

Aged Care Workforce Remote Accord Submission to the Royal Commission into Aged Care Quality and Safety – Capital Financing for Residential Aged Care

This submission to the Royal Commission into Aged Care Quality and Safety (the Royal Commission) is made by the Aged Care Workforce Remote Accord (the Remote Accord). In making this submission, the Remote Accord wishes to ensure that the particular difficulties facing service providers and their clients in remote and very remote Australian communities are given consideration by the Royal Commission.

The Aged Care Workforce Remote Accord

The Aged Care Workforce Remote Accord (the Remote Accord) is a group of service providers delivering aged care services in regional and remote areas of Australia.

The Remote Accord was formed based on the belief that every community—including those in remote and very remote areas of Australia—has an equal right to accessible, high quality aged care services. The Remote Accord saw its genesis in the '*A Matter of Care: Australia's Aged Care Workforce Strategy*' report; Strategic Action 11 recommended that the Government and industry support the establishment of a Remote Accord.

Where is remote and very remote Australia?

Defining the nature and implications of remoteness is challenging when the boundaries are broad, and the communities are far from homogenous, but for the purposes of this submission the Department of Health custom remoteness classification has been utilised to define the areas of remote and very remote. This classification utilises the *Modified Monash Model*¹ (MMM) and more specifically uses MMM6 and 7 to describe remote and very remote areas.

¹ "The Modified Monash Model (MMM) is a recently developed geographical classification system, using up-to-date population data, which the Government can use to better address the maldistribution of medical services across Australia." Australian Government Department of Health
<https://www.health.gov.au/internet/main/publishing.nsf/Content/modified-monash-model>

Using these definitions, the estimated population of remote and very remote Australia in 2014 was 536,490² people. This represented approximately 2% of the population of Australia but this is spread over most of the landmass of the country at very low population densities.

In focusing on remote and very remote as MMM 6 and 7, the Remote Accord also notes that sometimes the challenges faced by other rural and regional MMM classified areas, particularly MMM5, may be similar to those in the more remote regions. The combined population of MMM 5,6, and 7 areas was 2.3 million³ people in 2014.

Remote and very remote communities are an essential part of Australia's shared identity and heritage. For the people who live in them, they are not isolated or distant, they are home. Older Australians living in these communities want to be able to age in their communities, sharing their wisdom and experience, retaining their connections, and continuing to be an independent and vital part of these communities.

Capital Financing Needs in Remote Australia

Remote service providers and their clients have very different needs to services in metropolitan and regional areas of Australia, and as such their capital financing requirements look very different as well. These differences can be seen in both the facilities required, and the cost of those facilities.

- Facilities Required in Remote Areas

Residential services in remote areas look very different to those in metropolitan and regional areas, and capital requirements are very different. Although remote facilities are often much smaller than those in other areas, remote facilities have additional needs, such as staff accommodation and security needs, as well as the cultural needs of clients.

Living and working in remote areas is more expensive for employees than in metro and regional areas⁴, and due to this as well as a lack of available housing in remote areas providers will often offer staff accommodation as an additional incentive to employment. The Remote Accord has heard in consultation with service providers in remote areas that housing

² Australian Government Department of Health, DoctorConnect, *Annual Estimated Resident Population, by State and Modified Monash Model*

³ Ibid

⁴ Megan Ferguson, Kerin O'Dea Mark Chatfield Marjory Moodie Jon Altman Julie Brimblecombe, *The comparative cost of food and beverages at remote Indigenous communities, Northern Territory, Australia*, <https://onlinelibrary.wiley.com/doi/full/10.1111/1753-6405.12370> accessed 29/5/19

provided to staff in remote areas is often not of a standard that would be considered appropriate in metropolitan areas, and far below what staff moving to those areas may be used to. Keeping a supply of adequate housing available to staff is an additional burden on remote services that those in metro and regional areas do not face.

We have also heard from service providers that they often have additional needs when it comes to ensuring the safety and security of their employees, residents, and services. Remote communities can be challenging places to live, and remote communities face complex sociological conditions. As such, service providers may need to incorporate higher levels of security when building and improving structures, such as incorporating secure car parking and storage areas. These additional security needs create additional costs for remote service providers.

The Remote Accord also highlights the need for culturally safe and appropriate services for Aboriginal and Torres Strait Islander people living in remote and very remote Australia, as this is something that remote service providers seek to accommodate when developing and improving residential facilities. For example, we have spoken to services who have worked with local communities to ensure their facilities have appropriate outdoor areas where Elders can spend time safely and securely. Culturally safe facilities are an essential part of providing place-based care to people living in remote and very remote areas.

