

Grant Thornton Aged Residential Care Service Review

Summary

This is a comprehensive review, covering demand, costs, and models of care. Significant national and international literature is presented which is both broad and thorough in its scope. The focus group findings presented are also well informed, insightful and provide many potential avenues for development of this crucial health sector. The statistics sourced are appropriate and sufficient caveats based on the underlying assumptions have been provided. A weakness of the report as a whole though, is that the recommendations and executive summary focus disproportionately on the funding, costing and profit implications for the private aged care residential sector, compared to the overall balance and content of the whole document. This is expected considering the project funders.

A section by section analysis of the review follows:

Demand for facilities

The population modelling produced is based on good established data, which, if other factors were not to change, would certainly lead to the real demographic age shift predicted. However, the following factors all have potential to influence demand in both predictable and unpredictable ways;

- The projected age profiles of different ethnic groups in New Zealand are different, and this has potential implications – one of which is that Māori and Pacific populations will increasingly have a much younger profile.
- There is some evidence of an emerging “baby boom” and changes to taxation, child care support and to some extent social fashion all have the potential to impact significantly, and quite rapidly on the age of child bearing, the numbers of children in families and therefore the overall age profile.
- A change in immigration policies and patterns has potential to alter the overall profile quickly. Compared to other countries, the small population is more sensitive to small changes. Political sensitivities related to population makeup may complicate policy in this area. Comment about returning older New Zealanders, and older migrants is noted, it is likely these will be wealthier on average than those who have lived here all their lives.
- The effects on demand for services (or the age at which these are required) will be significantly affected by changing medical practice: the advent of wide spread use of statins, for example, has significantly reduced the early death from heart disease and stroke, potentially increasing requirement for dementia care later. Significant research effort is now being directed at treatment and prevention of dementias and other neurodegenerative diseases.

- The potential impact of health promotion initiatives based on recent research evidence related to diet, exercise and changed smoking / alcohol use etc has yet to be realised at a population level in most countries. The impact of increased obesity and diabetes however, may in fact reduce the numbers of those surviving into extreme old age.

Future demand scenarios

This section is the most sensitive to assumption, and the most amenable to manipulation by social policy changes and altered models of care. Changes to means testing, inheritance law, patterns of social mobility (for example children moving further away from older parents) and client preferences means that the future demand scenario modelling will not be accurate, or at least that the gap between now and significant upturn in demand may be longer. The wider issues related to savings for retirement and aged care have not been adequately described in this section. There is a fundamental dilemma by which people will not be incentivised to save for this provision if their savings will be immediately off set by means testing. Greater choice, better facilities, additional services etc may positively influence saving behaviour, and modelling showing greater wealth in older age prolongs independent living implies that saving incentives may bring wider policy dividends and alter demand scenarios. A risk socially is that the gap between rich and poor, and between access to good and poor provision will widen. There is evidence that wealth disparity (as opposed to absolute levels) has a large negative impact on social cohesion and perceptions of well being, levels of crime etc – particularly where as might be the case in New Zealand, this can be differentially racially distributed.

Supply of facilities

As stated, additional capacity assumptions vary widely, and there are at least another four or five years in which to do more detailed research into client preferences, service provision and models of care. This is one of the recommendations from the review, and is urgently needed.

Costs and investment

This section of the report is heavily biased towards the needs of the private, for profit aged care provide sector. Not many sectors expect a 12% return after tax – with virtually no risk. It is a purely political decision as to whether the investment / return should largely be made in the private or public sectors. It is axiomatic that services that are required to deliver a service *and* produce a profit will cost more to the end user unless

- a. Costs (i.e. wages, primarily) are lower
- b. Service delivered is more restricted
- c. Productivity gains can be realised

Financial returns currently cover operating costs – future investment could for example be offset by tax breaks that could end up costing the consumer / tax payer less than a full commercial for profit service delivery model. Unidentified risks related to “cherry picking” commercially lucrative service provision at the expense of the total sector have not been explored in this section, which could be considered a serious deficit. Public/private partnership models for large capital projects in the USA and UK in particular have some short term merit, but longer term cost to the tax payer.

Workforce implications

Surprisingly, this is one of the weaker sections of the report, though appropriate caveats related to data quality (less than 35% of sector’s data of sufficient quality to be included) have been made. Assumptions about continued migration for nurses and care givers may be suspect, in light of OECD reports. Lag between demand and supply related to training, and competition for RNs with other sectors are all well observed. Potentials for productivity gains (apart from those based on technology and economies of scale) will inevitably impact on quality of care – as in the report evidence between hours of nursing care, best practice in staffing ratios etc is accurately cited. Of concern is the statement (made in at least three different places in the report) that improving quality of care, and improving patient outcomes and is cost negative due to increased longevity. The workforce implications are profoundly different for the different models of care, and these have not been explored in sufficient detail. Productivity gains will be finite -many tasks undertaken in aged care just cannot be done faster (feeding, bathing for example), and for smaller facilities with few RNs, staffing cannot be reduced indefinitely. Matching workforce with geographical demand is rightly identified as a risk. What is not discussed is (migration aside) care giving and even nursing as a career is sensitive to fashions, training lag and competing occupations, especially for women. For care giving particularly, the work is seen as hard, poorly paid, and in some ways socially less prestigious than many other career options. The report correctly identified high turnover in care givers, and the importance of retaining registered nurses in the sector.

Models of care

In the body of the report, this section (informed by expert review, literature and focus groups) is very strong. What is extraordinary, is that neither the executive summary, nor the main recommendations reflect the findings! In the report, and the appendices based on literature and international comparisons, very many opportunities for increased effectiveness in the sector are clearly identified. Matches between clear policy steers towards aging in place, and moving care from facilities (especially hospitals) back into the community have been accurately highlighted. Apart from the disadvantages to causing people to live longer (!) the case for enhanced professional services in the community, supported by better access to primary care, medication reviews etc seem compelling. Perverse funding incentives related to inappropriate use of acute services, not using GP

services well, or over reliance on prescribing are clearly identified, and should be urgently addressed, in any case. The opportunity to utilise an increasingly highly qualified, regulated nursing workforce in a more effective way has not been discussed in the summary or recommendations – yet nurse practitioners and innovative District Nursing / outreach services have already demonstrated cost savings for the DHBs. As identified in the report, moving these savings out to the sectors to support such changes is a challenge. – but must be achieved.

Key recommendations

NZNO support of the specific recommendations:

- 1&2 (requirement for greater awareness and scrutiny of the issues) SUPPORT
- 3 (pricing and policy to support investment) NOT SUPPORTED – Preference is given to changes to models of care, better use of nursing skills, and social policy related to provision of low cost, supported housing.
- 4-7 and 9 (mostly related to profit implications for sector) NOT SUPPORTED see above
- 7 – 12 (further evaluation and review, pilots) SUPPORTED
- 13-14 (detailed exploration of models of care, career development) SUPPORTED
- 15 (the need for review of the steering group) SUPPORTED. In particular, NZNO's exclusion from such a review is extraordinary, considering the expertise and membership coverage that the organisation possesses.

In conclusion

This is a well prepared and timely review. It has been produce for one of the key stakeholders in the sector, yet has largely delivered a balanced and thorough report covering most stakeholders. The conclusions, and in particularly the executive summary however do not always match the detail in report; rather, are informed by the ideological and political stances of the funders of the review. The foreword calls for public debate stemming from the report. This brief review could inform the start of NZNO's debate and response.