Australian National Aged Care Classification (AN-ACC) funding model**

The AMA remains supportive of the AN-ACC funding model. The current AN-ACC classes group residents in a manner that is relevant for both care and resource utilisation. The AN-ACC classification was developed on the basis of rigorous research and the AMA is not aware of evidence or information that demonstrates the need for change.

The AMA continues to support the AN-ACC NWAU components and formulas, however, if the price paid per activity is too low, not adjusted to staff wages growth, or is insufficiently indexed, the funding model cannot support high quality care and positive resident outcomes regardless of funding formula. Locking in a fundamentally low NWAU initially with a slow annual growth rate may result in the NWAU never reflecting the actual cost of care and never meeting demand. Aged care, like hospitals, needs to be efficient and effective.

Furthermore, the AMA urges IHACPA and the Department of Health and Aged Care to ensure that the burden of compliance with the reporting on the new funding model is not too cumbersome for aged care providers. Our members argue that every minute spent on documentation and documentation compliance is a minute not spent providing care to residents. Doctors are seeing this firsthand on the ground when it comes to quality standards compliance. Similarly, a high burden of reporting compliance for funding has the potential to result in residents getting worse rather than better care. Therefore, the requirement for funding/pricing reporting too must be efficient and easy to implement, as well as fair and accurate.

The AMA is supportive of the proposal in the consultation paper that indicates that IHACPA, if requested, will provide data collected as part of its costing studies to the Department. We believe this information is important for the Government to have, so that they can continue to align minutes with each AN-ACC class over time. This is important for both funding purposes and ensuring aged care providers meet relevant standards and obligations.

### **Developing aged care pricing advice**

The AMA supports the proposed approach to IHACPA's indexation methodology for the 2024-25 pricing advice, that considers:

- stakeholder feedback
- relevant information on cost growth
- time series cost data collected through the residential aged care costing study
- the aged care financial report
- the quarterly financial report
- any available Fair Work Commission decisions on wage rises and annual wage growth trends.

Stakeholder feedback must have primacy when developing the pricing advice. We have continuously raised the importance of capturing the feedback from those who are providing the services on how the funding is impacting them in the public hospital funding space. We maintain the same position for aged care. That feedback must not rely solely on the information obtained from providers of aged care

services, but must also reflect the views of the workforce, particularly the nursing and caring workforce.

In the consultation paper, IHACPA recognises the need for providers to deliver services that meet the Aged Care Quality Standards, with its pricing advice adopting blended best practice and cost-based approach. The AMA welcomes this recognition, but at the same time we are surprised that the funding model does not recognise the need for the funding model to include funding for staff training to be able to deliver quality services.

We have previously argued that factoring the cost of training into funding should be applied to residential aged care in the same way it is for public hospitals. While in the future staff may be required to meet minimum qualifications to work in the sector, the importance of on-the-job training remains high. With the growing reliance on staff from overseas to fill the roles in the aged care sector,<sup>1</sup> and concessions to standard skill visa requirements such as no post qualification work experience requirement, it would be reasonable to expect that aged care providers would have to provide on-the-job training for the staff.

At the same time, under the revised Aged Care Quality Standards that are currently being trailed,<sup>2</sup> the providers are expected to maintain and implement a training system that ensures that workers have the necessary skills to effectively perform their role. Similarly, the expectation is that the workers would regularly receive competency-based training in person centred care, caring for people with dementia, and responding to medical emergencies. These changes are all welcomed and supported by the AMA. We have been arguing for improved on the job training for aged care staff for years.<sup>3</sup> This is because the AMA members have continuously noted deficits in training of aged care staff in multiple areas, including but not limited to triage, wound care, medication provision and palliative care including syringe driver use. The lack of training and experience in these areas increase hospital admissions and ED presentations.

The AMA sees multiple risks with this training not being included in the funding model, at least as a block funded segment. This lack of associated funding may result in providers choosing not to invest in training, but still impose professional development and training requirements on their staff. Staff should be supported to undertake training within their work hours.

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<sup>1</sup> <https://immi.homeaffairs.gov.au/what-we-do/skilled-migration-program/recent-changes/new-aged-care-industry-labour-agreement>

<sup>2</sup> <https://www.health.gov.au/sites/default/files/2023-05/strengthened-aged-care-quality-standards-pilot-program.pdf>

<sup>3</sup> [https://ama.com.au/sites/default/files/documents/AMA\\_submission\\_to\\_the\\_Royal\\_Commission\\_into\\_Aged\\_Care\\_Quality\\_and\\_Safety\\_FINAL.pdf](https://ama.com.au/sites/default/files/documents/AMA_submission_to_the_Royal_Commission_into_Aged_Care_Quality_and_Safety_FINAL.pdf)

### **Adjustments for safety and quality**

In our previous submission to the IHACPA 2023-24 pricing consultation, the AMA called for IHACPA to continue to work on developing adjustments for safety and quality. We argued that the aim of those adjustments should not be to penalise providers, as funding penalties are not an effective way of achieving reduction in sentinel events. The development of such adjustments should support aged care providers to achieve required levels of quality and capacity to provide quality care, to identify best practice and to support improvements in aged care homes that are failing their residents.

### **Contact**

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