

Preparing for success in a time of uncertainty and change

*A PwC response to
the Productivity
Commission
Inquiry Report
“Caring for Older
Australians”*

October 2011



Foreword

Every day, more than a million Australians are cared for by aged care organisations across the nation and this number will increase substantially in the coming years and decades. The industry is on the verge of significant change; in order to provide quality care to an increasing number of Older Australians, we need to think and operate differently.

With so much uncertainty, how can I possibly make decisions on the future? How can I navigate this changing environment?

The Productivity Commission's recent Inquiry Report, *Caring for Older Australians*, outlines a number of recommendations that would redesign and reform Australia's aged care system if the Government chooses to implement them. Most of the organisations we work with support both the need for reform and the intent behind the recommendations, but there are many details yet to be determined before this can be turned into action by the Government. Many are weary of the unknown and the overwhelming question we are asked is: **What do I do now?**

Although it may be tempting to sit back and wait for more clarity before you make any decisions, we believe this is the time to create differentiation. Organisations that embrace the challenges can turn obstacles into opportunities, using the uncertainties to their advantage and developing a sustainable value proposition in the market.

In this report we explore the future of the industry and what we believe a successful organisation may look like. We also make some suggestions for what you can do now to ensure that you are at the forefront of market developments.

It's important that any investment in the future is supported by an evidence base and a robust business case to realise benefits. PwC has worked with many clients across the globe to design and implement whole system strategies and we would be delighted to share our experience in how quality and outcomes can be improved while significantly improving returns.

This report aims to help you determine actions for the future which will improve the way care is provided to Older Australians.

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***Harnessing the intent
of the Productivity
Commission's Report:
Improving Care for
Older Australians.***



Executive summary

The Productivity Commission Inquiry Report “Caring for Older Australians” (Report) has identified that the aged care system in Australia faces several challenges. The system is difficult to navigate, services are limited, as is customer choice, and quality is variable. A package of integrated reforms is proposed by the Productivity Commission, including, increasing customer choice, better provision of information and localised care co-ordination.

We believe that the diversity of peoples’ needs should be met by equally diverse support. Further consideration about how this can be achieved within the capacity of the broader ‘health and care’ sector is required, in order to support individuals, families and carers beyond the auspices of ‘aged care’. Those individuals, families and carers who require aged care services will also require some level of additional support be it primary, acute or informal community support.

Whilst there are still many unknowns about the future of aged care, what we can be sure of is the increase in the number of people with complex long-term conditions, budget constraints, increasingly sophisticated (and expensive) treatments and rising expectations of what health and care services should deliver.

We encourage and support the industry in embracing the challenges and uncertainties they are faced with and turning them into compelling reasons for change that can make a difference to Older Australians today and in the future.

Summary of the Productivity Commission's recommendations

The aged care industry has made significant improvements in recent years, but a number of issues remain: Constrained supply in some areas with oversupply in others; discontinuous care with variable care quality across the system; constrained and inequitable pricing; and difficulty obtaining financing are some of the challenges identified by the Productivity Commission Inquiry into aged care (Productivity Commission). The current system is already constrained and the impending boom as the population grows older creates a backdrop of urgency for the recommendations. The Report defines a holistic reform that focuses on the physical and emotional needs of older people, connectedness to others and the ability to exert influence over their environment, and their safety – within their expressed life choices.

“The Commission’s proposals (...) aim to deliver higher quality care. The focus is on the wellbeing of Older Australians – promoting their independence, giving them choice and retaining their community engagement.”

Productivity Commission Inquiry into Aged Care

Providers under these recommendations can offer bonds to all residents, however there is less incentive to pay a bond, and if they still choose to do so, it will probably be smaller than the bonds paid today. It is likely that the total bond holding for aged care providers will gradually diminish and potentially disappear and some may face liquidity issues short term.

At a broader level the Report also considers the wellbeing of people who provide care, including family members, friends, neighbours and formal carers, and the effects on current and future taxpayers.

The following are some of the key implications for aged care providers, should the government choose to implement the recommendations:

Increased user co-contribution as Older Australians will:

- Contribute, in part, to their costs of care (with a maximum lifetime limit);
- Meet accommodation and living expenses (with safety nets for those of limited means); and
- Be able to choose whether to purchase additional services and higher quality accommodation.

This will allow providers to charge a market price that covers the cost of building and operating a facility and should improve financial viability in the long run. However, it will also increase the pressure on the providers to operate cost-efficiently, as customers will be directly impacted by any changes in price.

Likely reduction in bonds for residential aged care providers as:

- Customers can choose to pay a periodic payment or a bond; the value of the bond must be equal to or less than the periodic payments.
- Bonds can be offered to all residents; there will no longer be a differentiation between low care and high care.
- Older Australians will have access to a government-sponsored line of credit to help meet their care and accommodation expenses without having to sell their home.
- Providers under these recommendations can offer bonds to all residents, however there is less incentive to pay a bond, and if they still choose to do so, it will probably be smaller than the bonds paid today. It is likely that the total bond holding for aged care providers will gradually diminish and potentially disappear and some may face liquidity issues in the short term.

