

# Top 5 viability tips

**Providing financial transparency is among key elements required to remain financially viable in residential aged care, writes MARK SHELDON-STEMM.**



**T**he recent release of data from StewartBrown on the financial health of residential aged care indicates many providers are operating at a loss. It predicts a grim future for providers.

The interim report from the aged care royal commission followed. It too indicates funding is an issue for the sector.

The many years of decline in real funding is now starting to bite. Faced with this prospect, there are five elements – quality, trust, pricing, transparency and value – residential aged care providers need to master to operate a viable service.

Providers can achieve this by:

1. Setting budgets that reflect living within the means available and constantly updating data in the financial system so performance can be monitored against the budget.
2. Introducing a system that splits the costs into the major components, including overheads and margins, to form the basis for charging for services.
3. Discussing with residents and their families\* on the funding received, the service charges and how funds are used, to establish funding transparency.
4. Providing ongoing transparency of funding and charges to the residents and their families through regular statements, normally monthly.
5. Negotiating with residents about additional charges when their choices for services are over and above the funds available to them. This requires full consultation with the resident and families and a demonstration of value for money.

The new Aged Care Quality Standards require choices to be met. In correspondence with the Aged Care Quality and Safety Commissioner Janet Anderson, she indicated where there is no funding transparency then residents' choices should be met with no connection to the funding available.

However, where there is funding transparency, as long as the consumer understands the funding and the provider supplies up-to-date information, then choices can be made within the funding available.

A comment from the royal commission interim report reflects the need for funding transparency. "The aged care system also lacks transparency. The aged care sector behaves like an industry, but this masks the fact that 80 per cent of its funding comes directly from Government coffers," the commissioners wrote.

This transparency applies to all areas of aged care including its finances. The government has already signalled its



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intention to place the funds in the hands of aged care residents and their families. When it does, providers will be fully accountable.

However, there is an upside for residential aged care providers. Once the resident is aware of the funding and the charges, it paves the way for them to understand how funds are used and if more services are requested they will need to pay for them.

The fact that residential aged care providers have never had to disclose funding or be transparent in the past is often seen as a major hurdle.

But where providers have done this, residents and their families are grateful. They understand the flow of funds and are often willing to contribute more for services. In some cases, they become an advocate for the provider.

Importantly, in this type of system, no one misses out on the services they need each day but if they want more they are available by paying for them.

Charging for additional service without full financial transparency is difficult. Often the resident and their families are unsure how their money is being used or the basis for any additional charges.

Having a system in place sets the ground rules for additional charges, allows the resident and families to determine value for money and the provider to recover additional costs.

Finally, the five elements of operating a viable service are underpinned by cultural change. This can be achieved by:

- developing a service environment where there is trust between all parties including the resident, families, staff and the provider
- operating a service that partners with and values residents, families and staff.

Nobody wants to be sold anything and providers do not want to be sales people. People want access to services and choices. But they need to understand there is a price to be paid.

If the service operates in an environment of trust, openness and partnership, then the issue of paying for additional services becomes secondary to the service itself.

Determining whether the taxpayer or residents should pay for high quality aged care services is an ongoing debate. But to remain viable a provider must be the best at what they do, build trust, understand their pricing, be transparent and provide value for money. ■

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\* *The word families includes a person's relatives or other representatives*