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PARLIAMENTARY DEBATES



THE SENATE

PROOF

ADJOURNMENT

Tasmania: Aged Care

SPEECH

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Date Tuesday, 23 June 2009
Page 67
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Speaker Polley, Sen Helen

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Senator POLLEY (Tasmania) (6.50 pm)—I speak tonight of the unique circumstances and challenges that face the aged-care sector in my home state of Tasmania. After many months involved in an extensive inquiry into residential and community aged care in Australia, I am now more aware than ever of the particularly dire situation faced by Tasmania. This is largely due to the disproportionately large older population in our state, our isolation as an island and our smaller and more decentralised population.

No-one would argue that the aged-care sector across the nation has faced increased challenges over recent times, with changes to the country's age demographics; increased costs for food, utilities and construction; and changing social expectations when it comes to the care of our elderly. However, Tasmania faces a situation very separate to that of other states, which makes the problem more severe and therefore more in need of assistance and change.

Tasmania has the second oldest population in Australia, with 14.8 per cent of its population over 65 years, as at June 2007. It also has the highest average age in the country. Combine this with the below average mean income for the state and the high rates of intergenerational welfare and you have a state with a considerable ageing population with lower incomes, lower asset bases and social infrastructure less able to provide for the needs of its elderly in the same way that mainland counterparts can.

Nearly 95 per cent of aged-care services in Tasmania are provided by the not-for-profit sector, meaning that the care of the client is at the core of the organisations' ethos and operation, rather than profit making for the shareholders. However, this also means that Tasmania's aged-care providers are more susceptible to funding levels and other sources of income. At present, almost half the not-for-profit aged-care facilities in Tasmania are running at a deficit, compared with 40 per cent nationally. The current global economic conditions will only serve to make this situation worse.

It is clear that the costs associated with building and maintaining aged-care services have escalated in recent years, and many providers believe that funding has not kept pace with these costs. Building each new bed is estimated to cost \$160,000 plus. The

capacity to generate income for capital improvements outside of government funding is largely confined to accommodation bonds and daily contribution fees from residents—normally 85 per cent of the age pension. Accommodation bonds can, under the right circumstances, generate healthy sums through interest payments, and thereby offer a strong source of income for aged-care providers. This, in turn, allows for capital investment, asset maintenance and service improvements, but only to those providers who have access to reasonable bonds.

Compare the average bond for an inner Sydney resident, on average \$520,000, to that of an Ulverstone resident in north-west Tasmania, which is \$189,000. The disparate house prices—fuelled by disparate income levels, opportunities over a lifetime and different cost-of-living factors—can lead to vastly different bond amounts and, therefore, vastly different outcomes for the aged-care providers. The Sydney provider can make \$20,000 more per annum based on that bond than the Ulverstone provider can, despite the fact that the resident is fundamentally the same person, with the same needs and the same, if not higher, costs for food and transport.

Tasmania may enjoy lower house prices—which is great when you are a first-time home buyer—but those lower house prices carry through the years, meaning Tasmanians have lower asset levels in later life, largely due to their diminished earning potential. Subsequently, Tasmanian aged-care providers have less access to bonds that would otherwise supplement income from government funding. This has a chain reaction effect—the less diversity of income streams, the fewer new beds that can be built and utilised; the less refurbishment of facilities as they age, the fewer efficiencies that can be gained through improvements to the facilities; the fewer beds that are available, the bigger the demand this creates for the system.

The age of Tasmania's aged-care infrastructure is climbing, yet the capacity to rejuvenate it is limited. Tasmania runs the risk of losing a large component of affordable accommodation for older people as the independent living units are unable to be updated and maintained. Yet the building of new beds and other capital investments are often the last thing on a long list of spending priorities for aged-care providers. Before any organisation can consider expansion, they

must first be able to meet the normal, day-to-day costs of operation. Nationwide, food prices, transport costs, fuel, electricity, other utilities and staff wages have all risen, and they all continue to rise at more than CPI. Such costs simply cannot be avoided and must somehow be managed amidst other budgetary constraints.

Tasmania is unique as an island. The benefits that come from an easily accessible coastline, short travel distances and natural quarantining from numerous pests and diseases are often outweighed by the pure cost attached to our idyllic island existence. Isolation must be overcome and it is only overcome through additional costs. It costs more to transport food and other goods to Tasmania. It costs more to fill up your car, because of the need to freight in fuel. It costs more to meet most normal living costs, and this impacts further on the situation of the Tasmanian aged-care sector. Fuel prices have risen 50 per cent. In the last 18 months electricity prices in Tasmania have gone up approximately 24 per cent. From July 2009—next week—when Tasmania joins the contestable electricity market, prices will rise another 25 to 40 per cent. Given that electricity is one of the top three costs for providers, such dramatic increases are not easily accommodated.

Another unique issue for Tasmania is the smaller average size of our aged-care facilities. The regional and rural settings of these facilities and the decentralised nature of Tasmania's population means that nearly half of our residential aged-care facilities have less than 60 beds—the benchmark for sustainability. This is largely due to the not-for-profit nature of these facilities, which reduces the capacity to expand or to operate on a larger scale. It is also due to the fact that Tasmania is largely decentralised—and Tasmanians are very much linked to their communities. An aged-care facility is seen as an integral part of these rural and regional areas and is important in keeping older Tasmanians not just close to their family and friends but close to their communities. With aged-care centres being among the top three employers among some Tasmanian communities, their importance, regardless of their size, cannot be underestimated or understated. The benefits gained from economies of scale, as is realised by the consolidation of services and sites in larger areas, cannot be achieved in Tasmania. In fact, consolidation would potentially undermine the social fabric of Tasmanian communities if it were attempted.

Without sensible and realistic changes, the number of not-for-profit providers and aged-care places in Tasmania will fall. The recent Senate inquiry report into aged care made an overarching recommendation to review the current position and future needs of the

sector and to examine these under the guidance of a stakeholder panel. The best way of ensuring that areas such as Tasmania are well represented and that their unique circumstances are properly considered is to have rural and regional representatives in this stakeholder mix. Perhaps then the unique challenges facing my home state and its aged-care sector can receive the unique solutions they require. In terms of all of the organisations that provide care for aged Tasmanians, I can say that they are of a very high standard, and I commend not only those in management but particularly those who work in this industry, who provide a much needed and essential service to the Tasmanian community.