- Older Australians can retain their Age Pension if they wish to sell their home by investing the sale proceeds in an Australian Age Pensioners Savings Account (to be established if accepted by the Government).

The industry is likely to depend more on external funding (debt or equity) for capital projects. This could increase financing costs and give increasing focus on long term profitability, stable cash flows and robust capex and opex plans as the facilities are exposed to more external scrutiny.

These initiatives will make it easier for Older Australians and their families to obtain and compare data and will put pressure on the industry to increase performance and provide 'value for money'.

Older Australians will now determine where to spend the money and aged care providers will have to provide the care in a form that appeals to the population.

A more open and competitive market with:

- No differentiation between low care, high care and extra services;
- No limits on the number of residential places and care packages;
- Retained safety and quality standards; and
- Efficient prices transparently recommended to the Government by a new Commission.

These initiatives are intended to open supply and increase competition, putting more pressure on existing providers.

Increased transparency by:

- The establishment of a 'Gateway' with access to information and assessment of care;
- The establishment of a data clearinghouse that will collect and report on performance data across all providers; and
- A requirement to publish all prices by all providers, including bond payments and periodic payments.

Increased customer choice through:

- Government support and encouragement of aged care services that address individual needs, with an emphasis on reablement where feasible;
- Customer choice of provider and whether to receive the care at home; and
- Direct access to low intensity community support services.

In conversations with our clients, we find that providers are generally supportive of the Productivity Commission recommendations, on the proviso that recommendations are implemented in their entirety. A piecemeal approach to the recommendations is considered to have a less optimal outcome for customers and for providers.

PwC Insights: A call to action

In this report we focus primarily on what we believe aged care service providers can do to prepare for the potential implementation of the Productivity Commission's recommendations and to gain a competitive advantage in a challenging market. We believe the ultimate market power will lie with the customer and that service providers cannot delay taking action; the sooner they establish a compelling offer to the market, the sooner they will be able to create a sustainable point of differentiation.

In this report we focus on five key areas:

1. Preparing for changes to the funding model

Providers benefit from many aspects of the proposed funding changes. Providers can charge market prices for their services and the removal of the distinction between low and high care offers an additional funding source for high care places. This allows providers to create a sustainable pricing structure.

However, providers' current capital may be eroded by customers opting for periodic payments over bonds and this would jeopardise the short term liquidity for providers that rely on bonds. Managing this transition will be a key to future success and providers must plan for alternative finance arrangements.

We explore this in more detail in *Section 1*.

2. Establishing an appropriate operating model

Having a clear view of the market, both now and in the future, will be important in order to align strategy and operating models to suit this direction and to prepare the funding and capital models for the future.

The proposed changes appear to encourage polarisation – either into niche operators or consolidation into Superhomes. Providers should consider where their competitive advantage lies in the future market and whether they should be a niche-market provider to narrow customer segments, or if mergers or acquisitions with suitable operators would be appropriate to establish Superhomes or integrated offerings.

We explore this in more detail in *Section 2*.

3. Creating a high performance organisation

Increased customer choice combined with open competition is likely to favour customer-centric organisations that deliver 'value for money'. Older Australians will have access to more information to support their choice of service providers in an increasingly competitive and transparent market. Aged care providers will have to become more focused on the services they provide, at what cost and with what quality.

Even if the government does not implement all of the Productivity Commission's recommendations, it is likely that some of the current barriers to market entry will erode over time and that the future ageing baby boomers will demand improved levels of service and quality.

The ability of aged care service providers to change the products they offer and the way they deliver and market them will allow them to gain important points of differentiation.

We explore this in more detail in *Section 3*.

4. Developing and supporting the workforce

The ability to attract and retain the best care staff will continue to be a key challenge and therefore differentiator for providers. The aged care industry is already struggling to attract and retain the right mix of well educated and appropriately skilled workers and the increasing demand for aged care services over the next 40 years will put further strain on the workforce. Successful organisations will focus on how they can attract and retain staff, make the best use of this workforce they already have and develop care workers for the future.

We explore this in more detail in *Section 4*.

5. Care integration - the future of the industry

As the market evolves towards greater integration, and performance is driven by a focus on local outcomes, successful providers will be those who can navigate the complexity of inter-relationships, particularly between health, aged care and individual customers.

We work closely with our clients to take them to the next level, to grow in the face of adversity and to prepare for a brighter future. We would like to extend the challenge to you and hope you find this report helpful in moving forward.

Whilst the Report articulates various aspects of reform, it does not explicitly recommend a whole systems strategy. The vision of a 'health and care system' should be to provide seamless care, developed around what people want and delivered by co-ordinated teams across services through effective 'handovers'. A system which prioritizes prediction, early intervention and re-enablement strategies to support individuals to regain well-being and independence will be key to improve care outcomes.

