

## **SENATE INQUIRY INTO AGED CARE BILLS (LIVING LONGER LIVING BETTER) - SUBMISSION**

I am CEO of Wonthaggi & District Elderly Citizens' Homes Inc. – known as Rose Lodge – which provides 70 ageing in place beds and 20 independent living units for the elderly in the region. Rose Lodge is the only ageing in place facility in Wonthaggi. Rose Lodge is a not-for-profit organisation, with around 50% of residents being Supported/Concessional. The ability to take bonds assists us to cross-subsidise the high number of Supported/Concessional residents.

Due to community demand Rose Lodge has plans for a further 28 beds – including high care and dementia which are critically needed by the community. Rose Lodge has lodged plans with Council and building could commence within a short time frame. However, due to the uncertainty of the Aged care reforms, particularly the removal of retentions and the limits on Accommodation Payments/Bonds the Committee has placed the proposal “on hold”. This will have a major impact on the provisions of much-needed services to the local region.

Our main concern with the Bills is that they contain very little detail, they are simply broad “framework” documents. The operation of the legislation will largely come through related principles. These principles are yet to be released so the industry does not yet know what these will entail. The government is essentially asking for the legislation to be passed without releasing details of the principles. Whilst the Department of Health & Ageing have provided briefing on the general contents of the Bills, the actual wording and the industry impact is unknown. It is imperative that the Bills do not pass Parliament without all the related details being known. To do so would be very poor process, a point already made by the same committee when it recently scrutinised the NDIS legislation. The Committee on that occasion stated:

*“The Committee considers that, as a matter of good public policy, when a bill seeking to institute significant national reforms is going to rely on extensive subordinate legislation, a draft of that ancillary material should be released as close as possible to the introduction of the bill itself to enable both Parliament and the public to fully consider the issues before it”.*

The industry agrees with the removal of the distinction between high and low care – this is “good” and reflects the acuity of entrants to facilities. However, the specified care and services (currently significantly different for low and high care) that will be provided to residents and the available ACFI funding needs to be clarified prior to the bills being passed. I understand that there is a Committee currently considering care and services so the recommendations of that committee also need to be available prior to the bills being passed.

We are most concerned that the legislation will be passed without appropriate scrutiny of the “bad” and “ugly” aspects of the reforms, which vary immensely from the Productivity Commission recommendations. It seems that the government is going to charge the residents more for their (means-tested) care fees (not retained by the facility) and this is appropriate if the resident has the capacity to pay. However, at the same time they will limit the amount of Accommodation Payment/Bond that the provider can charge and also remove retentions.

The lack of retentions and also the limit on the maximum bond that our facility can charge will require Rose Lodge to look towards more Accommodation payments than it currently takes. The impact upon our community is that there will not be as many available places for financially-disadvantaged residents as we will not be able to cross-subsidise their places. The proposed changes to accommodation payments whereby the daily accommodation payment will be used to calculate the lump sum mean that the maximum lump sum will vary with changes to the Maximum Permissible Interest Rate (MPIR) – there is no certainty for providers. The decision by the Minister to not accept the recommendation of the Pricing Commission relating to accommodation payments and to “with a stroke of a pen” reduce the maximum Level 2 price to \$85/day – effectively \$406,000 against their recommendation of \$500,000 is of great concern. Why set up a Pricing Authority if he does not take their advice? On what basis can he change other items? This lack of clarity impacts on future strategies.

The increased means-tested care fees will require facilities to charge these to residents to recoup the reduction in the care subsidy for the resident paid by the government – as happens now with Income Tested Fees. This will place both an administrative burden and the risk of bad debts onto the facility.

The Productivity Report recommended that the family home NOT be exempt if it was occupied by a protected person and that a form of reverse mortgage should be obtained to pay an Accommodation Payment. The rejection of this recommendation by the government means that the incoming resident may be eligible for a Supported/Concessional Supplement of \$10K - \$15K pa paid to the facility. So protected people may remain in the unencumbered family home and the government/taxpayers will still provide a Supported/Concessional supplement.

The Workforce Compact which has been announced removes funding from care to give to staff by withholding ACFI revenue indexation. This will the impact upon the care budgets for residents. Rose Lodge provides an excellent level of care and services for the residents, particularly in the Activities program and the standard of food. It would be quite a shame if the quality of services at Rose Lodge was impacted due to funding constraints.

It is particularly concerning that the Department of Health & Ageing has recently produced and distributed to providers a glossy political package on the "Workforce Supplement" with a covering (unsigned) letter and a fact sheet for employees stating:

*"Wage increases can be expected to start flowing from 1 July 2013".*

The Department of Health & Ageing does not pay our employees or dictate wages. The industry peak bodies were not consulted on the development of the documents, nor were they given the courtesy of being alerted to their distribution so that they could liaise with their members. Providers are currently in the process of EBA negotiations, part of which will require them to consider their financial situation and ability to pay. The Compact requires employers to fund oncosts as these will not be part of the supplement. We ask that the proposed Compact be considered by the Inquiry and that the relationship between DOHA and staff be clarified.

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