

Strengthening Public Sector Residential Aged Care Services (PSRACS) initiative

Proposed scope of this initiative

Key elements

The department is progressing work to investigate and consult on arrangements for the delivery of a more sustainable, efficient and effective PSRACS sector with an initial focus on metropolitan PSRACS.

It will do this by engaging with PSRACS and key stakeholders to:

- consult with PSRACS to better understand the current operational challenges and risks;
- develop a robust profile of the financial position for **metropolitan health services delivering PSRACS** through an independent due diligence process;
- analyse opportunities to better support and improve operations for **metropolitan PSRACS** that address operational challenges and risks and improve their sustainability;
- identify both short term and longer term actions to address operational challenges for rural and regional PSRACS.
- identify how reforms in metropolitan health services delivering PSRACS can be leveraged to support PSRACS in rural and regional settings.

Importance of Victoria's PSRACS

Victoria has the largest public sector residential aged care services (PSRACS) sector in Australia, providing about 10 per cent of the state's residential aged care capacity.

At 30 March 2021, there were 5,611 operational PSRACS places across Victoria. Of these, 707 operational PSRACS places are in metropolitan Melbourne, 45 per cent of which are Aged Persons Mental Health places.

PSRACS play a vital role in Victoria's aged care, health, and community services system. Critically, PSRACS fill the gap in residential aged care service provision for vulnerable older Victorians. The PSRACS sector often provides older people who are experiencing socioeconomic disadvantage, living in remote locations, or who have complex care needs with access to services that they would otherwise have difficulty accessing in the non-government sector.

The Victorian Government contributes about \$120 million per annum to PSRACS operating costs. In addition, since December 2014, the Victorian Government has invested over \$451 million into capital improvements to enhance the quality, function and amenity of metropolitan, regional and rural public sector residential aged care facilities.

Case for change

The Victorian Government is committed to retaining public sector residential aged care services. Following the recent Royal Commission into Aged Care Quality and Safety, the Commonwealth Government is introducing significant reform to aged care policy directions, regulation and funding arrangements which will impact PSRACS.

In addition, the residential aged care sector is experiencing financial pressure, as the cost of care exceeds Commonwealth funding available for residents. PSRACS must be able to continue delivering quality care to vulnerable Victorians, many of whom would have difficulty accessing the care they need without PSRACS.

The Department of Health will work with PSRACS and key stakeholders to identify and explore opportunities to better support and improve arrangements for PSRACS that also address the relevant recommendations of the Royal Commission into Mental Health in Victoria and the Royal Commission into Aged Care Quality and Safety and consider ensuing federal reform.

Royal Commissions into Aged Care Quality and Safety and Victoria's Mental Health System

It will be critical that future PSRACS operations align and adapt to the new environment that will be established by the Royal Commission recommendations.

The Royal Commission into Aged Care Quality and Safety final report was handed down on 1 March 2021. In response, the Commonwealth Government has announced a range of reforms which are expected to impact PSRACS operations. These include additional provider reporting requirements, a heightened regulatory and compliance environment, changes to board governance arrangements, prudential oversight and new funding arrangements.

In addition, the final report of the Royal Commission into Victoria's Mental Health System was also released in March 2021 and raised many of the same issues with aged care as the Royal Commission into Aged Care Quality and Safety. PSRACS with Aged Persons Mental Health services will be particularly important in transforming the system to better respond to the needs of older people with mental illness.

A stronger capacity for PSRACS to support Aged Persons with Mental Health needs, and work with new Local Mental Health, Area Mental Health and Specialist Mental Health services will be particularly important in transforming the system to better respond to the needs of consumers and their families.

How will PSRACS and stakeholders be engaged in this process?

Providers of PSRACS and other stakeholders will be engaged through two key mechanisms.

Consultation and co-design

A consultation and co-design process will seek to draw on the knowledge, operational experience and expertise of all PSRACS, health services, unions, residents/families/representatives, industry experts, peak bodies and the Commonwealth to inform options for future arrangements and actions that will strengthen public sector residential aged care service delivery.

Due diligence

The consultation and co-design processes will be underpinned by a due diligence exercise with metropolitan PSRACS, which will seek to establish a sound and comprehensive understanding of current PSRACS operations and cost drivers. This will support costing of future operational models.

How will the specific needs of rural and regional PSRACS be considered?

The state-wide consultation and co-design process will provide rural and regional PSRACS with the opportunity to participate and identify:

- operational challenges and risks for rural and regional PSRACS;
- specific short-term actions that may support and improve sustainability of rural and regional PSRACS, noting that some of our largest PSRACS providers are located in regional settings;
- longer term opportunities for improvement that are sensitive to the rural and regional context and communities, meet local needs and improve PSRACS operations in these settings;
- opportunities to leverage reforms in metropolitan arrangements to support PSRACS in rural and regional settings.

Timelines

It is anticipated that this work will commence during August 2021. The department will provide updates on the progress of this initiative as information becomes available. It is anticipated that outcomes of this work will be available by the end of 2021.

Further information

For further information or please email your query to: Sylvia Barry, Director, Aged Care Branch, Commissioning and System Improvement Division, Department of Health at: SAC.Branch@dhhs.vic.gov.au. Please indicate if you prefer to discuss your query via a phone call and include your relevant contact details.

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