The need to have a new approach to planning and delivering services has never been greater. We explore this in more detail in *Section 5*.

Together these topics form our response to the Productivity Commission's Report. Although this is not an exhaustive list of everything that could or should be done, we believe these opportunities can make a big difference in how successful providers are in navigating the changing landscape. Over the coming months we will engage with the industry and issue further insights as the market works through the implications of the Productivity Commission's Report and those recommendations adopted by the Government.

What next?

While there is still uncertainty as to what extent the Productivity Commission's recommendations will be implemented, we believe it is likely that significant changes will be made to the industry. To be successful, organisations need to develop a sustainable business model and in the absence of clear decisions from the government, scenario planning can allow organisations to plan for different potential outcomes.

Scenario planning can help providers navigate their way through an uncertain future and develop a sustainable business model that has sufficient flexibility and agility to adapt to a changing environment.

1 *Preparing for changes in the funding model*

For the aged care industry to meet the needs of the customer now and in the future, additional funding is required. The current system is inequitable; co-contributions by individuals vary according to the care setting.

The Productivity Commission recommends that individuals retain responsibility for the costs of accommodation and living expenses across all settings, and make a co-contribution towards the cost of care. Safety nets would continue for the financially disadvantaged. Further, the Commission recommends that the distinction between low and high care is removed along with the extra services category. Periodic charges, or an equivalent accommodation bond, will reflect the cost of providing accommodation, and must be published by the provider. The Commission recommends that residents should have the option of investing assets from the sale of their home into a Government Pensioners Saving Scheme and remain eligible for the Age Pension.

By retaining individual responsibility for costs, distortions in the choice of care are reduced and providers will benefit from the additional funds from individuals contributing to costs across all care settings. Market forces will come more strongly into play as individuals have access to accommodation and care, tailored to their individual needs.

What is the impact of the changes in funding on the aged care providers and what strategic changes could they make to obtain a competitive advantage in the market?

Many providers are, in our experience, supportive of the need for change and accept most of the funding proposals put forward by the Productivity Commission. Removing the distinction between low and high care is a positive step, expanding the funding available to providers. Facilities can expand their choice of offerings, now and into the future, to cater for a broader range of consumers. On the other hand, the move to periodic payments may weaken the current capital position of providers, and may restrict building programs. Providers will need to secure alternative sources of finance to fund future capital projects.

Periodic payments are already available (although only a minority elect to pay periodically). The change put forward by the Productivity Commission is that the rental amount should reflect the cost of supply, and that the accommodation bond is determined as an 'equivalent amount'.

A number of benefits are likely to flow from the Productivity Commission recommendations:

- Flexible payment options can cater for individual circumstances.
- Linking the bond amount to the periodic charge avoids distorting the choices available to customers.

Neither the process by which the cost of providing accommodation, nor the process by which the periodic charge is converted into an equivalent lump sum, have been made clear in the proposals. Providers are wary of the unknown.

- Publishing the charges improves the transparency of accommodation costs.
- Under the Commission's proposals, accommodation providers would receive a sufficient payment from all residents to meet a reasonable return on equity to maintain and build new facilities, irrespective of whether they receive periodic payments or accommodation bonds.

Formulaic approaches to setting accommodation charges and bonds cannot capture the many market nuances to pricing. As much as possible, providers should be free to set their own business model. However, the cost of supply changes over time, exposing providers to a pricing risk.

Bonds have traditionally been a source of capital used by providers to expand and renovate their facilities. The proposed government pensioners saving scheme, which would maintain its real value through indexation, leaves little incentive for residents to pay a lump sum, on which no interest is earned, to an aged care provider. A move to rental income may hamper capital programs and exposes providers to liquidity risk, whilst alternative forms of finance are arranged. The Productivity Commission recognises that debt financing may be difficult to procure, but argues this is a short term, transitional issue.

The Productivity Commission's expectation is that banks will learn to assess aged care facilities and become a source of capital to the industry. This expectation is untested. Over the last few years, with the Global Financial Crisis and continued uncertainties in global capital markets, raises serious questions as to whether commercial finance can be considered a reliable source of finance.

Even where finance is available, the terms may vary over time, exposing residents to charges related to the cost of finance and potentially adding unwelcome volatility to residents' costs. With a significant proportion of the total capacity supplied by smaller operators that may be particularly vulnerable to a move to commercial finance, care is needed to ensure that a move to periodic payments and commercial finance doesn't lead to shortages in supply.

The proposed changes to the funding models of providers appear to dramatically alter the capital base. What does this mean for the smaller providers and the banks that fund them?

To give greater certainty to the availability of capital for providers, the government should put forward its planned approach in illiquid markets.

Providers should carefully consider their pricing model to provide a competitive and transparent offer to the market, while ensuring a sustainable business model and reducing the risk of mispricing as the cost of providing services change. It will be important to identify the likely impact of reduced bonds and work to establish alternative sources of funding early to minimise any liquidity issues. This is likely to mean providers will need to be more structured in their approach to their capital bases.

