



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

ACN 102 164 385

To: ACFA.Secretariat@health.gov.au

21st November 2012

Aged Care Financing Authority draft recommendations on accommodation payments

We submit our Associations comments on the published draft of ACFA's 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 charged 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 introduction of the Government's "*Living Longer. Living Better*" aged care reforms.

What is also of concern to our association is the continuing 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 is of concern 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 aged care facility. It is unfortunately a fear factor terminology that many have an enormous negative reaction to. The clear statement from the Prime Minister and the Minister was that Bonds (current) were to be eliminated in the LLLB and now this word is used again although in a different way.

Also these ACFA recommendations seem to lose a most important fact in that there will be a choice of paying for ones accommodation via a fully 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 and best suits their circumstances..

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 consumer's commercial decision based upon the best returns from an investment..

The ACFA's recommendation of the non regulated up to \$500,000 for the upfront lump sum and using the word "Bond" to describe this immediately strikes fear and disapproval from all consumers plus resentment and distrust of providers. Our fear is that aged care facility providers will eventually demand lump sum upfront payments and force consumers away from the option of periodic payment option and

may lead to an expectation that a bond of \$500,000 based upon a 95 percentile point of the perceived current bonds paid, become the standard minimum upfront payment fee.

Our members and consumers in general believe that it is inappropriate for ACFA to propose non regulation of upfront payments of up to \$500,000 and with the determining of this by simply basing it on the 95th percentile of perceived current bonds level.

Our concerns are about

1. Fairness particularly given the concern expressed by the Minister and others about some providers charging unreasonably large bonds to date.
2. That with setting the maximum as \$500,000 it will lead to an expectation amongst providers that \$500,000 is the norm and higher charges than necessary will be imposed upon the consumer

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 suggest that the equal partners in the marketplace should be the consumer and the provider and this consultation process and the draft recommendations has regrettably fallen far short of that objective.

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.

From a consumer perspective and for consistency 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 balance in the ACFA recommendations 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.

Finally with the 28 day cooling off period to decide upon the method of payment period, we suggest that it needs to be clearly spelt out in your recommendation that if the payment decision is based upon a lump sum payment or part lump sum and part periodic payment that there will be a 12 month period to pay to the provider the lump sum and that until this is received that the periodic payment charge will be applied.

Also

1. It is not clear in your recommendations that if a lump sum up front payment is made will there be a period it is applicable for, as is the case with an IBD or term deposit.
2. Will there be flexibility once a consumer is accepted into the aged care facility to change between the accommodation payment options?

Draft Recommendation 1.

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

Comment:

We are not in agreement with this. Please refer to our above comments in regard to this

Draft Recommendation 2.

The maximum be set at the 95th percentile of bonds

Comment:

We are not in agreement with this. 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.

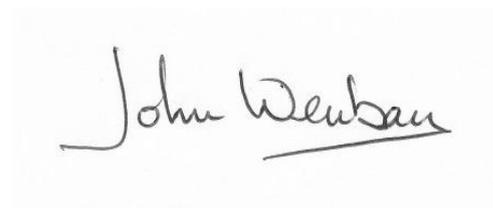
That the current method for determining the equivalence of lump sum and periodic payments be maintained

Comment:

We are not in agreement with this. Please refer to our above comments in regard to this.

We thank you for the opportunity to comment on the draft of your recommendations to the Minister and if the Aged Care Funding Authority, in their consideration of the above, have any queries or questions would you please contact Robert Curley on 02 9541 2317 or email curley@wix.com.au

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
National President