



**Australian Government**  
**Department of Health and Ageing**

**SUBMISSION**

**TO**

**SENATE COMMUNITY AFFAIRS LEGISLATION COMMITTEE**

**INQUIRY**

**INTO**

**AGED CARE (BOND SECURITY) BILL 2005**

**AGED CARE (BOND SECURITY) LEVY BILL 2005**

**AGED CARE AMENDMENT (2005 MEASURES NO. 1) BILL 2005**

**24 FEBRUARY 2006**

## Table of Contents

1.	Introduction.....	3
2.	Background.....	4
	2.1 Bonds.....	4
	2.2 Current legislative arrangements in relation to bonds.....	4
	2.3 Industry use of bonds .....	5
	2.4 The Hogan review and the Australian Government response.....	8
3.	The proposed guarantee scheme arrangements .....	10
4.	Estimating the cost to providers of the guarantee arrangements .....	11
	4.1 Circumstances in which approved providers may be required to pay.....	11
	4.2 Factors that may influence the cost to providers.....	11
	4.3 Estimating the level of the levy that may be applied to providers .....	11
5.	Alternative arrangements considered.....	13
	5.2 Individual Trust Accounts.....	13
	5.3 Central Trust Fund .....	13
	5.4 Irrevocable Guarantees.....	14
	5.5 Individual insurance .....	14
	5.6 Universal insurance .....	14
	5.7 Preferential debt status for accommodation bonds .....	15
6.	Industry consultation and industry views .....	16
	6.1 The Minister’s Implementation Taskforce.....	16
	6.2 The Conditional Adjustment Payment and Prudential Reference Group .....	16
	6.3 Views of industry in relation to the scheme.....	16
	Attachment A - Membership of Minister’s Implementation Taskforce and CAP and Prudential Reference Group.....	19
	Membership of MIT.....	19
	Membership of the CAP and Prudential Reference Group.....	19

## 1. Introduction

1.1.1 The Senate, on the recommendation of the Selection of Bills Committee, referred the provisions of the Aged Care (Bond Security) Bill 2005, the Aged Care (Bond Security) Levy Bill 2005 and the Aged Care Amendment (2005 Measures No. 1) Bill 2005 to the Senate Community Affairs Legislation Committee for inquiry and report by 27 March 2006.

1.1.2 The Selection of Bills Committee indicated that its reason for referral of the Aged Care (Bond Security) Bill 2005 and the Aged Care (Bond Security) Levy Bill 2005 was 'because the industry is unsure of the potential liability that they are signing off to'.

1.1.3 This Submission is prepared pursuant to the request of the Senate Community Affairs Legislation Committee for advice on that issue and any other relevant issues.

1.1.4 In summary, the Submission details the rationale for the proposed approach, the potential cost to industry of the proposed approach, alternative options considered, the level of industry involvement in the development of the policy and the high level of industry support for the initiative. As noted in the Catholic Health Australia, Aged Care Bulletin Issue A88/05 September 2005:

*It has been Government policy since the Federal Budget of 2004 that there be a prudential guarantee scheme to protect resident bonds funded by the industry. The outcome that the Government intends to legislate into existence is by far the lowest cost guarantee scheme that the industry, including the Church based sector, could possibly hope for and should be supported in the interests of resident confidence in continuing to pay increasingly larger bonds.*

## **2. Background**

### **2.1 Bonds**

Under the *Aged Care Act 1997* ('the Act'), an accommodation bond (bond) is an initial payment that an approved provider (provider) may charge a resident of aged care services (resident) for entry to low level residential aged care, or to high level residential aged care in an 'extra service' facility. Some aged care residents in Multipurpose Services (MPS) may also be charged accommodation bonds. The balance of a bond that is paid to a provider when a resident enters a facility (minus certain deductions and any investment returns retained by the provider) is refunded to the resident upon their exit from the facility.

### **2.2 Current legislative arrangements in relation to bonds**

2.2.1 The *Aged Care Act 1997* (the Act) allows an approved provider who operates a residential aged care service (aged care home) to levy accommodation bonds, in addition to daily care fees, on certain care recipients as an initial payment for entry to the aged care home. However, an approved provider can only ask a care recipient to pay an accommodation bond for entry to an aged care home if the aged care home is certified and if they meet the prudential requirements set out in the Act.

2.2.2 To be eligible to pay an accommodation bond a care recipient must enter the service for low care (hostel level care) or for high care on an 'extra services' basis, or for high care when the entry occurs within 28 days of the care recipient leaving a home where they had paid an accommodation bond. The care recipient must have assets worth more than the minimum asset value of 2.5 times the annual single rate age pension (currently \$30,500). Respite care recipients cannot be required to pay an accommodation bond.