If they are to support aged care providers who in the past have had access to resident bonds, banks and other lenders will require greater clarity on operating models, financials and forecasts when assessing funding to support the new regime. Funding for new buildings is likely to have a longer repayment cycle given the proposed changes to bonds and funders will need to be confident on both future cash flows and profitability of the business as they will no longer necessarily have access to significant lump sum bonds for quick repayment of funding.

Ongoing capex for established providers will most likely come from new and commercial sources which will mean closer scrutiny of financials by these external parties.

Overall, any changes in the capital funding of the aged care system is likely to change the requirements for commercially sourced finance and therefore increase the demands on providers – requiring them to commercialise their management teams, their approach to capital management and their balance sheets.

Building a model that gets the necessary support

The potential for major changes in the funding model - impacting both revenue streams and capital structures - can have important consequences on the performance of operators, even impacting on the viability of vulnerable players. PwC has a depth of experience assisting businesses to re-engineer their business models to win in the face of such major changes. PwC works with operators to model the potential impact, build credible plans to address the issues and opportunities and then to gain support for these plans from stakeholders, including the capital markets and lenders, whether incumbent or replacement lenders.

2 Establishing an appropriate operating model

The increased choice available to Older Australians is likely to lead to increased competition in the industry. Providers at the value end of the market are likely to need to be more efficient and cost effective given the proposed transparency in services and fees. For many, this will require an improvement to their operating model and thus a change in the profile of providers.

The Productivity Commission's recommendations present opportunities for new entrants to the market in creating cost effective bespoke facilities while taking advantage of the relaxation and eventual removal of limits on bed licences, community care packages and other services. This poses a challenge to current operators with inflexible or sub-scale operations where we believe consolidation will be the most efficient way forward for a number of providers.

Whilst there will be opportunities for some high end niche-market providers who can tailor "extra services" for wealthier customers who are prepared to pay more for better quality and a diverse range of extras, the main impact is likely to be at the mid and low ends of the market.

The proposed changes appear to encourage polarisation – either into niche operators or consolidation into Superhomes; what does this mean for medium to small organisations?

We expect there may be a trend to consolidate small and medium size providers who, in addition to enhancing their efficiency, may look to develop an end-to-end offering. This will make both an appealing proposition to Older Australians and increase length of customer relationship by offering an integrated "step-up" or "step down" offering throughout the care continuum. This could lead to the creation of Superhomes and more integrated service solutions. These integrated solutions would be able to provide services across the care spectrum from community care through to specialised high care, with integration to other services such as primary care and allied health services, in one location or a series of related locations.

Whether an organisation chooses to go to either of the extremes or somewhere in between, the ability to charge a "market rate" will enable the development of exciting new models of care and we expect to see development in this area over time.

Providers should consider where their competitive advantage lies in the future and whether they should be a niche provider to wealthier Older Australians or other specialised customer segments, or if mergers or acquisitions with suitable operators into Superhomes or integrated offerings would be more appropriate. Having a clear view of competitive positioning will be important in order to align strategy and operating models to suit this direction and also to improve and prepare the funding and capital models to support the future.

Moving to a sustainable strategy

The Productivity Commission's recommendations around opening up competition are both an opportunity and a threat. Some players will gain from the capacity to charge economic rates at the top end and build new offerings of a more integrated nature. Some operators may find themselves with assets which do not fit with the new needs or business models and which become stranded. PwC has extensive experience in working with operators to adjust their strategies to capitalise on new opportunities, building new business models, modelling the cash consequences and then working to bring the key stakeholders to the table to implement the strategy effectively.

3 *Creating a high performance organisation*

The Productivity Commission makes a number of recommendations that would fundamentally change the way the aged care industry is accessed by Older Australians with the intention of increasing quality and accessibility of care. In today's environment, there is often little perceived or actual choice of providers. When there is choice, decisions are often based on information that the aged care providers choose to make available, or that can be sourced from personal networks such as family and friends.

Aged care providers will have to become more focused on the services they provide, at what cost and with what quality.

Even if the government does not implement all of the Productivity Commission's recommendations, it is likely that some of the barriers to market entry will erode over time and that the future ageing baby boomers will demand improved levels of service and quality.

The ability of aged care service providers to change the way they deliver and market their services will enable them to respond to the potential implementation of the Productivity Commission's recommendations and to gain competitive advantage in attracting increasingly demanding customers.

How can providers deliver superior value to all stakeholders through improved quality of care?

PwC recognises that different organisations in aged care have different missions and that the choices an organisation makes will depend on its mission. We do believe, however, that all aged care organisations share a common goal to deliver value to Older Australians, whether it is formulated through a faith-based mission or as a corporate mission to stakeholders. This section explores some opportunities to drive superior value in all organisations.

