

# The future of residential aged care in Australia; a mixed methods analysis of the relationship between policy, structure and the provision of care

PhD Thesis – Volume 1, Chapters 1 to 7

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This thesis is in two volumes. Volume 2 contains Appendices A to H.

The future of residential aged care in Australia; a mixed  
methods analysis of the relationship between policy,  
structure and the provision of care

Volume 1, Chapters 1 to 7

Richard Baldwin

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Philosophy at the University of Technology, Sydney

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## Certificate of original authorship

I certify that the work in this thesis has not previously been submitted for a degree nor has it been submitted as part of requirements for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by me. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the thesis.

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## Publications and presentations

The following publications and presentations have been made based on the research for this thesis.

### Peer Reviewed Publications

- Baldwin, R., Chenoweth, L., dela Rama, M. & Liu, Z. 2014, 'Quality failures in residential aged care in Australia: The relationship between structural factors and regulation imposed sanctions', *Australasian Journal on Ageing*, pp. n/a-n/a.

### Conference Presentations

- Richard Baldwin, Lynn Chenoweth, Marie dela Rama and Zhixin Liu, Quality failures in residential aged care in Australia: an analysis of the relationship between structural factors and regulation imposed sanctions, Paper presented at the Australian Social Policy Conference, UNSW Kensington NSW, August 2013.
- Baldwin, R., Lynnette Chenoweth, Marie dela Rama, Managing at the edge of an ageing Australia: Trends in the organization of residential aged care in Australia: are we learning from evidence, Paper presented to the Australian and New Zealand Academy of Management Conference, Hobart 6 December 2013.
- Baldwin, R., Aged care policy in Australia: Who sets the agenda?, Australian Political Studies Association Conference 2011, 28 September 2011, Canberra.

### Professional Association Publications

- Baldwin, R., Kelly, J., Sharp, D., 2014, The Aged Care Workforce in Australia - a Discussion Paper, Aged and Community Services Association, Canberra.
- Baldwin, R., Stephens, M., Kelly, J., 2013, The financial viability and sustainability of the aged care sector, Aged and Community Services Association, Canberra.

- Baldwin, R., Stephens, M., Kelly, J., 2013, Issues facing aged care services in rural and remote Australia, Aged and Community Services Association, Canberra.

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## Table of definitions and acronyms

Terms/acronym	Definition
Australian Bureau of Statistics (ABS)	‘The Australian Bureau of Statistics (ABS) is Australia’s national statistical agency. The ABS provides key statistics on a wide range of economic, environmental and social issues’ (Australian Bureau of Statistics 2012b, p. 2).
Aged and Community Services Australia (ACSA)	The ACSA is one of two peak provider organisations across Australia representing primarily the not-for-profit aged care sector.
Aged Care Approval Round (ACAR)	‘ACAR is an annual process enabling prospective and existing approved providers of aged care to apply for new Australian Government funded aged care places, and/ or financial assistance in the form of a capital grant. The ACAR operates in accordance with: Part 2.2 of the Act and associated Aged Care Principles – for residential aged care places and home care places; and Part 5 of the Act and the related Aged Care Principles – for capital grants. The broad objectives of the ACAR process are to provide an open and clear planning mechanism, and to allocate places in a way that best meets the identified aged care needs of the community. This is achieved through a three-step planning process: <ul style="list-style-type: none"> <li>• creation of the number of places in each jurisdiction by the Assistant Minister for Social Services;</li> <li>• distribution of those places within states and territories by the Secretary of the Department of Social Services (the Secretary); and</li> <li>• receipt and assessment of applications to determine the final allocation of places to specific providers’ (Australian Government Department of Social Services 2014, p. 2)</li> </ul>
Aged Care Funding Instrument (ACFI)	The ACFI is a 12-question resource allocation instrument completed by residential aged care providers for each resident. The score is used by the Australian government to assess the level of subsidy a residential aged care provider is entitled to for each resident. It is based on an assessment of the resident using three domains: Activities of Daily Living, Behaviour Supplement and Complex Health Care Supplement.
Aged care industry	This describes the combination of residential, community- and home-based services for the aged. These services are provided because the care recipients are frail or disabled due to age and are unable to manage or achieve unaided all the activities of daily living. The industry includes both government-funded services (the majority) and those that do not receive government funding.
Australian Aged Care Quality Agency	This agency commenced operation on 1 January 2014 under the Australian Aged Care Quality Agency Act 2013. It replaced the Aged Care Standards and Accreditation Agency Ltd as the accreditation body for residential aged care. Its functions, as set out in the legislation, are (inter alia): to accredit residential care services, to advise the Secretary of the Department about aged care services that do not meet the Standards, to promote high-quality care, innovation in quality management and continuous improvement and to provide information, education and training.
Approved place	This is a bed in a residential aged care service or a place in a community age care service or a flexible place where the funding can be used for either. Approved places are allocated to the ‘approved provider’ based on an assessment of their application following an invitation to apply during the annual ACAR round released by the Department (Australian Government Department of Health and Ageing 2012a).

