Opinion

Unfolding changes warrant greater scrutiny

As Australia moves towards a deregulated aged care market, one based on greater competition, international and local research suggests that we need to closely monitor the impacts on quality. But the lack of good data in Australia will compound the challenge, writes **Dr Richard Baldwin.**

THE AGED CARE industry in Australia is widely expected to experience rapid growth over the next 10 years. This growth will be shaped by both the Living Longer Living Better reforms and the anticipated shift to a more market-based, competitive environment following the 2016-17 review.

This growth will require a substantial capital requirement in residential care. Some observers suggest that for-profit providers may be better placed than not-for-profit providers to expand their residential aged care service rapidly, particularly if the market is deregulated, because of their easier access to capital and greater tolerance towards debt. Such expansion could alter significantly the current mix of provider types as well as the size of providers, the size of facilities and their location.

OWNERSHIP AND QUALITY

The impact of ownership type on the quality of residential aged care has been of consistent interest to researchers in several countries, giving rise to a substantial body of international research on industry structure and quality.

For instance, in a paper published in 2009, Vikram Comondore and colleagues reviewed 82 studies of residential aged care services and found only three favoured for-profit service providers, while 40 studies favoured not-for-profit services – in relation to more and higher quality staffing and lower pressure ulcer prevalence. Studies published since this review, across a number of countries, have tended to support the finding that quality is impacted by ownership type.

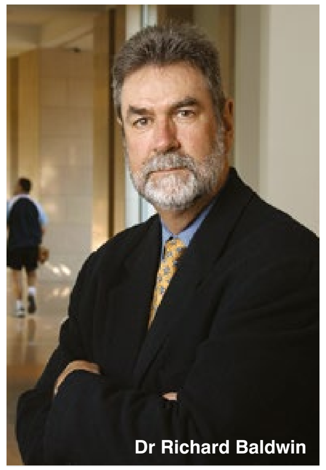
Research in relation to staffing levels and the size of facilities is less clear. On balance the mix and level of staffing has been found to impact quality. Also smaller facilities tend to provide more favourable results than larger facilities. Studies which have examined large chains of facilities in the US reported that they performed less favourably on a number of quality indicators than smaller providers.

In Australia, researchers Debra King and Bill Martin in 2009 reported that for-profit providers had fewer staff per bed, younger staff, greater use of agency staff and higher staff turnover than not-for-profit providers. Trend analysis reveals that the average size of residential aged care facilities and the size of the largest of providers in Australia have increased significantly over the past decade.

Based on this evidence, the current aged care reforms likely to result in structural changes should be carefully considered for their likely impact on quality.

COMPETITION AND QUALITY

Further, the flagged move to a more market-based approach in aged care should prompt us to question the relationship between competition, prices and quality in aged care.



Dr Richard Baldwin

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The recent discourse in Australia appears to take these relationships for granted, as is evident in the Productivity Commission's report and subsequent Australian Government policy statements.

The international evidence has broadly shown that as competition increases, prices go down, but quality does not necessarily improve. For example, Julien Forder and colleagues in 2003 reported that there was some evidence from England that facilities competed on price more than they competed on quality.

Rather than providing evidence to support the contention that as competition increases so too does quality, the research has in fact found the opposite; studies in 2004 and 2009 found evidence showing that as competition increased, quality overall decreased.

Indeed, more recently Forder and Ann Netten's work published last year from England suggested that competition had a negative impact on quality. They concluded that greater competition reduced revenue as providers competed on price. The reduced prices in turn pushed down quality to the minimum standard mandated by governments, although higher-priced services had higher quality. Bob Davidson in 2012 argued that there may be significant gains in quality and efficiency if governments limited the number of organisations that were funded to provide services in a particular market.

These findings raise the question of how a deregulated market for aged care will impact quality in Australia.

The forthcoming review of the Living Longer Living Better reforms, slated for 2017, provides an opportunity for such a discussion.

As set out in the LLLB legislation, the review must examine productivity, access to care and affordability; the supply of services and the controls on number and mix of places; the risks and benefits of a less regulated market; and opportunities to move towards a consumer demand driven model.

Interestingly, the legislation does not require the review to assess the impact of the recent and future reforms on outcomes or quality (other than in relation to access to care). Despite this omission the prospect of the review provides a valuable opportunity for developing a vision of what we would like the aged care system to look like in 10 years, both in terms of its structure and its quality.

SUFFICIENT DATA IS LACKING

However, while we have good annual national data on some aspects of structure such as ownership and financial performance, we have less frequent data on factors such as staffing.

In relation to quality we have only qualitative data on the outcomes of individual accreditation reviews. The Australian Aged Care Quality Agency does not publish any data that would assist the assessment of the relationship between structural and regulatory reforms and the provision of quality services.

Victorian public sector aged care facilities have been collecting data on quality indicators for several years and the recently commenced national trial of three quality indicators promises a small start to the collection of comparable data. However, early indictors are that this national system will be voluntary and there are few details on how individually reported data will be available to measure national trends. Assessment of the impact of past and future reforms on quality is challenging in the absence of good baseline data.

Overall the evidence suggests that a cautious approach to structural and regulatory change is warranted, particularly in the absence of good data on quality and a sound baseline with which to monitor the impact of change.

Factors such as the structure, productivity, regulation of supply and demand, and the potential emergence of a consumer driven system, should be considered primarily on the impact that these changes will have on quality of life and care for consumers.

K. R. Kaffenberger, in commenting on the transformation of the nursing home sector in the US in 2000, suggested that there was no one policy decision which advocated for structural change, rather a series of incremental reforms enabled the for-profit sector to emerge dominant in the industry. This suggests that governments need to express a clear vision for the future structure of the industry and the quality of care it will provide to enable wide public discussion prior to the implementation of further incremental reforms.

The review of aged care services in 2016-17 offers us the opportunity to ask what we want aged care in Australia to look like in 2025. ■

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