2.2.3 There is no legislated requirement for approved providers to request an accommodation bond and the amount requested is negotiated between the approved provider and the care recipient. There is no cap to the size of the bond that can be requested by the approved provider, except that the maximum accommodation bond that a care recipient can be asked to pay for entry to an aged care home is the amount that, when subtracted from an amount equal to the value of their assets at the time of their entry to the aged care home, would leave them with assets worth at least equal to the minimal permissible asset value (currently \$30,500).

2.2.4 Care recipients who are eligible to pay an accommodation bond can choose to pay the accommodation bond as a partially refundable lump sum or as a periodic payment or as a combination of a lump sum and a periodic payment. The balance of the lump sum must be returned, within legislated timeframes, to the care recipient when they leave the aged care home, or to their estate if they die.

2.2.5 The Act requires that approved providers who hold accommodation bonds must not use the accommodation bond for a purpose that is not related to providing aged care to care recipients.

2.2.6 The Act also requires approved providers to offer the care recipient an accommodation bond agreement, which must contain certain specified information. They must also give the care recipient a signed contractual guarantee that they will repay the accommodation bond balance. Approved providers must also submit an annual prudential statement to the Department, signed by the approved provider and certified by an independent auditor or accountant, which states, *inter alia*, that they are able to pay liabilities, are maintaining adequate insurance and are repaying bonds as required.

2.2.7 Approved providers are entitled to income derived from investing the accommodation bond balance. Providers can also deduct from the accommodation bond an amount for up to five years of up to \$3186 (currently) per year (the retention amount). A taper arrangement ensures that the amount retained reflects the level of the bond.

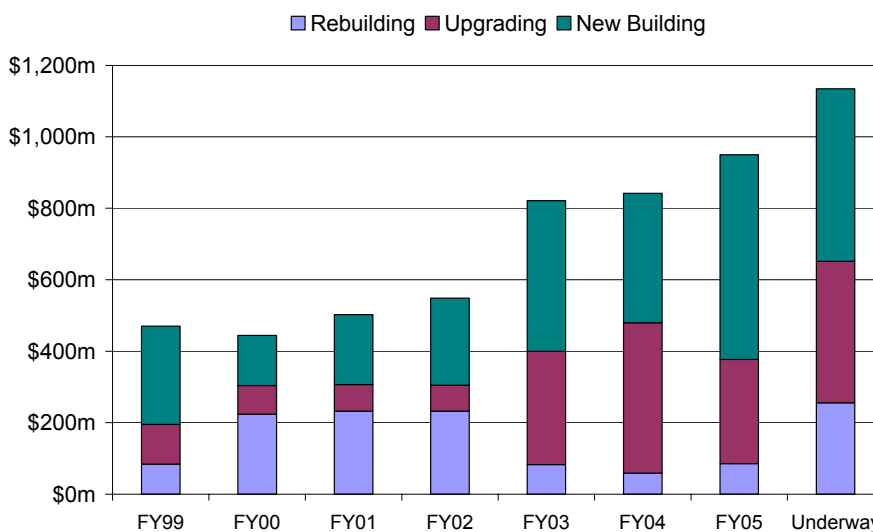
2.2.8 However, the Act requires that approved providers must use the income derived from the accommodation bond and the retention amount in the following ways:

- (a) to meet capital works costs relating to residential care;
- (b) to retire debt relating to residential care; or
- (c) where no capital expenditure is reasonably necessary to comply with matters specified in the certification principles and meeting accreditation requirements – to improve the quality and range of aged care services.

### 2.3 Industry use of bonds

Accommodation bonds have provided a significant new income stream to the residential aged care industry, which has allowed the industry to invest more than \$5.7 billion in building and upgrading aged care homes since the commencement of the Aged Care Act (see Figure 1).

