

Retirement Aged Care Management Pty Ltd.
7-11 Beardsworth Avenue, Chelsea, Victoria 3196.
Ph. (03) 9776 1111 Fax: (03) 9776 1200 ABN 35 255 863 786

19th April 2013

Living Longer, Living Better – Submission.

Dear Sir / Madam,

I wish to provide some thoughts for your consideration in relation to these very significant proposed changes to our Industry.

I have been an Approver Provider for some 15 years, have bought and sold residential care facilities, built and managed a number of facilities in both Queensland and Victoria and am very keen to see that the industry remains viable and continues to serve the needs of our elderly.

I have read as much as possible on the current proposals and remain extremely concerned as to the viability and sustainability of current residential facilities.

I do not see the proposals delivering many of the stated objectives while either imposing significant additional costs on Residential Providers or withdrawing / “redirecting” significant income.

The main stated objectives are:

- A. Create additional residential places and upgrade others.
- B. Increase choice for Residents.
- C. Improve ACFI
- D. Workforce.
- E. Dementia.

A: My concerns include;

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- No retention from Accommodation bonds from July 2014. This is a loss per bond paying resident of \$323 per month, or say \$4K p.a. This would amount to close to \$200K where a facility has 50 bond paying residents – This change has no benefit to the Provider, no benefit to the Resident and only benefits the resident's estate!
- The Guidelines for deciding the max. accommodation bond charged leave a lot of unanswered questions but it is already clear that the level of bonds will reduce which in turn will restrict capital investment, renewal etc.
- These measures alone will in turn reduce the value of the business - in terms of ownership or for bank security purposes, and reduce investment going forward.
- It will reduce cash flow, "profitability" and capacity to service current / new borrowings.
- The resident can choose how they will pay the bond (lump sum or otherwise) which is totally appropriate however they can decide after they enter care and have security of tenure. This has planning and possibly significant liquidity concerns for any provider.

These proposed changes are totally in conflict with objective A.
Based on the proposed changes we have decided to cease our expansion and development plans pending further clarification and analysis.

Retentions should remain and Providers and Residents must decide on Accommodation Bonds payment option chosen before entering care.

Note: Department data shows average EBITDA at \$6,417 for 2009/10 while the above changes to retention alone are estimated to "cost" approx. \$4,000 per bond paying resident!

B:

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The changes to income and means testing will significantly shift the payment for care to the resident in the initial years of their care (until they reach the caps proposed).

These changes have not been explained or communicated to the public and when they are we will have an outcry

More thought and consultation is needed and recommended.

C:

- Changes to ACFI to date have been like “patches” and have introduced Uncertainty which will also work against objective A.
- **We need a complete review of the ACFI system to ensure it meets its objectives in an effective and efficient manner.**

D.

- We all agree the need to increase wages in the industry, however these proposals are not the way to go about it or succeed.
- The obvious failings of the proposal include:
 - No guarantee on ongoing wage funding after 3 years yet the Provider is locked into the higher level through EBA’s etc?
 - The Provider must pick up all on costs etc which Industry sources estimate at 30%.
- It was irresponsible for the Department of Health and Ageing to recently issue all Providers with literature for staff which stated gave the indication / expectation that staff will qualify for wage increases from July 2013.
- To issue such documentation:
 - Demonstrates lack of communication with Industry, Providers and Industry associations.
 - Will only cause strife for Providers come July 2013 as Employees and Unions will seek such increases.

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- Basically shows the need to step back and sort out the issues and solutions before announcing a change that the Department cannot deliver!

We all know earlier consultation on this topic broke down, yet it is still being proposed! We all need to be responsible in this regard, all interested parties need to be in agreement rather than having a proposal forced on industry. Such an approach will not work.

E.

- The industry totally agrees with the need for an increased focus on Dementia however the proposals do not go far enough.
- We need more specialized training for carers and family members especially where the emphasis is directed to Dementia support in the home. Families are just not equipped to provide such support to their loved ones.
- Residential care will always be the backbone of Dementia care yet that is not recognised or supported sufficiently.
- The proposed funding is totally inadequate.

Other Issues:

- The removal of the distinction of Low & High care is welcomed, however the issue of schedule of care and services needs to be addressed so that the change is cost neutral for existing low care providers – We are not confident of a fair outcome, unfortunately.

In summary:

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We have ignored the majority of the recommendations and thinking of the **Productivity Report** – they were constructive, and should have been given more respect.

The proposals have significant negatives for Providers with obvious consequences of reduced investment, lower returns, inability to attract capital etc. This defeats objective A at the very outset and can be avoided by minor changes i.e. keep retentions!

The Workforce Compact needs careful management and to date it has received anything but.

At this stage it would be sensible to remove / change some of the proposals, review others and basically not press ahead on a forced basis.

This industry is too important to have changes imposed that are inconsistent with stated objectives.

Yours sincerely,

John Mc Keon
Director