Approved provider	This is an organisation that has been approved by the Department, under Section 8-2 (1) if the Aged Care Act 1997, to be eligible to be allocated an 'approved place' and to receive subsidies from the government to pay for the care of an assessed resident or client in an approved place. Providers are approved based on their ability to provide care, to meet relevant standards for aged care, their record of financial management and their commitment to the rights of aged care recipients (Australian Government Department of Health and Ageing 2012a).
Assisted Living Facilities (ALFs)	In this thesis Assisted Living Facilities is the term used in the research literature originating in the USA to refer to facilities that provide the equivalent of low care in Australia.
Charitable	The type of organisation that intends to add social value or utility to the general community or an appreciable section of the public, and that is not established primarily to provide profit, gain or benefit to its individual owners or members <sup>1</sup> .
Client	Generally a client is a person who receives paid care from a community- or home-based service (often called the 'care recipient') but may also be the carer of a care recipient where the carer is in receipt of services from a funded service provider.
Community-based	The type of organisation formed for a particular common purpose by members of an identifiable community based on locality, ethnicity or some other identifiable affiliation, whose activities may be carried out for the benefit of its members but which does not provide financial profit or gain to its individual owners or members. <sup>1</sup>
Consumer	This is the 'care recipient' and may be a person receiving formal care, the carer of a person receiving formal or informal care or a person making an enquiry about the receipt of care.
Consumer-directed care (CDC)	'CDC is a way of delivering services that allows consumers to have greater control over their own lives by allowing them to make choices about the types of care they access and the delivery of those services, including who will deliver the services and when. Under a CDC approach, consumers are encouraged to identify goals, which could include independence, wellness and re-ablement. These will form the basis of the Home Care Agreement and care plan' (Australian Government Department of Health and Ageing 2013c, p. 8).
Daily Accommodation Payment (DAP)	A DAP is an amount paid by a care recipient towards their accommodation costs in a residential aged care facility calculated on a daily basis (Aged Care Financing Authority 2013). The alternative to paying a DAC is to pay a RAD.
Data Envelopment Analysis (DEA)	DEA is a non-parametric linear programming technique used to determine technical efficiency of decision-making units using quantities of inputs and outputs (Björkgren, Häkkinen & Linna 2001). It is an established methodology and similar to that used by CEDA on behalf of the Australian Aged Care Pricing Review, conducted by Hogan (2004).
Department	This term is used to refer to the Australian government department with responsibility for the Aged Care Act 1997 and its predecessor Acts. These Departments have been named (Australian Government Department of Health 2014) the <ul style="list-style-type: none"><li>• Department of Health and Family Services (1996 to 1998)</li><li>• Department of Health and Aged Care (1998 to 2001)</li><li>• Department of Health and Ageing (2001-2013)</li><li>• Department of Social Services (from 2013).</li></ul>
EBITDA	EBITDA is an accounting term which measures earnings before income tax depreciation and amortisation.

