Shepparton Villages
Excelling in Aged Care
TARCOOLA VILLAGE Shepparton
RODNEY PARK VILLAGE Mooroopna
KIALLA GARDENS VILLAGE Kialla

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 <u>retentions must be retained</u>.
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 <u>provide decent recurrent funding</u>, <u>which is properly indexed.</u> Again this is not a minor, administrative or consequential matter for the Minister to act upon

9 Batman Avenue Shepparton 3630 Postal Address: Box 203 Shepparton 3632 Telephone **03 5832 0800** Facsimile 03 5821 3998
PR/Marketing and Fundraising Department: Telephone **03 5832 0855** Facsimile 03 5832 0845
info@sheppvillages.com.au – www.sheppvillages.com.au
Shepparton Retirement Villages Inc. ABN 94 314 031 069 Association No. A0024266Y

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

7	DAP is the default payment, and this determines the RAD	No certainty on RAD, which can result in fluctuations to investments and borrowings	Revert to current arrangement of RAD determining DAP
8	Inadequate capital funding	RAD & DAP guidelines unknown in terms of what constitutes cost of accommodation payments, but based on the Productivity Commissions Report the DAP is likely to be far in excess of median house prices, which is the main 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.	Increase the availability of zero interest rate loans for new facilities in rural Australia where (median house pricing less $43,000 threshold) is less than average construction costs
9	Expansion of bureaucracy to administer residential aged care and home care under new legislation	Additional costs will reduce funding capacity for providers, which will impact on viability which will reduce choice and access for the aged.	Reduce red tape.

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