

Robert Curley

Federal Director, Policy Development & Advocacy
/ NSW President

The Association of Independent Retirees (A.I.R.) Limited

8th May 2013

Dr Ian Holland
Secretary, Senate Community Affairs committee
PO Box 6100
Parliament House
Canberra ACT 2600
Email: community.affairs.sen@aph.gov.au

Australian Senate - Community Affairs Legislation Committee - 02/05/2013 - Aged Care (Living Longer Living Better) Bill 2013 Australian Aged Care Quality Agency Bill 2013 Australian Aged Care Quality Agency (Transitional Provisions) Bill 2013 Aged Care (Bond Security) Amendment Bill 2013 Aged Care (Bond Security) Levy Amendment Bill 2013

During the senate committee hearing on the above last Thursday afternoon in Canberra, I agreed to questions on notice from Senator FIERRAVANTI-WELLS and Senator SIEWERT inviting me to review, consider and make any comment I had on the details contained in three nominated submissions that had been received that had similar issues and concerns on fees to ourselves.

Below are my comments as requested.

The Crux of the each of these submissions is the Governments statement in regard to the Living Better Living Longer (LLL) proposed reforms of...

- Accommodation and everyday living expenses should be the responsibility of individuals, with a safety net for those of limited means
- Individuals should contribute to the cost of their personal care according to their capacity to pay.
- Annual caps on care fees for both Home Care packages and Residential Care be introduced to protect care recipients with higher than average care needs
- The Government will continue to regulate care recipients' co-contributions for approved aged care services to ensure fees are fair and reasonable and to ensure that no-one pays more than they can afford
- A new, fairer and more equitable means-testing arrangement will apply for home care fees and for residential care fees with the current income and assets tests being combined.

It is the Government statement that they will “ensure fees are fair and reasonable and to ensure that no-one pays more than they can afford and that a new, fairer and more equitable means-testing arrangement will apply” that is being questioned.

Our concerns and those in sections of the other submissions I was referred to, are in regard to those consumers needing to enter into residential aged care after 1 July 2014 who have low to moderate incomes and their assumed overall ability to pay the total fees including a means test co-contribution care fee and the prospective increase in the cost to do this from what residents are currently paying. The level of required co-contribution may be prohibitive for many people and that the scaling of fees for part-pensioner and for Commonwealth Seniors Health Card (CSHC) holders is considered too aggressive.

We contend that the average Australian would not fully appreciate the impact of the current versus existing total fees with the LLLB to be paid on entering into residential aged care or receiving home care after 1 July 2014

Each of us are indicating that the fees any one may have pay either for home aged care and residential aged care is an area that needs to be carefully reassessed for fairness and reasonableness. We in AIR also believe this assessment should be on the total fees, including the accommodation charge. We also consider that the income thresholds have been set too low and the impact with this on part aged pensioners and Commonwealth Seniors Health Card (CSHC) holders will be far too great. Given that the fee arrangements are a major departure from what residents are currently paying, there is also the concern that some may not choose to access services due to the fees.

Also the concern from Kalyna Care is shared in regard to a major flaw in that the LLLB proposes asking one group of elderly people to be treated differently for home aged care versus residential aged care, even though they have the same means.

A better define in the legislation is has also been requested so that it is clear about what is being paid and what for!

An assessment of what we consider will be the total fees required to be paid is.....

Basic Care + co contribution care + accommodation Fee*	Typical high wealth Self Funded Retiree costs per annum	Typical Self Funded Retiree with CSHC costs per annum	Mid range part aged pensioner costs per annum
Home care approximation \$k	3 <u>10</u> <u>13</u>	3 <u>7</u> <u>10</u>	3 <u>4</u> <u>7</u>
Residential aged care approximation \$k	16 25 <u>25*</u> <u>66</u>	16 16 <u>25*</u> <u>57</u>	16 6 <u>25*</u> <u>47</u>

Note* This remains unknown and this will vary and at minimum will be 20k / annum. An equivalent of a \$300,000 bond @ 7.24% together with the \$323 / month retention is \$25,600 / annum. Thus the typical \$25,000 / annum accommodation fee is used in the above assessment.

I believe these figures are very similar to those provided to the committee in the graphs and details contained in the UnitingCare Australia submission although the above table includes an additional cost being an estimate of the possible accommodation annual fee.

Regarding Accommodation Bonds, the monthly retention, Refundable Accommodation Deposit (RAD) and the Daily Accommodation Payment (DAP) issues expressed in these submissions, AIR's opinion and comment on this is only in regard to the accommodation fee payment method.

Our position is that we support simplicity, openness and transparency for aged care consumers. Thus an openly published DAP is supported. This will provide for consumers ease in selecting where to go to for residential care and see the daily accommodation required fee without having pressure. It should be set by and published by the provider in a competitive environment as is the case with Residential Retirement Villages, Motels and Hotels. The RAD we believe is an excellent alternate method of paying the daily accommodation fee with an attractive interest rate / published DAP used to calculate the RAD amount and is equivalent to having invested in a term deposit for the term of residency at the facility.

Finally common other themes through these submissions that AIR support are....

- A. the need to ensure that Australia has a viable, robust, fair, and sustainable aged care system for all older people both for now and into the foreseeable future.

- B. the need to have a single effective and independent Aged Care Pricing and Administration Commissioner for reviewing all fees and services, for ensuring open and fair competition between providers, for the managing of bed licences, for managing the accreditation of Providers and for undertaking, where necessary, independent cost of care studies

Regards

Robert Curley