



22 April 2013

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

Dear Sir

**Re: Senate Inquiry into Aged Care Act Bills (Living Longer Living Better)**

IRT would like to thank the Committee for the opportunity to comment on the draft Aged Care Act Bills.

IRT is a coordinated aged care service provider with some 6,000 clients and 2,077 staff. IRT operates across the aged care system providing services in lifestyle living, retirement villages, supported accommodation, community care, veterans home care and residential aged care. IRT operates across seventeen (24 sites have employees working e.g Corporate, College, Maintenance etc) locations in NSW, ACT and Queensland.

This submission to the inquiry is focussed on those aspects of the Bills where IRT believes that there are matters of concern or where we believe some amendment or change should be considered.

**General Comment**

IRT has some concern about the level of subordinate legislation and administrative decision making that the Acts specifically permit upon their enactment. Our concern is that it is difficult to consider the broader impact of many aspects of the legislation without having the capacity to consider the full impact of both the Act and the Subordinate Legislation.

IRT is generally supportive of a more flexible legislative construct however given the magnitude of the reform agenda it is considered a more appropriate governance process if the two components were implemented together, at least in so far as this major reform process is concerned.

**Community Care Reforms**

Consumer Directed Care (CDC) Deployment

IRT is concerned that significant administrative burden will be imposed on providers from 1 July, 2013 through the requirement that all new community care places must be offered on a CDC basis. Unless aged care providers are supported through the deployment of

appropriate IT software to manage the administrative aspects of quality CDC delivery the burden on providers trying to deliver the enhanced system manually will be considerable.

### Co-Payments

IRT is concerned that the application of the two income tested fee levels may have the unexpected outcome of imposing a burden on individuals as the capped fee levels of \$5,000.00 and \$10,000.00 may mean some care recipients will be forced to liquidate assets to meet this cost. IRT is also concerned that aged care providers will have no discretion in the application of the co-contribution. Rather, as the equivalent of the fee will be deleted from the subsidy a provider will receive, providers will have no choice but to fully apply the co-payment.

### **Accommodation Payments**

#### Daily Charge

IRT is concerned that the methodology for setting a maximum Refundable Accommodation Deposit (RAD) by the application of the Maximum Permissible Interest Rate (MPIR) has the potential to lead to a reduction in the maximum RAD that can be requested from new entrants entering into care. This will be the result under the current scheme if the interest rate set under the MPIR were to rise. The rate is currently 6.95% but five years ago it was 11%. Any upward movement in interest rates in the future could have a significant impact on providers faced with having to refund much larger RAD refunds than new entrants can be requested to pay on entry into residential care.

#### Complexity

One of the key objectives for the Living Longer Living Better (LLLB) reform package was to provide a simplified financial system for future consumers. IRT is concerned that (LLLB) will maintain an unnecessary level of complexity for future consumers.

#### Pensioner Entitlement

The Productivity Commission (PC) recommendations addressed the issue of artificial financial arrangements designed to ensure access to or retention of the aged pension. LLLB will, IRT contends, leave many future aged care clients in an invidious position due to the different treatment of a person who pays a RAD as opposed to a Daily Accommodation Payment (DAP). To fund a DAP a care recipient is likely to have to liquidate their main asset, the primary residence. However, any liquidated funds from a family home, for example that is not used to pay an RAD is likely to be included in a pension entitlement assessment calculation.

This same issue arises for anyone entering care whose family home is valued at a level much higher than the maximum RAD the provider can charge. It is likely that any balance will impact pension assessment entitlement for an incoming resident in these circumstances.

#### Publication of Accommodation Prices

IRT is supportive of the intent to have aged care providers publish their accommodation pricing information from 1st. April 2014; and that this information be contained on the MyAgedCare website, the provider's website and any documentation the provider makes available to prospective customers.

However, IRT is concerned at the ability of the industry to comply with this requirement without some significant investment in the IT capability of providers that will support

lodging of this information as well as the updating of this information on a regular and consistent basis. Improved capacity is also likely to assist aged care providers manage the calculation of accommodation pricing over time.

### Cooling off Period

IRT is concerned at the risk that a twenty-eight day cooling off period imposes on providers. Some financial institutions are indicating that this lack of certainty regarding the capital stability of an aged care provider is likely to negatively impact their lending criteria. The difficulty that is likely to arise relates to the uncertainty surrounding a providers ability to service borrowings and whether funds loaned to service a new construction can be repaid in say, seven years or fourteen years depending upon whether the accommodation payment is through a RAD or a DAP.