- Additional Costs of Building and Maintaining Remote Facilities

In addition to the complexities of ensuring remote services have the *right* facilities available, there are also added costs to building and maintaining those facilities. Building and maintaining structures in remote and very remote areas is significantly more expensive than building in metro and regional areas due to the availability of labour and materials, as well as environmental factors that can impact facilities.

We spoke to one service provider who had received a quote of approximately \$1.6m for the construction of a simple, prefabricated two-bedroom facility for staff accommodation. Over half of that quoted price was made up of costs associated with labourers and materials travelling to the location, and accommodating labourers at the site. Another quote the Remote Accord reviewed was for routine maintenance of an existing facility, and in this case over 20% of the quoted cost was associated with accommodation for labourers who would need to travel to the remote location and stay there while the work was carried out. These additional costs mean even minor repairs can be very expensive, and place a large burden on services trying to build and maintain facilities in remote and very remote areas of Australia.

Accessing Capital Financing in Remote Australia

In addition to more complex and expensive facility requirements, remote service providers face additional challenges in gaining access to capital financing. This is due both to a lack of capital, and a reduced capacity to access external funding sources.

- **Lack of Capital**

The viability of aged care services operating in remote areas faces significant challenges, with 67% of outer regional, rural and remote facilities operating at a loss (more than 43% recording a cash loss)⁵ and signs that an increasing number of smaller providers are seeking to leave the industry.⁶ It is worth noting that there are no for profit providers operating in remote and very remote Australia, as these sites are known to be unprofitable.⁷

Remote service providers have a higher proportion of supported clients, and fewer clients utilise Refundable Accommodation Deposits. This means that larger providers often must support expensive capital financing requirements in remote areas by diverting funds from their metro and regional facilities. Smaller providers face an even greater challenge as they are unable to do this.

These financial challenges mean that service providers operating in remote and very remote areas of Australia struggle to fund their already additionally complex infrastructure needs.

- **Difficulties accessing external supports**

Service providers operating in remote and very remote areas of Australia have additional logistical and administrative challenges in accessing external capital financing supports through grants. The Remote Accord has heard through consultations that service providers – particularly smaller providers – often do not have the administrative capacity to adequately complete grant applications.

Workforces in remote areas are face acute and unique challenges, and experience even greater rates of skills shortages and higher turnover rates than their metro and regional counterparts.⁸ Due to these challenges, existing staff at services are already at or over capacity in terms of their ability to meet administrative requirements, and the additional

⁵ *Aged Care Financial Performance Survey Sector Report* (StewartBrown, March 2019)

⁶ *2019 Report on Funding and Financing in the Aged Care Sector* (Aged Care Financing Authority, 2019)

⁷ Ibid

⁸ Kostas Mavromaras, Genevieve Knight, Linda Isherwood, Angela Crettenden, Joanne Flavel, Tom Karmel, Megan Moskos, Llainey Smith, Helen Walton and Zhang Wei, *THE AGED CARE WORKFORCE, 2016* March 2017, Pg. xvii

burden of completing grant applications is a logistical impossibility for staff working in smaller services without the support of the larger administrative structure that bigger organisations offer.

Even for larger organisations there are additional challenges to accessing funding for remote areas. The Remote Accord has heard that there is a lack of understanding at both a State and Federal Government level of the nature of remote services and the additional needs they have in accessing capital finance. For example, services noted that many grant applications require two different quotes be provided – however this can be an impossibility for services who require tradespeople to travel for hours over dirt roads to reach their service in order to give a quote. These logistical challenges faced by remote communities present very real barriers to accessing funding.

Flexible funding arrangements such as those provided under the National Aboriginal and Torres Strait Islander Flexible Aged Care Program (NATSIFACP) scheme can help to alleviate some of the difficulties providers face, but these arrangements too are subject to a complex and competitive application process. Additionally, NATSIFACP is currently only available for minor building upgrades and staffing accommodation, and not accessible for the construction of new facilities.

The Remote Accord also notes that while the Royal Commission's report has observed that the Rural, Regional and Other Special Needs Building Fund is underutilised and only plays a small role in expanding and improving the stock of residential aged care, it is possible that this is due to a lack of accessibility or a lack of knowledge of this fund. In our consultations, most service providers were not aware that this fund existed and did not know how to access it.

Key Recommendations:

- A broader understanding of the importance of remote service providers and the challenges that remote service providers face in accessing capital finance is vital to ensuring that these services survive
- The Remote Accord recommends that flexible funding arrangements such as the NATSIFACP be expanded both in their scope and their accessibility
- The Remote Accord recommends that grants such as the Rural, Regional and Other Special Needs Building Fund, which aim to improve stock in remote areas, are made easier for services to access, with relevant logistical challenges taken into account