Residential Aged Care Briefing Paper

Additional Services

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OVERVIEW

With the Task Force considering options for changes to residential care funding, this Q&A is provided as a briefing to key stakeholders in that conversation.

Pride Living is the largest provider of consulting services to providers wishing to implement Additional Services. We also provide audit and assurance services to providers who have implemented Additional Services either internally or via another third-party advisor.

Pride Living's involvement in Additional Services consulting

The following information is based on data from Providers we have worked with. In addition to this data set, we conduct market/competitor analysis for every provider we work with and have significant other information that is not part of this Q&A paper.

In broad overview, the responses to the questions and issues posed herein are based on the following:

- All facilities we have implemented AS - these facilities are located across Australia and represent FP and NFP Providers of all scales.
- We have worked with more than 100 Providers who collectively administer over 17,500 places.
- We have a strong pipeline of enquiry and anticipate that by June 2024 we will have been engaged or be advising Providers covering in excess of 24,000 places
- More than 175 facilities and in excess of 10,000 places subscribe to our ongoing support services. This service commences 12 months after completion of implementation.
- We are currently in discussion with a further 28 providers about implementing AS, our current lead-time to commencement an engagement is greater than 4mths

Our AS data set is arguably the most comprehensive in the sector. We estimate our clients represent more than 25% of Providers who have implemented AS programs. We are not aware of any comprehensive data sets on AS penetration. While the Aged Care Financial Performance Survey has some data on AS, we do not see this data as presenting as representing the true impact of AS on financial performance of Providers. It is particularly relevant to AS that the ACFPS is biased toward the NFP sector, who has a lower uptake of AS than the FP sector.

Summary of complaints we have had to deal with, nature and resolution

Our clients report few complaints related to AS. We have provided assistance or advice for around 10 complaints out of 10,500 places under subscription.

Complaints raised relate to–

- The quality of additional services delivered e.g. meal quality, etc
- Care delivery but include residents who are paying extra for services which were delivered poorly.
- A new resident who did not believe he would receive any benefit from the services based on his religion. As a result, his fee was waived.
- A resident transferred from a closing home that did not charge additional service fees. The family complained they should not pay for services provided free at the previous home.
- A resident whose AS fees were waived during respite, complained upon converting to permanent care when they were asked to pay a fee and received no new services.

As our approach to implementation is exclusively a packaged fee approach this experience is strongly suggestive that any sense of consumer misgiving of packaged services is anecdotal and not well founded.

Insights can you give provide on the difficulties with individually pricing items

Most Providers offer an opt-in/out option for boutique services e.g. hairdressing, beautician, gift shop, newspapers, treats, etc. These are services that don't appeal to the majority of residents e.g. 40% of residents are male and don't value hair and beauty services.

Our clients tell us that if individual pricing is adopted for all AS services, they fear it will cause inequity and disquiet among residents and staff. The common example given is a resident may see a roommate served a beer/wine and request one, only to be advised they are not entitled to this service or be asked to pay for it. Individual pricing at the point of service delivery creates an administrative burden to monitor consumption and enquiries from residents who do not remember ordering or receiving services. It is likely that staff will provide services to everyone rather than only those who have paid for services.

Individual pricing would result in a higher charge and cost as Providers would need to recover the higher administration costs.

Similar to the ESS model, only popular services are included in the mandatory packages e.g. TV, Foxtel, private phones, meal and beverage options, bus trips, special interest classes, etc. These are packaged so they can be available to all residents at affordable prices so as not to create inequality within the resident population.

Our packages are priced well below the value of the combined services, as it is unlikely a resident will access all services. This is similar to a buffet restaurant, there are more food choices than an individual will eat. The price of the buffet is based on the assumption that each person will only eat a selection of food based on individual preferences.

The packages we implement guarantee residents will benefit from services to a level greater than the cost of the individual items in the package or we will discount accordingly (see capacity to benefit section).

Forcing change will in our opinion be detrimental to the penetration of AS as a funding source for providers. It will likely result in a high incidence of billing errors that will create stress for consumers and an extra cost burden to providers. Beefing up the ability to benefit test offers an effective protection to consumers. There is a significant issue of how grandfathering would work at a practical level.

What are the most common objections we get from providers about the implementation of AS

- Significant capital investment is required to provide services above the minimum standard e.g. flatscreen TVs, Foxtel satellite systems, private phones, catering labour and equipment, buses, etc with no guarantee of a financial return on investment and makes it difficult to obtain finance.
- Concern about the administrative burden of managing individual service delivery and invoicing of services.
- Inequality of service delivery i.e. creating a two-class system of have/have-nots.
- Many costs are service-wide, individual pricing becomes problematic, e.g. Larger beds and smart TV's would be in the room and would have to be removed

The creation of two classes from optional services is a major matter, particularly in the NFP sector. Our universal application at differentiated costs resolves this dilemma.