Personalised value offerings

We expect a shift in customer sentiments, their expectations of service delivery and their decision making processes.

Because Older Australians will be asked to contribute financially toward their care as well as incurring accommodation and service charges, they are likely to start exercising more choice and expect a degree of individualised attention. This poses both opportunities and threats to the industry. Providers will benefit from following a similar path as other customer service organisations and customise service offerings for different customer segments and ultimately drive increased returns. However, this could be challenging for an industry that traditionally does not think of their residents as "customers". Providers that are unable to become more customer oriented are likely to lose market share to their more innovative and progressive competitors.

Value for money

Service providers will need to be transparent about services and their costs.

Service providers will have to be clear about what is provided for the fees they charge. Providers will have to show value for money not only to the consumer but also to their families that often forego inheritance in order to pay for the care as well as to the government that will continue to fund a large proportion of the care being delivered.

Staffing levels and skill-mix

Personalised care and increasing customer demand will increase complexity which in itself is likely to increase costs. At the same time, the increase in competition is likely to put downward pressure on costs.

To be successful, aged care providers will require systems and processes to ensure that staffing levels and skill-mix are adequate to meet the needs of their customers at the optimal cost. In a competitive market place providers will need to demonstrate that they can provide the levels of care expected by consumers and their families, without an undue increase in costs. We describe in more detail what we think this might look like in [Section 4](#).

Flexible and responsive linkages with hospitals, doctors and allied health staff

A high quality service provider will have systems in place to continuously match care with customers' needs and be able to accept, transfer or modify the care in a way that does not unduly inconvenience the consumer or their family.

Robust and frequent assessments combined with information that is available, accurate and up to date will enable appropriate care. This can be challenging enough within an organisation and the complexity increases exponentially when the information needs to be accessed and updated by other care providers as the consumer moves through the health system.

Carers should have relationships and systems in place to be able to quickly upscale care or gain assistance from other care programs such as hospital, transition, rehabilitation, allied health, mental health, palliation and general practice care. This will allow providers to deal with issues early and avoid escalating costs; it will also allow the provider to optimise the funding based on the individual's care needs. Integration of care is discussed in more detail in [Section 5](#).

As the health system evolves and implements personally controlled electronic health records and electronic bedside care management systems, the aged care sector will need to remain up to date with the advances in this field. This will allow care to be timely and targeted to current needs and providers can realise synergies with other health providers, reduce errors and improve health outcomes.

Demonstrating quality of care

Consumers and their families will become increasingly information rich and data savvy and they will expect access to performance data.

The Productivity Commission recommends the introduction of a data clearinghouse that will collect and report on performance data across all aged care providers. Although the details of how this might be implemented are not clear, our international experience demonstrates that such tools can be powerful instruments to drive performance improvements in the aged care industry.

We believe that successful aged care providers will seek to differentiate based on quality and use performance data to drive continuous improvement to maintain the highest possible standards of care. Initiating this voluntarily will position providers to out-perform competitors when performance measurement becomes mandatory.

Quality standards monitoring should include data on care related issues such as falls, infections, pressure areas, end of life care, pain management practices and mental health/ dementia services so that customers can check the quality of basic care and safety measures as well as the specific aged care related skills and services.

Services and marketing targeted to the community it services

In order to attract increasingly informed customers, aged care providers will need to take a more targeted marketing approach, with product and services tailored to the customer.

As in other competitive service industries, the providers will need to understand the needs and desires of the target market, develop products and services to meet these and work to become the service provider of choice.

Marketing and market research will be vital to the provider to ensure that they attract the right market position and that the potential customer pool is large enough to fully underpin any decisions to expand.

Implementing a high performing organisation

PwC works with clients not only to identify what it will take to be high performing, but also to implement and sustain the changes needed to get there. Often we challenge the most fundamental assumptions, allowing the organisations to think differently and come up with new solutions.

We have extensive experience implementing change that ‘sticks’ in the organisation, so that the benefits can be realised and maintained over time. We work collaboratively with our clients, bringing the best of PwC in each case, so that we can have a real impact both on the service providers and on Older Australians.



4 Developing and supporting the workforce

The Productivity Commission recognises that the aged care sector is struggling to attract and retain carers with the appropriate skill mix. Lack of education, minimal possibility for professional development and low wages are highlighted as key reasons for the unattractiveness of the industry to carers.

Many of the recommendations relating to workforce require increased Government intervention to address the current limitations of the system and it could take some time before the effects are seen. There is an opportunity for providers to gain an advantage by acting quickly to secure resources that are in high demand and limited supply.

Attracting and retaining staff is a fundamental enabler for all other initiatives.

What can aged care providers do to attract, retain and develop care staff with the right skills and knowledge?

