

ASSOCIATION OF INDEPENDENT RETIREES (A.I.R.) LIMITED

SUBMISSION TO THE AUSTRALIAN SENATE COMMUNITY AFFAIRS LEGISLATION COMMITTEE

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

Executive Summary

The Association of Independent Retirees (A.I.R.) welcomes the proposed Bills to amend the Aged Care Act 1997. These Bills are of tremendous importance to retirees contemplating entering residential aged care facilities and those already in care.

The Aged Care (Bond Security) Bill 2005 will overcome a major concern for self funded retirees who provide a large amount of Bond money to a residential aged care facility, namely the question of the security of those monies and whether they would be available promptly at a later date.

The Aged Care (Bond Security) Levy Bill 2005 will overcome the present lack of accountability. A.I.R. believes that residential aged care facilities should be accountable to Government and other members of their Industry for the bond monies they hold and from which they gain interest income.

The Aged Care Amendment (2005 Measures No.1) Bill 2005, will overcome the concerns of self funded retirees by establishing new prudential regulatory arrangements regarding management of resident's accommodation bonds and entry contributions.

COMMENTS

For several years A.I.R. has been expressing concern to the Government about the inequitable and insecure situation regarding accommodation bonds paid by self-funded retirees entering residential aged care facilities. Those concerns include:

- the inequitable situation for self-funded retirees who have saved over their lifetime to fund their retirement, and who are penalised by having to pay a large amount for their accommodation bond when entering residential aged care.
- the lack of financial security for self funded retirees who have arranged their financial affairs satisfactorily and safely during their lifetime and who are asked, when entering residential aged care, to entrust almost all their entire life savings to an organisation whose financial affairs they know nothing about.
- the uncertainty for self funded retirees and their families under the present regulations, that the balance of bond monies will be available to them when the resident leaves the facility.

As part of its Pre-Budget Submission for 2004-05 A.I.R. recommended that the Accommodation Bond within the Aged Care Act 1997 be abolished, and that equitable Accommodation Charges apply to both low level care and high level care, incorporating reasonable costs of providing that care. However, if the accommodation bond is to remain as the Government's preferred option for assisting funding for residential aged care facilities, the equitable situation for all retirees would be to have the bond capped at a fair and reasonable amount.

Bob Swords
National President
21 February 2006