

**ADDITIONAL SUBMISSION MADE IN RESPONSE TO THE
LIVING LONGER LIVING BETTER AGED CARE LEGISLATION**

MADE BY KALYNA CARE

DELAHEY, VICTORIA

May 2013

RESPONSE TO LETTER FROM DEPARTMENT OF HEALTH AND AGEING:

On the 13th of May 2013 the Department of Health and Ageing replied to Kalyna Care's letter on the Accommodation Payments, and as a result of their response a further submission is required to point out an even higher level of inequity than was originally thought.

The figures below have not only implications for residential care consumers, but for the approximately \$12 b worth of bonds currently held by aged care providers.

In Kalyna Care's previous submission there were two elderly ladies who required care. One stayed at home and the other entered a residential facility.

This additional submission is based on Mrs Smith who has had to come into residential care.

But firstly, I wish to thank the Department for clarifying the position in terms of what fees will be payable under the proposed legislation.

There are two main scenarios for Mrs Smith when entering a residential facility.

The first is to pay an Accommodation Lump Sum of \$ 350,000 and the other is to pay an Accommodation Periodical Payment.

As the Department of Health and Ageing has explained, the following will apply based on the two scenarios:

Scenario One:

Mrs Smith pays an Accommodation Lump Sum of \$ 350,000.

Under this, the means test will be assessed at a daily fee payable **at \$ 70.51** (as per the Department's calculations). Of this \$50 per day will be counted towards her accommodation (even though the aged care provider will hold \$350,000 on her behalf). Then an additional amount will be paid by Mrs Smith of \$ 20.51 per day for care fees, which will come from her other income and assets.

Scenario Two:

Mrs Smith pays an Accommodation Periodical Payment of \$ 50 per day and no Lump Sum. She keeps her house and does not sell it.

Under this, the means test will be assessed at a daily fee payable **at \$ 59.46** (as per the Department's calculations). This amount will have to come from either Mrs Smith renting the house out or by using part of her cash reserves, of which \$ 9.46 will be made towards her care costs.

On this basis it is in the best interest of Mrs Smith to keep her house and pay the lower amount. The chances of an aged care provider obtaining an Accommodation Lump Sum is limited, if not nil.

Apart from the inequity already pointed out that Mrs Smith faces for coming into residential care, she will be forced to keep her house and rent it out even if she does not want to because if she sells the house it the cash becomes an asset for her under the means test and she pays higher fees.

However, this has much wider implications than the Mrs Smith case. Where a pensioner's only asset is their house, and if they sell the house and place the amount as an Accommodation Lump Sum, they will be forced to pay a fee over and above the Accommodation Lump Sum towards their care. This is on the basis that they now have an asset and part of this amount will be payable as care fees, even though they have no access to it.

This resident (through the calculations of the Department) will have to pay \$ 5.63 per day towards their care (based on an asset of \$350,000 held as an Accommodation Lump Sum. They will pay 1% of their assets of \$205,500 above the \$144,500 threshold towards their care).

The situation is therefore even more complicated than previously described. The reason given by the Department for not applying the means test to Home Care now applies to Residential Care, as the Accommodation Lump sum is not a liquid asset to the resident, and yet they will be required to pay part of this towards their care and yet they have no access to it.

On top of this the letter from the Department is contradictory and indicates there is not a clear understanding of the proposed legislation. This is in reference to two questions asked by Kalyna Care:

6. Will the \$350,000 held by the aged care provider be exempt for Mrs Smith in regard to her Centrelink Pension Payments?

. Yes, as is currently the case the amount paid as RAD will be exempt from the age pension means tests.

7. What if Mrs Smith sells the house for \$350,000 and decides to pay the accommodation payment of \$50 per day. Will this asset (\$350,000 less the amount she is paying monthly for her accommodation payment) affect her pension and also be reviewed in terms of her payment under the aged care means test? Considering that she has turned a \$144,500 asset into a \$350,000?

Yes, the amount will impact the amount of means tested care fee Mrs Smith can be asked to make as well as her age pension."

In the answer to question 6, the \$ 350,000 is exempt from the age pension means test, but in question 7 the \$ 350,000 is now subject to the means test for her care fees as well as her age pension.

This may be an error in the answer, but it does demonstrate that the Department is unclear of how the rules will be applied to the consumer. One minute it is out and then next it is in.

The letter from the Department also states:

"There is no threshold at which a person's accommodation is deemed to have been paid."

In the detail of the explanation this is obviously not the case. As the figure is used of \$ 50 per day is used as the accommodation payment and this is a threshold. This is the deemed amount for calculating the care co-contribution to be made by Mrs Smith.

Again, this may be an error, but this clearly indicates that the Department are unclear on the legislation being put forward or how it will work.

RECOMMENDATION:

On the basis of the above explanation by the Department it is clear that this part of the legislation cannot be passed as it is not defined correctly and on the basis of the fees charged will force the collapse of the Aged Care industry in the exiting of the \$ 12 b worth of Bonds or a very large part thereof.

This part of the legislation, as it stands, will in fact close down the aged care industry.

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