Data on objections to compulsory AS

- We don't collate any formal data on this. We do monitor occupancy and consumer feedback from sales staff in the first 12mths of implementation.
- The feedback we get is that AS fees are rarely the reason a home is not selected.
- The recommended fee for Supported residents is $6.95 per day or $2,537 (p.a) inc GST (not much more than the cost of a cup of coffee).
- For a self-funded retiree, the average fee of $14.95 per day or $5,457 p.a.
- These fees are generally considered minor compared with the accommodation charge, the basic daily fee and the MTCF.

Range of Additional Service fees

We recommend the following charges:

- Supported and respite residents $6.95
- Respite residents be charged at the supported rate as their means are unconfirmed.
- For self-funded retirees, the price varies based on the age/quality of the home.
  - For a 1990s home with significant refurbishment, the range is $9.95 - $14.95 per day (inc. GST).
  - For homes approx. 10 years old, the fee range is $14.95 - $24.95 (incl GST).
  - Newer homes charge up to $39.95 per day (inc GST) typically limited to major metropolitan areas.

Why concessional residents can afford $6.95 per day

The only costs for supported residents besides the basic daily fee, are medication, clothes and outings. All other costs are covered by Government funding or the BDF.

A breakdown of typical pension and costs is set out in the table below. After paying the BDF, a fully supported resident has a disposable income of $18.51 per day to spend on clothes and outings. There is a further cost for residents who are smokers. This can be an issue for homes that cater for residents with psychiatric illnesses.

As of 20 September 2023

Standard Single Pension Rate

$ 1,002.50	Maximum Basic Rate
$ 78.40	Maximum Pension Supplement
$ 14.10	Energy Supplement
$ 1,095.00	**Total**

https://www.servicesaustralia.gov.au/individuals/services/centrelink/age-pension/how-much-you-can-get

Normal Expenditure

$ 58.98	RACS Basic Daily Fee
$ 825.72	**Total Fortnightly**

https://www.health.gov.au/resources/publications/schedule-of-fees-and-charges-for-residential-and-home-care

$ 262.80	PBS Safety Net threshold (concession card holders) $1542.10 for general patients
$ 10.11	**Cap Fortnightly**

https://www.servicesaustralia.gov.au/individuals/services/medicare/pharmaceutical-benefits-scheme/when-you-spend-lot-pbs-medicines/pbs-safety-net-thresholds

$ 835.83	**Total Expenditure**
$ 259.17	**Total Surplus Fortnightly**
$ 18.51	**Total Surplus per day**

Some typical inclusions that people get value from, no matter what level of acuity they have

The palliative/end-of-life stage is often seen as a time when residents may not have the capacity to benefit from additional services. In our view, capacity to benefit includes services accessed by families and friends during palliation/end stage of life. Capacity to benefit extends to services the resident would have had access to in their own home for family and friends i.e. TV, wi-fi, private telephone, cold drinks, meals, treats, etc.

Examples of typical Additional Services we include ion our clients packages

Typical services we see our clients include in their AS packages include:

- King single electric bed (unless assessed care needed)
- In-room coffee machine or coffee-making facilities
- Filtered or sparkling water
- Private telephone
- Personal CD player/ streaming music subscription
- Audible room clock and calendar
- Bluetooth headphones
- In-room safe
- Fresh flowers
- Professional name engraving service
- Companion/guest overnight accommodation e.g. during palliation
- Personal bar fridge for drinks and snacks
- Test and tagging of electrical devices
- Professionally printed clothing labels
- Extended laundry service with next-day turnaround of laundry and washing of delicate clothing items
- Superior quality linen and towels
- New pillows on entry and replaced as required, with a pillow menu to support resident preference.
- A range of superior quality toiletries to select from for greater suitability to the products the resident
- Flatscreen TVs and subscription TV. Palliative care recipients tend to have the TV left on in the background.
- Wi-Fi that supports video conferencing to allow residents to connect with family members and friends via video calls

How do we ensure that people with high acuity can receive value from their AS charge?

The Additional Services Resident Review of Capacity to Access & Benefit form is completed on admission and with any care plan review or change to the resident capacity identified.

This ensures that residents only pay fees to the value that they can derive a benefit from. As their acuity changes, their care plan is reviewed as is their capacity to derive a benefit from the Additional Services.

Ongoing compliance is an issue, some providers do not have robust processes to ensure this. The Commission could develop a risk-based approach to monitoring providers or there could be a requirement for third-party audit and attestation of compliance.

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