In this section we will focus on two primary areas:

- 1 Workforce optimisation (make the best use of the resources you have available)***
- 2 Workforce development (enhancing and developing your workforce over time).***

1 Optimising your workforce

Labour is the single largest cost for aged care provider¹s and even a small improvement may have significant impact. Optimising the workforce will, in many cases free up costs. Although some organisations may choose to use the cost savings to improve bottom line performance, we see workforce optimisation not primarily as a cost saving opportunity, but rather as an opportunity to invest in improved care and better outcomes. The figure below shows how an optimised workforce can allow you to invest in initiatives that ultimately drive quality of care.

¹ Source: IBIS World Reports: Nursing Homes in Australia (June 2011) and Accommodation for the Aged in Australia (August 2011).

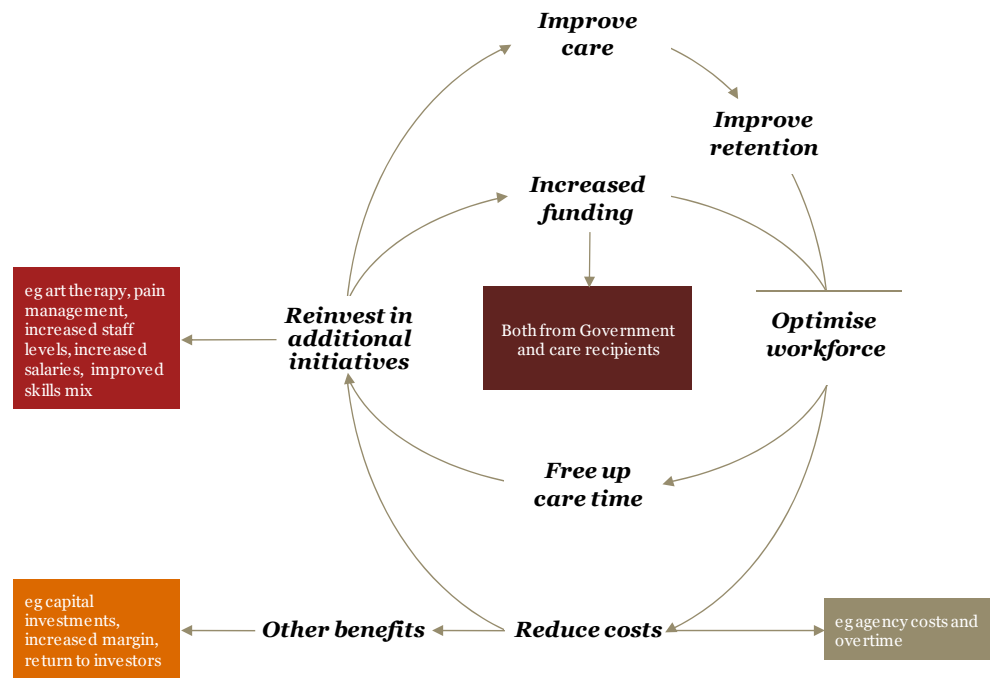


Figure 2 – Driving improved care through optimised staffing

We have identified some practical actions you can apply to optimise your workforce:

Labour optimisation (rostering)

Labour optimisation is a regular and frequent process to make sure you have the right staff at the right time with the right skills at the lowest costs.

The ultimate goal of workforce optimisation in aged care is to deliver improved care, achieved through appropriate staffing, reduced costs and efficient operations. It typically involves simplification and streamlining of processes to balance care need with staff availability to drive the best use of staff. For some organisations it may also be beneficial to introduce automated rostering.

Aligning staffing levels with care needs

Using the care plans as a starting point allows you to match your roster with the care needs of each individual.

Developing a model that combines the clinical processes with the roster may sound complicated, but most organisations already have the information required to achieve this and can optimise their processes with relative ease.

Aged care providers could benefit from taking an approach that integrates the clinical care plan with the rostering process. The care plans would determine the skill mix and staffing levels required at different times in the day and inform the design of an efficient roster that is based on the actual care needs. Having a roster that accurately reflects the care required by consumers (rather than a rigid staff ratio rostering technique) drives benefits to staff, customers and the provider.

2 Developing your workforce

Workforce optimisation allows providers to maximise the output from their current workforce, however it does not address the fundamental challenge that there is simply not a sufficient supply of staff with the right skills and qualifications willing to work in the sector. The more proactive providers have started developing innovative workforce management practices and this will continue to be increasingly important.

Creating a great place to work

Working in aged care can be both physically and emotionally demanding and creating a positive environment where staff feel included and appreciated is important to improve retention.

It is often the small things that make a big difference in an organisation's ability to retain staff. We have seen many examples of how relatively simple initiatives to improve working conditions, build relationships between colleagues and recognise people and successes have a real impact on workplace behaviours and cultures. The industry has also traditionally offered more flexible and attractive rostering and part time solutions than other parts of the health sector; it will be important to maintain and build on these working conditions going forward.



Developing viable career paths

Initiatives to promote staff careers can motivate and develop the individual while driving performance improvement.

