



Menarock
Aged Care Services

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Committee Secretary

Senate Standing Committee on Community Affairs

PO Box 6100

Parliament House

CANBERRA, ACT 2600

Dear Sir/Madam

The Aged Care (Living Longer Living Better) Bill 2013 and related bills

We refer to the recent letter to Menarock dated 12 April 2013 from Senator Bridget McKenzie inviting us to comment on the abovementioned Bills which is being considered by the Senate Community Affairs Committee.

Menarock Aged Care Services is a leading provider of aged care services operating 6 residential aged care facilities in Victoria and Southern NSW. It prides itself on providing high levels of residential aged care to its residents.

Thank you for the opportunity to comment on the above bills. We are of the view that the underlying policy behind Living Longer Living Better is the correct approach to deal with the challenges of our aging population. With this there is a need to move to a user pay system as our population ages and places a further financial burden on our diminishing revenue base.

Having said this, there are certain aspects of the abovementioned bills that, as an approved provider, do concern us and need to be addressed to ensure the underlying policy intent is maintained but which also allows approved providers to provide high levels of care under a sustainable business model.

Our primary concern is that some of the changes under the proposed bills will have a negative impact on the ability of approved providers to continue to provide high levels of care under a sustainable business model. These concerns relate to Government funding aged care services, the changes proposed to accommodation bonds and the increased cost of doing business.

Aged Care Funding

While we agree that a move to a user pay system is an appropriate policy response to the challenges of an ageing population, the reductions in overall AFCI funding is putting an increasing pressure on approved providers to provide high levels of care under a sustainable business model. While we acknowledge that there are budgetary constraints placed on any Government, particularly with a diminishing revenue base, the Government cannot continue to reduce funding to this sector. By doing so, places increasing financial pressure on approved providers.

Accommodation Bonds

Under the current arrangements, an accommodation bond may be paid by lump sum, periodic payments or a combination of lump sum and periodic payments. Under the proposed changes, a care recipient can pay an accommodation payment or an accommodation contribution which can be paid as a refundable deposit (lump sum), a daily payment or a combination of both. Once the care recipient enters the service, the care recipient will have 28 days to choose whether to pay the accommodation payment or contribution by daily payment, refundable deposit or a combination of both. While respecting resident choice, the 28 day decision period will have a negative impact on approved providers in that it will not allow them adequate time to plan for their working capital and capital expenditure requirements.

One concern is where an approved provider is proposing to use the refundable deposit (lump sum) to pay out a pre 1 July 2014 bond to a departed resident. By giving the care recipient 28 days after entering into the facility to decide whether to pay the accommodation payment by daily payment or refundable deposit does not give the approved provider adequate time to plan their working capital or capital expenditure requirements. In our view, it is not unreasonable for the care recipient to decide (before entering accommodation) as to how they wish to pay their accommodation payment, as is the current situation. This will allow approved providers more time to plan their funding requirements.

If the care recipient is unable to contribute towards their accommodation costs, the Government will pay an accommodation supplement on their behalf. The amount of the accommodation supplement depends on whether the facility meets certain building requirements, its age and when it was last refurbished. The concept of significant refurbishment has been a concern for the industry for some time now. We hold the view that this requirement will disadvantage approved providers in accessing the accommodation supplement. While there should be a requirement to maintain a residential accommodation building to a high standard, this is, in our view, already address through the accreditation standards requirements. In addition, the concept of significant refurbishment is too subjective and this subjectivity should be removed.

The maximum amount of accommodation payment that can be charged without approval will be \$85 a day. We are of the view that this amount is too low and should be increased to \$100 a day. Any amount above that should be by approval.

Unlike the current arrangements, approved providers will not be able to deduct retention amounts from refundable deposits. This will have a significant impact on the working capital requirements of approved providers and will adversely impact the underlying business model of a facility.

Aged Care workforce supplement

While acknowledging the Government's efforts to support higher wages for aged care workers, we are of the view that the proposed Aged Care workforce supplement is inadequate to promote sustainable wage reform for nurses in the aged care sector. The proposed requirements to be able to receive (and pass on) the workforce supplement are too onerous and will (if implemented by an approved provider) place a significant strain on the viability of an aged care facility. With declining revenues and increased costs of doing business, more aged care facilities will be experiencing significant financial stress. Based on surveys undertaken by professional services firms, such as Deloitte, Grant Thornton and Bentleys, approximately 30 percent of approved providers are making negative EBIT. In addition the average EBIT per bed has been steadily declining over the past 5 years. This is not sustainable in the short and long term.

In order to attract more people to the aged care sector, the Government needs to provide a level playing field between the public hospital system and the aged care sector. Under the public hospital system, employers are able to provide attractive fringe benefits which "for profit" approved providers cannot compete. In order to attract higher wages and more people to the aged care sector, the Government should allow the same fringe benefit concessions to be provided by all aged care providers. This will provide a level playing field and will attract more people to the aged care sector. Importantly, it will also deliver higher and better wage reform for nurses operating in the aged care sector.

Conclusion

While supporting the underlying policy intent behind Living Longer, Living Better, there are some significant concerns relating to the above bills that need to be address (which are outlined above) to ensure that approved providers are able to provide high levels of care under a sustainable business model.

Yours sincerely

Craig Holland
Director
Menarock Aged Care Services