



Association of Independent Retirees (A.I.R) Limited

ACN 102 164 385

PO Box 329
Deakin West
ACT 2600

The Honourable Mark Butler MP
Minister for Mental Health and Ageing
Suite MG 48
Parliament House
CANBERRA ACT 2600

Dear Minister,

I am writing to advise you of some initial reactions from our Association to the Government's Living Longer, Living Better package of aged care reforms.

Fees and Charges

Our Association is working to fully understand the impact on self-funded retirees of the new aged care fees and charges arrangements to be introduced from 1 July 2014. To do this we need to consider a range of scenarios based on the financial circumstances of representative groups of single retirees and retiree couples. Professor David Cullen and his colleagues from the Department of Health and Ageing have been most helpful in this process to date. Further we understand that the Department is preparing some form of "ready reckoner", or the like, to assist organisations such as ours in being able to determine how much consumers will expect to pay under the new arrangements. Hopefully this mechanism will make it much easier for our Association and other Consumer Organisations to do meaningful comparisons of current and future costs for aged care services. Our Association will greatly appreciate access to any such information.

Based on some scenarios which are available to us it appears that many self-funded retirees will pay significantly higher fees under the new arrangements than they would expect to pay currently for aged care services - both Residential and Home Care. Drawing on our initial assessment we are disappointed that the cap for care costs for Residential Care appears to be far less positive for self-funded retirees than the percentage cap proposed by the Productivity Commission and similarly for most, although not all, Home Care services. Further the means test generally appears to be noticeably tougher on self-funded retirees than the means test proposed by the Commission.

One of our Association's biggest concerns in undertaking comparisons of current and future levels of fees and charges is the uncertainty in respect to the level of accommodation charges and bonds under the new arrangements. In comparisons of current and future fees and charges the maximum accommodation cost for residential care under the new arrangements is stated as \$18,200 per annum based on current prices. This is a very substantial increase of \$6,341 or 53% from the current maximum charge of \$11,859 per annum. There will no doubt be extensive representations for even greater

charges and substantial bonds and our Association fully appreciates that these matters will need to be addressed by the Aged Care Financing Authority which will set guidelines for the determination of charges and bonds. At the present time we believe it is impractical, if not impossible, to make comparison of current and future fees with the lack of information available on likely accommodation costs including bonds for residential care. We would ask that the consumer viewpoint, specifically including the views of our Association, be sought and taken into account as this matter is progressed.

Our Association very much appreciates the Government including the same Lifetime Stop Loss Provision as proposed by the Productivity Commission in the Aged Care package.

With regard to the issue of comparisons, which are so vital for consumers before they can understand the impact of the new fees and charges arrangements, we would like to stress that our Association is in the early stages of assessing the impact of the above issues on self-funded retirees for both Residential and Home Care and we will continue to seek additional information to assist us in reaching a view on these matters. In particular, one area where we are seeking greater understanding is in regard to the proposed treatment of superannuation in the assessment of income and/or assets in the new fee scale proposed for aged care.

Current Fees and Charges Components

Our Association notes that a review is to be undertaken as to what services might be defined as extra services, for which consumers in Residential Care would be able and required to pay additional costs. We fully appreciate the benefits to consumers of being able to obtain certain services of a higher quality than those covered by normal fees. Our concern would be if services currently paid for as normal fees and charges were, as a result of any review, to be charged for separately as extra costs.

Our Association would also be concerned with any changes that lead to the consumer needing to pay for care costs under any new arrangements separately in a way that does not allow for these to be included as part of their care costs for which the care cost cap and Stop Loss Provision is to apply. We also feel strongly that all home care service costs should be included under the definition of "care" so they count towards the cap and the Stop Loss Provision that is to be introduced.

Our Association believes it is essential that there be strong consumer input into the Extra Service review, and also the proposed separate review of Aged Care prices.

Grandfathering Provisions

Our Association is pleased to see strong grandfathering provisions in the Government's Aged Care package and would urge that these not be weakened in any way.

Non inclusion of Aged Care Home Credit Scheme and inclusion of Cooling Off Period on entry into Residential Care facilities

Our Association does have concern that some consumers who need to find substantial costs for their Residential Care will be no better off than they are now (ie needing to turn to private reverse mortgage arrangements) ,despite difficulties in this regard having been identified and a possible solution provided by the Productivity Commission. This solution involved access to an Aged Care Home Credit Scheme, backed or regulated by Government, with low interest repayments and we believe that there is still merit in such an option being available.

We have some concern that the “cooling off period” included in the Aged Care package to ensure that care recipients will not have to decide how they want to pay for their accommodation until they have entered care, whilst being protected by the security of tenure provisions, may not necessarily achieve what is being sought here. The details of this arrangement appear to be lacking at this stage and we look forward to seeing more details so as to be able to fully understand the workings of the scheme.

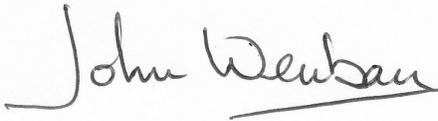
Tax Offsets

Our Association does have some views and issues on Tax Offset matters covered within the Government’s reforms and we are considering these further at this stage.

Conclusion

The comments contained in this letter are preliminary in nature and our Association is undertaking a detailed assessment of the Government’s Aged Care package. Given your much appreciated willingness to consult with our Association and consumers generally to date we wanted to convey our initial comments at this stage to you. We look forward to the opportunity of making a more detailed submission covering any areas of concern as soon as we have been able to properly consider the wide range of matters in the Aged Care package which will affect self-funded retirees.

Yours sincerely,

A handwritten signature in black ink that reads "John Wenban". The signature is written in a cursive style with a horizontal line underneath the name.

John Wenban
President

19 June 2012