



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

ACN 102 164 385

To: ACFA.Secretariat@health.gov.au

20th November 2012

Aged Care Financing Authority draft recommendations on accommodation payments

We submit our Associations comments on this draft on recommendations to the Minister on accommodation payments within the LLLB package, from 1 July 2014, as follows.

General comments:

We accept that a viable and expanding aged care industry is essential and that for those who need to enter into an aged care home after 1 July 2014 that there needs to be an appropriate methodology to ensure providers Lump Sum Accommodation Payments and Periodic Accommodation Payments are financially equivalent and that fees charge for accommodation are equitable and affordable for the whole community.

However our members continue to have issues and concerns in respect of the fees and charges that we consider from the limited information that has been provided, will have a significant increased cost impact on our members and on partly and fully self-funded retirees when care is needed after the full introduction of the Government's "*Living Longer. Living Better*" aged care reforms.

What is also of concern is the future use of the word "Bonds" in reference to the optional up front full or part lump sum payment to offset all or part of the daily / annual accommodation fee.

This terminology we have a concern about as this word "bonds" has a dreadful connotation to it for consumers based upon the current use, determining and mandating of bonds to be paid to get into an agreed care facility. It is a fear factor terminology that created an enormous negative reaction to it. The clear statement from the Prime Minister and the Minister was that Bonds (current) were eliminated in the LLLB.

These recommendations also seems to lose the important fact that there will be a choice of paying for ones accommodation via a refundable lump sum, periodical payment or combination of both - IT NEEDS TO BE CONSUMER ORIENTED - not mandated bond oriented, with freedom of consumers to choose which method of payment they require.

We appreciate that aged care facilities need to raise capital but for consumers the determining of using the lump sum option for the accommodation payment is a commercial decision based upon the best returns from a investment and maybe considered a mandated minimum bond of \$500k maximum bond based upon a 95 percentile point of the perceived current bonds paid. This point of the non regulated up to \$500k for the upfront lump sum using the word "Bond" immediately strikes fear and disapproval from all consumers plus resentment and distrust of providers.

Our members and consumers in general we believe will consider that it is inappropriate for ACFA to propose non regulation of bonds up to \$500,000 by simply basing it on the 95th percentile of current bonds. The concerns are about fairness particularly given the concern expressed by the Minister and others about some providers charging unreasonably large bonds to date.

We strongly suggest that from a consumer's perspective that the accommodation fee must first be set at the periodic payment level (possibly set at a different rate for geographic areas) and then expanded to offer part or a full lump sum payment to offset the required periodic payment not the reverse of this that appears to be the case in these draft recommendations

We also accept that some form of balancing the payment by consumers based on cost to build and provide accommodation facilities in certain geographic areas need to be accepted and incorporated into these recommendations to the Minister. We accept that it is unrealistic to consider that land costs, services charges and building cost are similar across all geographic areas in Australia. This then will become a decision that consumers will need to make based upon cost versus benefit when looking to enter into an aged care facility depending on the geographic area they require to be in.

For a consumer perspective and for consistence we totally are against the predominant theme in the report that Government should not have a detailed role in setting accommodation payments and that providers are best placed to do that. There clearly needs to be a balanced by the ACFA and not just say this is a commercial decision for providers to make. Control is required to ensure that aged care is properly funded by Government and that fees charged for accommodation are equitable and affordable for the whole community.

Draft Recommendation 1.

A single maximum lump sum apply to new bonds unless higher prices have been approved by the relevant Government authority.

Comment:

Please refer to our above comments in regard to this

Draft Recommendation 2.

The maximum be set at the 95th percentile of bonds

Comment:

Please refer to our above comments in regard to this

Draft Recommendation 3.

That all prices that providers propose to charge be published in advance

Comment:

Agreed

Draft Recommendation 4.

That guidelines apply for approving amounts above the maximum

Comment:

We believe the guidelines and determining of all fees need to be set, approved and published by the government

Draft Recommendation 5.

A complaints system for dealing with unreasonable pricing below the maximum

Comment:

Agreed

Draft Recommendation 6.

That the current method for determining the equivalence of lump sum and periodic payments be maintained

Comment:

Please refer to our above comments in regard to this.

If the Aged Care Funding Authority in their consideration of the above have any queries or question please contact Robert Curley on 02 9541 2317 or email curley@wix.com.au

Yours Sincerely

Max Barton
National President