The Report and literature² associated with the education of the aged care workforce highlight the need to develop career pathways in the aged care sector. Large providers will have more growth opportunities for individuals, but even small providers can implement initiatives to encourage long term development of staff. Regular career conversations with individuals about their aspirations and establishing a plan to achieve them can positively impact retention rates and have tangible benefits to the organisation.

Training and education

An increased focus on education and development of care staff will improve quality, increase customer satisfaction and ultimately drive performance improvement.

The Report and literature² associated with the education of the aged care workforce suggest there is a need to recognise educational achievement in the aged care sector. Regulatory requirements, increased competition and customer choice will require quality improvements, for which appropriate and adequate training are critical.

The figure below outlines how training and education can drive improved outcomes.

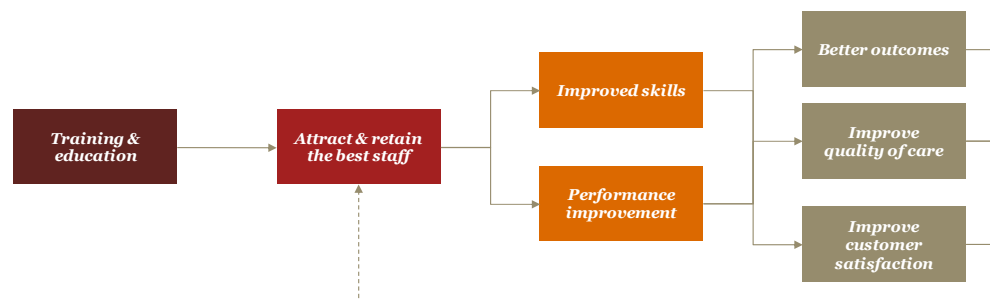


Figure 3 – Impact of training and education on care outcomes

² DEST – Department of Education, Science and Training, Australian Aged Care Nursing: A Critical Review of Education, Training, Recruitment and Retention in Residential and Community Settings

The table below outlines some suggested initiatives to improve training and education within an aged care organisation:

Suggestion	Example of implementation	Benefit
Developing internal training programs	<ul style="list-style-type: none"> • Care training – enabling delivery of high quality care. • Management training – helping care staff in the transition to management. 	Consistency and appropriate level of knowledge. Greater allegiance and staff loyalty.
Making training an integral part of the daily job	<p>70/ 20/ 10 approach to development:</p> <ul style="list-style-type: none"> • 70% on the job training • 20% mentoring/ buddying • 10% formal classroom training 	The majority of the development is done on the job, minimising costs, while increasing the relevance.
Robust induction programs	<ul style="list-style-type: none"> • Structured approaches to training in the first 6-12 months. • Regular educational sessions. • Close monitoring by management. 	Increase retention in the vital first 12 months, improve productivity and quality and reduce incidents and issues.
Teaching facility	<p>Larger providers can introduce a teaching hospital style learning environment.</p> <p>Smaller organizations may consider partnering with other organizations to develop joint training programs, or larger organizations may offer training packages to smaller providers.</p>	Controlled learning environment with sufficient scale to run efficiently.

3 Delivering value from your workforce

PwC has extensive experience delivering tangible benefits through workforce optimisation and we support our clients in harnessing the power of their most valuable asset; their staff. In our experience, an appropriate focus on workforce can improve clinical outcomes, quality of life, staff satisfaction and operational performance while at the same time optimise costs. Most organisations can do this with what they have, simply by using their resources in a better way.

5 *Care integration – The future of the industry*

The need to have a new approach to planning and delivering services has never been greater. As the market moves towards greater integration and performance is driven by a focus on local outcomes, successful providers will be those who can navigate the complexity of inter-relationships, particularly health, aged care and individual customers.

Whilst the Report articulates the aspects of reform, it does not explicitly recommend a whole systems strategy. The vision of a 'health and care system' should be to provide seamless care, developed around what people want and delivered by co-ordinated teams across services through effective 'handovers'. A system which prioritises prediction, early intervention and re-enablement strategies to support individuals to maintain and regain well-being and independence.

How can the industry deliver value to Older Australians through increasing choice, information, care coordination and integration with other parts of the health and care industry?

New models of care, many of which have been referenced within the Report, highlight the good work being undertaken. However, to provide increased choice, providers will need not only to do things differently, but also to do different things. There is a role to be played in stimulating, managing and shaping the market, as well as supporting communities, voluntary organisations, social enterprises and mutuals to flourish and develop innovative and creative ways of addressing care needs.

Within a care economy there are nine levers which, if 'pulled', can change the balance of care provision. To identify where the real impact in changing the current pathway (for a condition or cohort of people) would be made, the issues identified and opportunities could be mapped to the levers.

