

19 April 2013

Committee Secretary
Senate Standing Committees on Community Affairs
PO Box 6100
Parliament House
Canberra ACT 2600

**Dear Committee Secretary** 

## Re Living Longer Living Better Submission

On behalf of my Board of Management I write to express our concerns about some aspects of the above Reforms; the most significant concern in terms of process is the inadequate time frame and lack of detail to enable the industry to understand the full consequences of the proposed changes. The process has been very poor and does not reflect well on our Government, the Department or indeed the Parliament of Australia.

In our view the following aspects need to be addressed to provide a reasonable and fair outcome:

	Issue	Impact	Solution
1	Retentions from RAD will be eliminated	Our current retention revenue of \$450,000 pa is used to upgrade facilities, and to replace and maintain our plant, equipment and furniture at a high standard. Additional bonds of \$10,000,000 would be required to offset this revenue loss at an interest rate of 4.5%. It is extremely problematic that we would be able to achieve anywhere near this level, and therefore our standards would reduce or our viability would be at risk.	This is not a minor, administrative or consequential matter for the Minister to justify these far reaching changes, and retentions must be retained.
2	Workforce compact	Unfunded costs, Unions achieve an imbalance of power, no forward commitment for CAP, no certainty on annual wage costs, COPO and CPI still disconnected; therefore serious viability risks	Eliminate workforce compact and provide decent recurrent funding, which is properly indexed. Again this is not a minor, administrative or consequential matter for the Minister to act upon

Shepparton Retirement Villages Inc. ABN 94 314 031 069 Association No. A0024266Y

	Issue	Impact	Solution
3	Commonwealth Own Purpose	Viability at risk because ongoing	Realistic recurrent
	Outlays (COPO)	costs exceed the COPO revenue	funding – eliminate
		index – e.g. costs increase by 3-	COPO and use a more
		4% when ACFI subsidy rates	relevant index.
		increase by 1.45%	
4	40% & 25% refurbishment rule	These levels are too severe and	Reduce to a maximum
		will not provide the financial	of 10% threshold, and
		incentives to upgrade and add	in the case of
		beds –e.g. a 50 bed facility will	refurbishment allow
		achieve no additional	the programme to
		accommodation supplement	cover a reasonable
		unless they refurbish 20 beds or	programme time of say
		more (at a minimum of \$25,000	5 years so that piece
		per bed) or they add a	meal upgrades can
		minimum of 13 new beds. This	occur in a logistical
		provides no financial incentive	manner –i.e. area by
		to increase standards or add	area so that residents
		beds for an increasing	can be moved from a)
		demographic need, unless these	to b) whilst a) is
		thresholds are met.	upgraded, and then
			moved to c) whilst b) is
			upgraded etc.
5	28 day post entry election	Will create variation in	Negotiate DAP or RAD
	period for method of	investments and loan	before or at time of
	accommodation payment	arrangements, as well as	entry so that business
		increased risk of bad debts as	<u>protocols can be</u>
		minor ramifications for non	explained, family
		payment become known –	dynamics are
		resident still cared for because	established and
		of security of tenure, but NFP	commitments are
		provider discouraged from debt	entered into for both
		proceedings because of	the provider and the
		brand/reputation in the local	resident – this is a
		community.	simple business
			principle and is fair on
			both parties. Again this
			is not a minor,
			administrative or
			consequential matter.
6	Specified Care & Services	The elimination of the low care	Compensate providers
		high care boundary is good	for these additional
		policy, but we are concerned	costs by Increasing the
		that additional costs from	ACFI rates for bands
		continence products, mobility	where low care
		aids etc will be passed to	previously applied.
		providers without adequate	
		financial compensation.	

7	DAP is the default payment,	No certainty on RAD, which can	Revert to current
	and this determines the RAD	result in fluctuations to	arrangement of RAD
		investments and borrowings	determining DAP
8	Inadequate capital funding	RAD & DAP guidelines unknown	Increase the availability
		in terms of what constitutes	of zero interest rate
		cost of accommodation	loans for new facilities
		payments, but based on the	in rural Australia where
		Productivity Commissions	(median house pricing
	1	Report the DAP is likely to be	less \$43,000 threshold)
		far in excess of median house	is less than average
		prices, which is the main	construction costs
		determinant of lump sum/daily	
		charge. This will not provide a	
		solution for an adequate capital	
		funding source, and with COPO	
		reducing viability new facilities	
		may not be possible in many	
		rural areas.	
9	Expansion of bureaucracy to	Additional costs will reduce	Reduce red tape.
	administer residential aged	funding capacity for providers,	
	care and home care under new	which will impact on viability	
	legislation	which will reduce choice and	
		access for the aged.	

These are the main concerns, but I reiterate the difficulty in identifying the myriad of issues in an information environment which is totally inadequate. This is a poor process for our Parliament to operate in, and even more consequential for aged care providers to carry on the business of caring for our aged residents with funding certainty and with a positive view of the future.

Thank you for the opportunity to have our concerns taken into account.

Yours faithfully

**Kevin Bertram** 

**Chief Executive Officer**