**Figure 1: Annual expenditure on building work in residential aged care, 1998-99 to 2004-05**



2.3.1 Table 1 indicates the building work completed in or underway at the end of 2004-05.

**Table 1: Building work completed in or underway at the end of 2004-05**

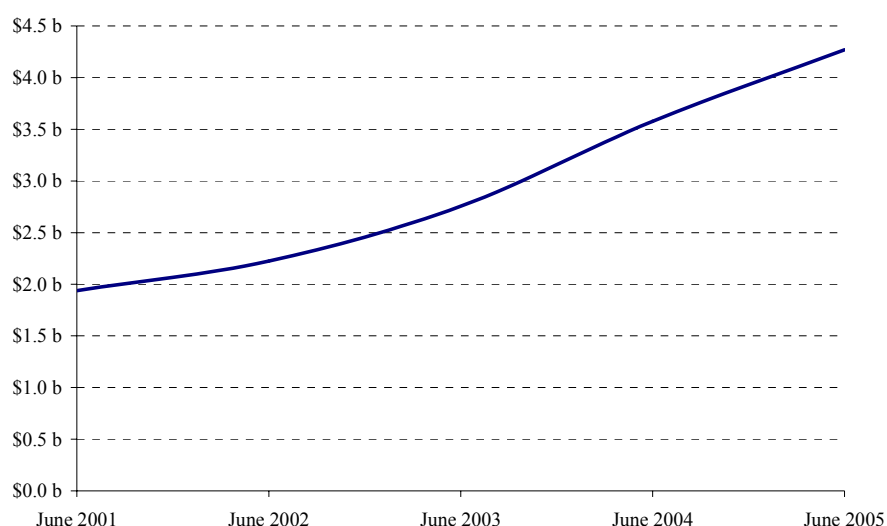
	Rebuilding	Upgrading	New Building
<b>Work completed in 2004-05</b>			
Proportion of industry	2.8%	13.1%	5.2%
Value of work completed	\$85.3m	\$291.6m	\$573.1m
<b>Work in progress on 30 June 2005</b>			
Proportion of industry	2.5%	9.8%	4.1%
Value of work completed	\$256.0m	\$395.8m	\$482.5m
<b>Planned building work</b>			
Proportion of industry	5.6%	14.2%	9.8%

2.3.2 At the same time, the current prudential arrangements have ensured that every care recipient, or care recipient estate, entitled to a refund of an accommodation bond balance has received that refund. In some cases, however, the refunds did not occur within the legislated timeframes.

2.3.3 Despite their effectiveness to date, several factors point to the need to improve arrangements for the protection of accommodation bonds.

2.3.4 First, as Figure 2 indicates, the total value of accommodation bonds held by the residential aged care industry has increased substantially. Indeed, over the last five years it has more than doubled. As at 30 June 2005, approved providers held accommodation bonds worth a total of \$4.27 billion.

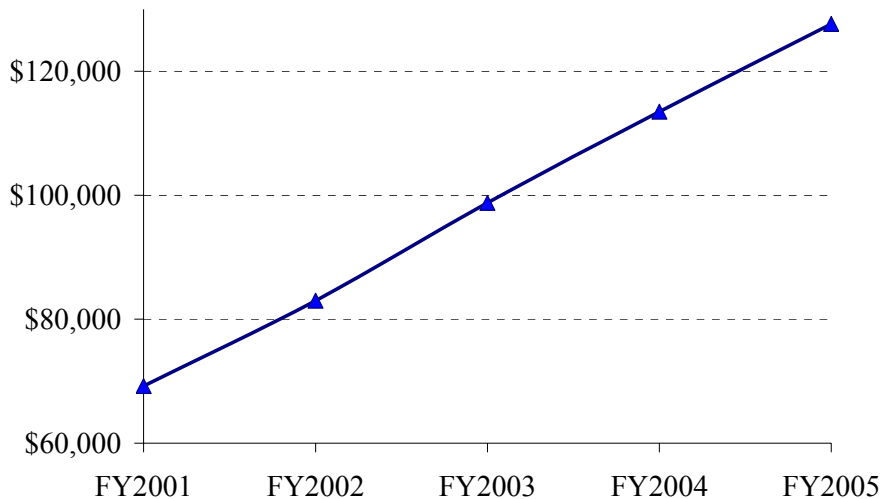
**Figure 2: Total value of accommodation bonds held by the industry (June 2001 to June 2005)**



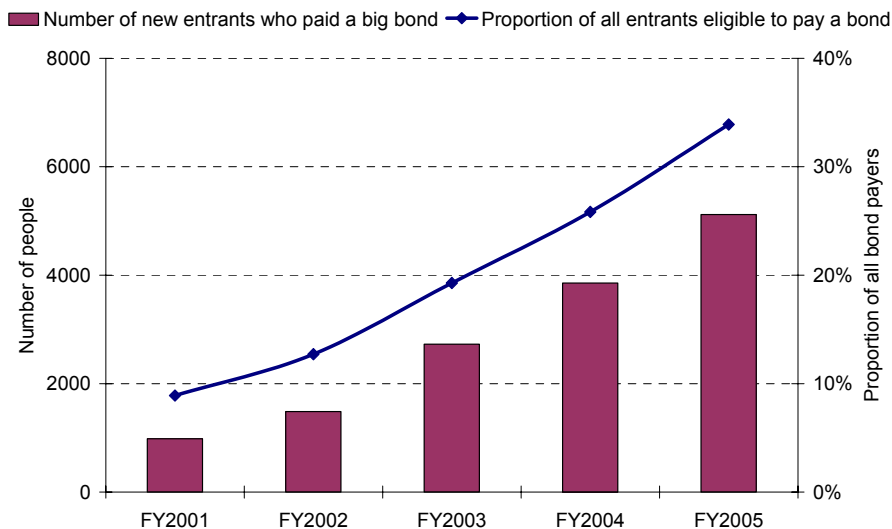
2.3.5 Second, the number of people who have paid an accommodation bond is also increasing. Between 2000-01 and 2004-05, the number of new entrants to permanent residential aged care who were eligible to pay an accommodation bond grew from about 11,000 to 15,100 – an increase of 37 per cent.