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<sup>1</sup> The definitions of local and state governments, not for profit, for-profit, religious, community-based and charitable were sourced from the Department of Health and Ageing (Australian Government Department of Health and Ageing 2009).

Formal (or paid) care	This is care provided by a person who is paid to provide that care generally by an organisation in receipt of government funding, but the person may also be paid directly by the person receiving care or their carer.
For-profit	This is the organisation type that operates primarily for the financial profit or gain of its owners, members or shareholders. For-profit organisations include private incorporated bodies that are registered by the Australian Securities and Insurance Commission or companies listed on the Australian Stock Exchange
Government	The Australian federal government.
Gross domestic product (GDP)	GDP (of Australia) 'is the total market value of all goods and services produced within Australia in a given period of time' (Parliament of Australia 2014).
High care	The term 'High care' replaced the term 'nursing home' with the passage of the Aged Care Act 1997. It is used for two purposes: to classify a residential 'approved place' allocated to an 'approved provider' by the Department and to classify a resident who scores 'high' on one of the three categories of the ACFI or medium (or high) in at least two of the three categories. Following the implementation of amendments to the Aged Care Act 1997 that will come into effect on 1 July 2014, the distinction between high and low care will become largely redundant.
Informal care	This is care provided to a care recipient by a person who is not paid to provide that care and generally includes family, friends and neighbours of the person receiving care.
Leading Age Service Australia (LASA)	The LASA is one of two peak bodies representing aged care providers. Its members are state organisations whose membership is made up of for-profit and not-for-profit providers. It is the successor organisation to Aged Care Association Australia which represented for-profit providers.
Living Longer Living Better	Living Longer. Living Better <sup>2</sup> is the name given to the Australian Government's Aged Care Reform Package announced in April 2012.
Local government	A body established for the purposes of local government by or under a law of a state or territory.
Long-term care (LTC)	LTC is the term used by some international authorities such as the Organisation for Economic Cooperation and Development (OECD) to refer to both institutional and home care for people with long-term care needs. Institutional long-term care includes both high care (nursing homes) and low care (hostels for the aged, assisted living).
Low care	This term replaced the term 'hostel' with the passage of the Aged Care Act 1997. It is used for two purposes: to classify an 'approved place' allocated to an 'approved provider' by the Department and to classify residents who have scored less than 'high' for all three domains on the ACFI instrument (since 2008). Following the implementation of amendments to the Aged Care Act 1997 that will come into effect on 1 July 2014, the distinction between high and low care will become largely redundant.
Neo-liberalism	This term relates to 'a movement that regards the freeing up of trade restrictions and economic relations as a basis for greater economic development and social freedoms' (Butler 2014)

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<sup>2</sup> For ease of reading and drafting using Microsoft Word the full stop inserted in the middle of the name Living Longer. Living Better has been omitted when the name is included in the text.

