



20 January 2006

Mr Elton Humphery
Committee Secretary
Community Affairs
Legislation Committee
Parliament House
CANBERRA ACT 2600

Dear Mr Humphery

Aged Care (Bond Security) Bill 2005
Aged Care (Bond Security) Levy Bill 2005
Aged Care Amendment (2005 Measures No.1) Bill 2005

Thank you for inviting COTA Over 50s Alliance to submit comments on the proposed introduction of the above Bills and on the opportunity to raise other issues relevant to our organization.

COTA Over 50s Alliance welcomes the Government's initiative to strengthen the existing protection surrounding aged care residents' accommodation bonds through the introduction of the above Bills and a guarantee scheme along with prudential regulatory arrangements.

Accommodation Bonds form a significant part of a resident's life savings and currently there is no protection if a provider becomes bankrupt or insolvent and no guarantee that the resident or their families will receive back the balance of their Bond.

An appropriate guarantee scheme will provide residents and their families with an assurance that these critical savings will not be lost should a provider default.

The *Alliance* would also like to draw to the attention of the Committee two further problems in relation to accommodation bonds. These are the timing of the payment of the bond and charges and residual assets limits.

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Timing of Payment

Currently bonds and accommodation charges are assessable and payable on admission. About one third of residents move or die within six months. The use of accommodation bonds as a mechanism for funding the capital requirements of residential aged care (particularly high care) raises many complex problems for all stakeholders.

From the perspective of residents seeking admission it adds to the difficulty of gaining admission to a facility on the basis of need for the services rather than the ability to comply with a financial profile. Since most residents need to sell their home to realise sufficient capital to meet the charge this adds a further layer of emotional stress and financial hardship to an already distressing health crisis. In the case of short stay residents these problems are exacerbated.

The trauma on residents and families where death is imminent are obvious and incompatible with good palliative care. Less attention has been given to the impact on those residents who may, with appropriate rehabilitation, regain sufficient capacity to be discharged but no longer have a home. Given shorter length of hospital stays and earlier admission to residential care following events such as stroke where the final outcomes may not be assessable for many weeks this problem may become more prevalent in future.

COTA Over 50s Alliance believes that the accommodation and charge assessments should be undertaken after admission.

There could be a recalculation of the draw down to capture the first six months. The benefits of a delayed assessment and payment would be:

- admission clearly on the basis of need;
- a chance for residents to realize non-liquid assets;
- a less hurried assessment;
- time to enable the resident to move to another service; and
- less administrative cost for the provider.

Recommendation

COTA Over 50s Alliance recommends that the Government ensure that accommodation bond and charge assessments are undertaken after admission

Residual Assets Limits

COTA Over 50s Alliance also believes that the residual assets limit of two and a half times the annual single Age Pension for people entering residential aged care after paying accommodation bonds is inadequate.

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The ongoing costs that must be met by the resident range from dental care and pharmaceutical co-payments to allied health services including podiatry, physiotherapy, and speech therapy. They also include custom-made aids and motorized wheelchairs, incontinence aids for lower level dependency residents and such things as hairdressing, personal clothing and funeral expenses.

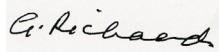
Some residents have almost no income left after paying regular medical, pharmaceutical and continence aid co-payments and need to access their savings to meet the various other costs that they are faced with.

Recommendation

COTA Over 50s Alliance believes that Government should increase the residual assets limit from 2½ times the annual single Age Pension to 5 times the Age Pension.

The *Alliance* looks forward to the outcome of the public hearing on the Bills on 2 March 2006.

Yours sincerely



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