### **Quality System Reform**

IRT is concerned that the integration of the Aged Care Standards and Accreditation Agency into the compliance framework of the Department of Health and Ageing will lose many of the benefits of the quality improvement systems that have been achieved over the past twelve years.

IRT believes that there is a clear distinction between compliance and quality improvement. IRT does not believe that a simple requirement for aged care providers to report a set of clinical benchmarks will be an adequate proxy for ongoing imbedded quality improvement systems which has been the transformative change process for the industry over the past twelve years.

### **MyAgedCare Website**

IRT is supportive of the planned development of the MyAgedCare website with the intent of providing a single simplified entry point for information about care service providers and access.

However, IRT is concerned that the process to gather and retain currency of information which will largely have to be supplied by service providers will become a significant administrative burden on service providers unless their IT capability is strengthened considerably.

### **Aged Care Gateway**

A single information source through the website and a single access point for gaining care and services sounds attractive and if successful will go some way to addressing the public policy objective of simplifying the consumer experience in accessing information about services and being assessed for eligibility for those services.

IRT is concerned however that unless this function is undertaken efficiently and professionally then there is a strong likelihood that the Gateway will become a major bottleneck and have the opposite impact to that desired.

### **Wages Compact**

IRT is aware that in order to access the Aged Care Workforce Supplement that it must ensure that the current enterprise agreement is consistent with the terms and conditions of the Compact.

Upon initial review IRT is confident that the conditions will be satisfied however only following a full assessment by the authority will the outcome be known as there are certain requirements open to interpretation.

IRT is also concerned that service providers are expected to meet the additional cost of any on costs associated with changes as well as the cost of raising employee superannuation contributions to 12%.

These expectations seem unrealistic when future indexation funding is unknown, the impact of the 2013 Safety Net Wage Decision is yet to be announced, and the threat to further reduce subsidy income remains.

As the \$1.2B supposedly reserved for the Wages Compact has occurred through a re-direction of existing subsidies the industry is concerned that this is a fictional re-allocation of funds that had already been made available to the industry.

IRT believes that the Wages Compact should be excised from the Bills and deferred until there is a clear understanding of the criteria that will be applied, how service providers will be able to access any available funds and it is clearly understood how providers will meet the cost of superannuation and Wages Compact on-costs from their general operating income.

### **Specified Care and Services**

IRT supports the plan to remove the high care/low care distinction. However, the removal of this distinction requires a complete review of the Schedule of Specified Care and Services contained within the existing legislation. The Schedule explicitly states what service providers are expected to provide in a hostel (low care) or a nursing home (high care).

Though the Government has stated that a review of the Schedule will be completed by end of 2013 it is very difficult to respond to various aspects of the draft Bills without knowing how a revised schedule will be structured and applied.

The revised Schedule is crucial to the over-all health of residential care and will have a major impact on the viability of service providers. It is another example of being asked to comment on the Bills without some of the key components being on the table.

### **Concessional Resident Ratio**

The Supported Accommodation Ratio will be retained at 40% of the residents within each residential care facility. If a provider fails to achieve this arbitrary percentage they will lose 25% of the accommodation supplement for any and all their concessional residents.

IRT recognises and supports the need to ensure that citizens who do not have personal capacity to fund their accommodation costs need to be assured equitable access to appropriate accommodation.

The reality is that in many parts of the country achieving a 40% supported accommodation client intake is impossible. The total available concessional population nationally, is we believe approximately 37%. If the national figure is 37% it seems unrealistic to impose a punitive penalty on service providers who are unable to achieve the 40% target.

Though the Government has said that the Aged Care Financing Authority will be asked to review this component of the LLLB reform package IRT is concerned that the 40% rule and the associated penalties are being maintained within these Bills.

IRT would as a minimum suggest that the punitive nature of the penalty be removed and pending a review of the scheme, providers be penalised at the margins i.e. a provider who could only attract 39% supported residents would have the 25% penalty applied to the one resident falling below the 40% target not on all residents falling below the 40% target.

Again, thank you for the opportunity to comment on these Bills. IRT would be happy to provide further comment or elaborate on the issues raised in this submission if the Committee wishes for further comment or clarification.

Yours sincerely

Nieves Murray  
Chief Executive