Not-for-profit	This is the organisation type that is a non-government entity which does not distribute operating surpluses for the profit or gain of its individual owners or members (residual claimants); whether these gains would have been direct or indirect, while operating and when it winds up. The Australian Taxation Office accepts an organisation as not-for-profit where its constituent or governing documents prevent it from distributing profits or assets for the benefit of particular people. Where, in reviewing the literature, the study has included government organisations in this category, this has been specifically noted in the text.
OSCAR	OSCAR is the Online Survey, Certification and Reporting data repository held by the Centres for Medicare and Medicaid Services (CMS); the CMS is an agency of the US Department of Health and Human Services.
Paid (or formal) care	This is care provided by a person who is paid to provide that care generally by an organisation in receipt of government funding, but the person may also be paid directly by the person receiving care or their carer.
Policy	In this thesis the term 'policy' implies 'authoritative choice' (Althaus, Bridgman & Davis 2007, p. 6); that is, decisions and actions made by the Australian government and, on behalf of it, the Department. These policies are identified because they have been specifically defined in government documents or defined by a series of actions which are sufficiently consistent to imply a formed policy is being implemented, even if it has not been formally and publicly documented.
Quality of care	Quality of Care refers to indicators that purport to measure the quality of the care provided by the direct care staff of a residential aged care facility. Selected variables and validated instruments are used by researchers.
Quality of life	Quality of Life refers to indicators that purport to measure the quality of a resident's life based on self-report or observation. Selected variables and validated instruments are used by researchers.
Productivity Commission (PC)	The Productivity Commission was established in 1998 as the Australian government's independent research and advisory body on a range of economic, social and environmental issues. Its focus is on ways to achieve a more productive economy. Its influence depends on the power of its arguments and the efficacy of its public processes (Productivity Commission 2014).
Refundable Accommodation Deposit (RAD)	A RAD is an amount paid as a lump sum by a care recipient for their accommodation costs in a residential aged care facility (Aged Care Financing Authority 2013). The alternative to paying a RAD is to pay a DAP.
Religious	The type of organisation whose objectives and activities reflect its character as a body instituted for the promotion of religious objectives and where the beliefs and practices of its members constitute a religion <sup>1</sup> .
Resident	This is a person who permanently or temporarily resides in a residential aged care facility. This person may be classified as 'high care' or 'low care'.
Residential aged care sector	This term is used to describe that part of the 'aged care industry' that is concerned with the provision of resident services and not community or home care services. In Australia all residential aged care services receive government subsidies.
Service	The term 'service' is used to reflect the Department's terminology in their census data. A service is a residential aged care facility or a community care outlet or a combination of both residential and community care as in an MPS. In most instances in this thesis the term refers to a residential aged care facility.
Service provider	This is the organisation that is providing an aged care service and which receives a payment either from the government, another funder or the care recipient or carer to provide care. Service providers in receipt of government funding must be an approved provider or meet certification or standards before being funded.
State/territory government	Includes state or territory government authorities, instrumentalities and local health authorities established under state or territory legislation <sup>1</sup> .



SPO	Structure Process Outcome (SPO) is the conceptual framework first articulated by Donabedian (1966). A full explanation of this framework is provided in Chapter 3.
Sustainability	This term refers to the combined financial viability of aged care services within the residential aged care sector, or parts of the sector, to the level that the numbers of providers continuing to operate are sufficient to enable the sector to continue functioning to a level that will achieve social and financial objectives that are acceptable to the community or have been agreed.
Viability	This term refers to the financial capacity of an organisation to provide sufficient financial return to satisfy the requirements of the operators to the extent that the owners or operators of the organisation are prepared to continue to operate the service both in the short and long term. The determination of the viability of an organisation may be based on its current operational performance measured by its EBITDA or its project return on investment.

## Abstract

Governments, providers and consumers will make substantial investments to expand the residential aged care sector in Australia over the next decade. Australians have the right to expect that the structure (size, ownership and location of services) of the sector that emerges from this expansion will be consistent with evidence based best practice.

This mixed methods study analysed secondary census data on all residential aged care services in Australia over 10 years, secondary data on sanctioned services and primary data from semi-structured interviews with elite stakeholders. The study finds that the structure of the residential aged care sector impacts quality and government policy impacts structure. It also finds that current structural trends are inconsistent with evidence based best practice and that these trends are likely to continue, particularly if market based reforms are introduced. The study also finds that market based reform will likely to fail outside major cities and a two tier system of residential aged care will be required. The study recommends a new conceptual framework for the relationship between structure, process and outcomes and that market based reforms should not be pursued until there is a national set of freely available and reliable data to inform decision makers.

# The future of residential aged care in Australia; a mixed methods analysis of the relationship between policy, structure and the provision of care

PhD Thesis – Volume 2 Appendices

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This thesis is in two volumes. This volume contains Appendices A to H. The other volume contains Chapters 1 to 7.

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