**From:** Margaret Deerai
**Sent:** Thursday, 31 August 2023 9 02 PM
**To:** submissions ihacpa <submissions ihacpa@ihacpa gov au>
**Cc:**
**Subject:** NRHA response to the Consultation Paper: Pricing Framework for Australian Residential Aged Care Services 2024-2025

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Dear IHACPA team

My name is Margaret Deerain and I am the Director, Policy and Strategy Development at the National Rural Health Alliance    Thank you for the opportunity to comment on the Consultation Paper on the Pricing Framework for Australian Residential Aged Care Services 2024-25   I apologise that this is coming after 5pm on 31st August (but still on the due date!)

In December 2022, the Alliance published a Fact Sheet titled [Aged Care Access in Rural Australia (December 2022)]   I thought you might find this Fact Sheet good background material about some of the issues relating to aged care in rural Australia    Some of the key points from this Fact Sheet include:

- There are significant workforce shortages in rural Australia, with difficulties in attracting and retaining an appropriately skilled and multidisciplinary aged care workforce
- The majority of aged care providers in rural areas are not-for-profit and government agencies, with many for-profit providers exiting the market due to issues with sustainability
- Higher operating costs, workforce shortages, travel distances and smaller population sizes limit economies of scale, creating unique challenges for the provision of aged care in rural Australia
- It is estimated that total expenditure for aged care providers is more than 16 per cent higher in rural areas   Labour is consistently the highest cost across all geographic areas, however, labour costs represent 71 per cent of expenditure for rural aged care facilities compared with 64 per cent, on average for facilities in other areas
- A lack of training and professional development opportunities, low remuneration rates, high workloads, and social factors such as housing availability and employment and education opportunities for family members, are some of the key barriers impacting the aged care workforce in rural areas

While these factors may be well known to you, they are important issues to consider for aged care pricing

In relation to some of the specific points outlined in the consultation paper:

> Page 11: Principles
>
> The principle of **Fairness** is Activity Based Funding (ABF) payments should be fair and equitable, based on resident needs, promote the provision of appropriate care to residents with differing needs, and recognise legitimate and unavoidable cost variations associated with this care   Equivalent services should otherwise attract the same price across different provider types

The National Rural Health Alliance notes Fairness is a good principle and the concept of fairness should also extend to supporting rural aged care which in many cases may have smaller bed numbers and lower levels of activity but at the same time have higher labour and input costs   The Alliance would like to reiterate that "rurality" brings with it legitimate and unavoidable cost variations and we would welcome these factors being part of consideration for fairness

> Consultation questions on page 23:
> What, if any, additional cost variations area associated with the provision of care to residents who require specialised services?  What evidence is there to support this?
> What, if any, care-related costs are impacted by service location that are not currently addressed in the BCT weighting?

The National Rural Health Alliance draws your attention to the point raised above about higher operating costs, workforce shortages, travel distances and smaller population sizes limit economies of scale for rural aged care providers   The Alliance has heard feedback from aged care providers who are impacted by these challenges, particularly those in Monash Modified Model (MMM) 3 – 7 with these factors exacerbated the more rural and more remote the services

> Consultation Question on page 26: How could, or should the AN-ACC model be modified to be used for Multi-Purpose Services (MPS) are there any factors that aren t accounted for under the AN-ACC model?

Feedback to the Alliance in the context of the MPS Program suggests that these services receive block funding through the National Health Reform Agreement but are not eligible for funding under the Australian National Aged Care Classification (AN-ACC) model  MPS providers can effectively be financially penalised for having all or most of their aged care beds occupied, as they receive considerably less funding to provide care to a full complement of residents under the current system  The model of funding for MPS should ensure that services are encouraged to provide the services to people based on **need** (whether that be residential aged care, respite or hospital stays) not on what service attracts the higher funding

Please do not hesitate to contact me if you would like to clarify any aspect or require further information

Regards,
Margaret

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*The National Rural Health Alliance acknowledges Traditional Owners of Country throughout Australia and recognises their continuing connection to lands, waters and communities. We pay our respect to Aboriginal and Torres Strait Islander cultures; and to Elders both past and present.*