

10 May 2013

Community Affairs Legislation Committee
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Dear Sir/Madam

National Seniors Australia is pleased to provide the following response to the questions on notice raised during the Senate Committee Hearing on 2 May 2013 regarding the inquiry into the five Bills to amend the *Aged Care Act 1997* and give effect to the *Living Longer Living Better* reforms.

The questions were in regard to means testing and treatment of the family home which were raised in submissions from Kalyna (#2) and ANZ (#92) and by Uniting Care at the hearing.

National Seniors is the largest organisation representing Australians aged 50 and over, with around 200,000 members nation-wide. It provides a well-informed and representative voice on behalf of older Australians and contributes to public education, debate and community consultation on issues of direct relevance to them.

National Seniors urges the Parliament to pass the legislation to commence the process of implementing *Living Longer Living Better* reforms. The impact of the changes can then be monitored and adjustments made to ensure that recipients of aged care services are not adversely or inequitably affected by the means testing arrangements.

The available exemplars do not demonstrate the complexity that may arise for groups who fall between the fully supported and the fully self-funded clients. We believe part-pensioners and people just above the upper thresholds utilized for means testing in home or residential care are at greatest risk. They will have most difficulty accessing accurate advice and determining their best course of action for financial arrangements.

Ready reckoner tools and information should be provided immediately to assist consumers to understand and plan for payment for aged care services, as requested previously by National Seniors and other groups.

With regard to Kalyna Care's submission, we agree that there is potential for recipients in residential care to be paying more for their care than a person with similar assets in Home Care. The difference in means testing for Home Care (income only) and residential aged care (income and assets) may create differences in fees for similar care.

However individual situations differ enormously and residential care for a person with cognitive confusion is likely to be more complex and costly than in Home Care, so the inequity may not be as great as suggested. The order in which the resident pays for aged care may also protect some residents with limited means from having to pay higher charges for care.

The resident will pay their basic daily fee (equivalent to 85% of the age pension), followed by the accommodation charge (equivalent to the full amount Commonwealth daily accommodation supplement), then a care fee (the lower of the actual cost or cap) and finally an additional accommodation charge (for those with higher means tested amounts).

ANZ Healthcare raised the impact on financial viability of providers, including ability to leverage Refundable Accommodation Deposits (RADs) to raise loans if residents choose Daily Accommodation Payments (DAPs) rather than RADs. Differing contributions of the family home to assets was also raised; if sold at market value or assigned a value of \$144,500 if not sold (equivalent to Commonwealth daily accommodation supplement).

The worse-case scenario of limited RADs may not eventuate. The Commonwealth's evidence to the hearing refuted the assumption that residents with higher care needs would choose to pay DAPs rather than RADs because they remain in care for much shorter periods (the average stay is 2.7 years in high care compared with 3.5 years in low care). Other factors may also influence decisions such as the RAD not counting as an asset for the level of the age pension.

We agree with the ANZ that there is potential for inequity if the family home is sold prior to the means testing. Residents who have a family home and limited additional assets may be unable to generate sufficient income to pay for their DAP eg from renting the family home or return on investments and may sell their home to meet the cost of the accommodation payment.

The home will deliver assets at its market value rather than a nominal \$144,500; with subsequent responsibility to pay higher amounts for accommodation and/or care. Therefore we suggest Government monitor the implementation closely for unintended consequences and make adjustments as warranted.

If you have any queries regarding the above feedback, please contact our senior policy adviser Marie Skinner

Yours sincerely

Michael O'Neill
Chief Executive Officer