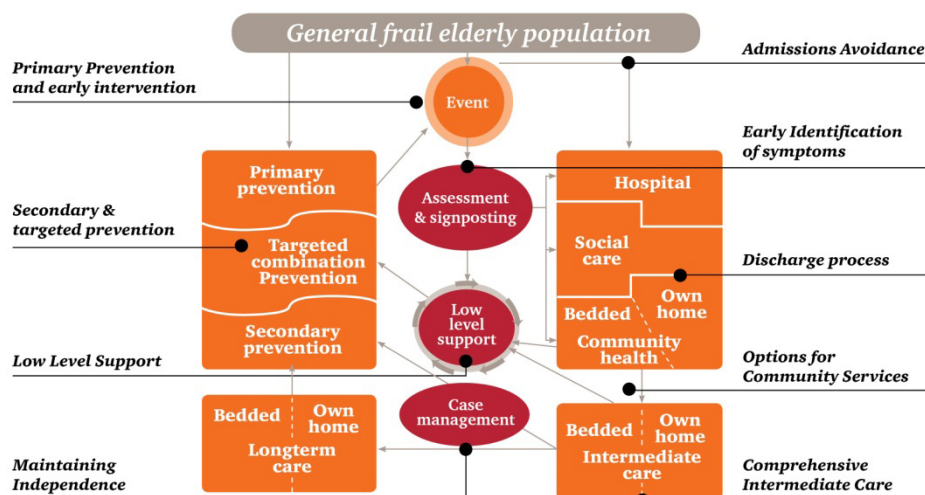


Figure 4 – Understanding the Health and Care system

In this report we will focus on four areas:

- 1** Choice as a driver for reform
- 2** Simplified gateway for easily understood information
- 3** Draw on care co-ordination support by region
- 4** Delivering benefits from care integration

1 Choice as a driver for reform

Recent healthcare reforms have placed significant emphasis on ‘choice’ as a driver for quality improvement. In its most advanced form the promise is to hand power to individuals to integrate their own care through care plans and personal budgets. We believe better integration offers significant opportunities for the delivery of more effective services for individuals, families and carers.

As a result of ‘personalisation’ we are likely to see a shift in spending power away from Commonwealth and State commissioners towards individuals and families who select and commission services to fit their own personal needs. Individuals, families and carers will need to have greater engagement in planning for their future care needs.

For providers, the certainty afforded by ‘block contracts’ and the economies of scale that can be achieved through uniform packages of care are starting to disappear. Whilst personalisation is a positive step for many older adults, it adds yet another layer of complexity to the relationship between the commissioner and provider and places a new pressure on the provider market at a time when many businesses are finding breaking even difficult. While some of the changes resulting from personalisation will present opportunities to expand and diversify, for many it will be a step too far.

These changes may result in a consolidated market and an inability of the market to offer real choices to individuals, families and carers. Commissioners and providers will need to work together on a shared agenda to develop a sustainable, fit for purpose market place for care and define the concept of ‘choice’ as something tangible as opposed to aspirational.

2 Simplified gateway for easily understood information

Choice reforms should be refined to ensure that choice does not simply focus on the provision of information and provider comparisons. Providing information to individuals, families and carers rarely gives the full picture. Comparison of international customer satisfaction data shows older people prefer personalised advice; drawing on both professional knowledge and where necessary external sources such as centralised information support.

We believe there is a case for a role similar to a Local Area Co-ordinator that assist people with disabilities to plan, organise and access supports and services which enhance their participation in and contribution to their local community. In aged care a similar co-ordinator could not only support individuals to source information but also link individuals, families and carers with available resources, support and information, which, together, provide them with informed choice.

Personalised advice will involve costs, and there will be a need for this type of support to be targeted, in particular toward people who may struggle to negotiate complex admissions processes and those people managing long term, rather than acute, conditions in healthcare.

3 Draw on care co-ordination support by region

Co-ordination and integration can take many forms, for example between health and care providers to provide a common service (horizontal integration) or across primary, community and tertiary (or hospital based care) providers within a care pathway (vertical integration).

A good example of horizontal integration is found in Sweden who took the lead in this area over a decade ago. They were the first country to involve social services and community nursing services alongside the physician in the discharge of patients from hospital. Similarly, Polikum, the largest provider of integrated outpatient health services in Germany, exemplifies the vertical integration approach. Its guiding principle is that patients should be able to obtain all types of outpatient care under one roof. At its polyclinics in Berlin, patients can consult primary care physicians, specialists, nutritionists, and other health professionals; they can also undergo diagnostic tests and have prescriptions filled.

Better co-ordination and integration might sometimes involve the merger of organisations, but is most often undertaken virtually, through the creation of care networks (e.g. for a specific disease, like cancer), or through a service that proactively seeks to co-ordinate care for individuals across a range of different providers such as the care navigator or care broker role.

4 Delivering benefits from care integration

PwC has worked with many clients across the globe to design and implement whole system strategies. Whilst many organisations have tried and tested approaches to integration, an approach is required to remove duplication and more importantly provide an evidence base to support investment and to realise benefits. In our experience, organisations can improve quality and outcomes and at the same time realise significant cost savings.

Contact us

If you would like to meet with us and discuss any aspect of our report, please contact one of our team members.



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