

18 April 2013

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

Dear Committee Secretary

Re: Senate Community Affairs Inquiry into the “Living Longer Living Better” Bills

Southern Cross Care (Vic) [SCC (Vic)] is a leading not-for-profit provider of residential and community services in Victoria, serving over 4,000 older people in the Community and 700 residents across nine residential homes.

SCC (Vic) agrees with the broad reform principles contained in “Living Longer, Living Better” including greater consumer choice, control and easier access to services. SCC (Vic) is specifically supportive of the significant increase in supply of approved places for home care packages and the removal of the distinction between low and high care in the Aged Care Act.

SCC (Vic) does, however, have several points of concern relating to both the content and legislative process of the “Living Longer, Living Better” bills under review by the Senate Community Affairs Inquiry.

SCC (Vic)’s key concerns are summarised in the following categories below:

Accommodation Payments

- The calculation basis for the equivalent Refundable Accommodation Deposit (RAD) is based on the Daily Accommodation Payment (DAP) and the Maximum Permissible Interest Rate (MPIR). This calculation methodology will lead to significant fluctuations in lump sum RAD’s over time as the MPIR changes. Such fluctuations will impact cash flows and will ultimately increase uncertainty relating to major infrastructure investment decisions.
- The three tier structure for accommodation payments will increase transparency relating to accommodation payments from a consumer perspective, however the recently released guidelines will add significant administrative burden for Providers. The requirement to assess and certify accommodation payment rates is seen as unnecessary where consumer choice is enhanced via publicised accommodation payment rates for all providers. We believe it a reasonable assumption that consumers are capable of making their own assessment of the accommodation standards available and that market forces will ultimately determine accommodation prices.
- The loss of retentions from accommodation payments will reduce income streams earmarked for capital replacement. Whilst SCC (Vic) agrees with the principle that refundable accommodation bonds should be fully refundable, the lost income to Providers should be compensated via additional payment from consumers or subsidy from the government.

Workforce Compact

- SCC (Vic) has specific concern that the funding appropriation for the Workforce Compact has been deducted from future ACFI funding appropriations. This real reduction in ACFI care subsidy will have a direct impact on our ability to maintain service levels to residents.
- SCC (Vic) does not support the Workforce Compact due to its detrimental financial impact. The gap between increased employment costs and compensation via the workforce supplement is significant. Our analysis indicates a gap which is exacerbated by employment on-costs not being covered by the supplement. We estimate that \$1.7m will be added to employment on-costs without compensation.
- Lack of certainty relating to entitlement to the supplement post four years. If the supplement was not paid after the initial four year period there would be a funding shortfall of \$4.7m per annum post 2017.
- Lack of clarity relating to required level of undertakings required to be incorporated into Enterprise Bargaining Agreements (EBA) to access the Workforce Compact. The resource intensive EBA negotiation process is not assisted by the lack of detail and clarity relating to the Workforce Compact.

Specified Care and Services

- As the schedule of care requirements have not been released there is uncertainty relating to requirements. Any prescribed care service in addition to current requirements will increase cost and will require commensurate funding either via the consumer or government.

Legislative Process

- Our observation is that the Bills contain little detail but are reliant on broad 'framework' documents and dependent related principles. These principles, which have not been finalised, will ultimately determine the impact of the changes for consumers and providers.
- Whilst the Department of Health and Ageing has provided information sessions and general information, the impact of many changes is unknown.

As stated earlier, SCC (Vic) is broadly supportive of the reform principles contained in the 'Living Longer, Living Better' reforms. SCC (Vic) is committed to continue to serve older Victorians and has plans to expand service delivery across all areas of operations. We believe that this can best be achieved by a reform process which provides clarity and certainty to consumers and providers. A clearly articulated policy framework, operational guidelines and certainty relating to key funding streams will contribute to this outcome.

Yours sincerely

Jan Horsnell
Chief Executive Officer