2.3.6 Third, the average new accommodation bond (i.e. the level of impact of a failure to repay an accommodation bond) is also increasing. Over the last five years, as Figure 3 illustrates, the average size of a new accommodation bond increased from \$69,200 to \$127,618 – an increase of 84 per cent.

**Figure 3: Average size of new accommodation bonds (2000-01 to 2004-05)**



2.3.7 Moreover the number of care recipients who are paying ‘big’ accommodation bonds (accommodation bonds greater than 10 times the annual basic single pension, currently \$122,500) has substantially increased over the last five years. From 918 people in 2000-01 to 5117 people in 2004-05.



2.3.8 Fourth, the number of aged care homes who hold accommodation bonds is also increasing. Currently, about three-quarters of all aged care homes (74.6 per cent) hold accommodation bonds. This proportion has increased from about 58 per cent in 2000-01. As Table 2 illustrates, this proportion varies according to the location of the aged care home and the sector to which it belongs.

**Table 2: Proportion of homes holding accommodation bonds, by location and sector (as at 30 June 2005)**

Provider	% of homes holding bonds
<b>Location</b>	
Major Cities	72.6%
Inner Regional	79.2%
Outer Regional	78.5%
Remote	63.2%
Very Remote	20.0%
<b>Sector</b>	
Government	61.3%
Not for profit	86.3%
Private	48.6%
<b>Australia</b>	<b>74.6%</b>

2.3.9 Finally, the average bond holding of each aged care home which holds accommodation bonds has also increased substantially over the last three years. As at 30 June 2002, every aged care home that held accommodation bonds held accommodation bonds worth, on average, a total of \$1.17 million. By 30 June 2005, this amount had increased by about 67 per cent to \$1.98 million per aged care home. Again, as Table 3 illustrates this amount varies according to the location of the aged care home and the sector to which it belongs.

**Table 3: Average bond holding per aged care home (as at 30 June 2005)**

Provider	Average bond holding per home holding bonds (\$m)
<b>Location</b>	
Major Cities	\$2.56 m
Inner Regional	\$1.48 m
Outer Regional	\$0.67 m
Remote	\$0.30 m
Very Remote	\$0.08 m
<b>Sector</b>	
Government	\$0.81 m
Not for profit	\$1.87 m
Private	\$3.38 m
<b>Australia</b>	<b>\$1.98 m</b>

## 2.4 *The Hogan review and the Australian Government response*

2.4.1 In 2004 a *Review of Pricing Arrangements in Residential Aged Care* (the Review) was undertaken by Professor Hogan. Professor Hogan undertook extensive consultation with



consumers and providers about issues within the Review's Terms of Reference (including prudential regulation and the security of bonds) and through an Industry and Consumer Reference Group, which was established during the Review.

2.4.2 In response to the trends identified above, the Review found that (§5.4.1):

*There is some doubt about the status of accommodation bond balances owed to residents. These sums do not appear to qualify as preferential debts under the Corporations Act 2001. Nor is there any provision in the Aged Care Act giving them priority status. Consequently, residents owed bond balances rank as unsecured creditors without priority in the event that an approved provider goes into liquidation. The prudential arrangements around accommodation bonds and the possible exposure of the Government are a source of concern to the Review. The Review therefore would like to see a strengthening of the prudential arrangements pertaining to accommodation bonds.*

2.4.3 The Review also recommended that in relation to securing bonds, there should be an industry funded levy to ensure funds are available to pay residents in the event of approved provider default. In particular Professor Hogan noted at Recommendation 9 that:

*The Australian Government should establish a Guarantee Fund:*

- (i) managed by an Authority established for the purpose;*
- (ii) funded by an industry levy, the amount of which is determined on actuarial advice; and*
- (iii) in the event of a defined 'default event', people with entitlements are able to recover accommodation bond amounts from the Fund.*

*A default event, in relation to an approved provider, happens when:*

- (i) the approved provider becomes bankrupt or insolvent;*
- (ii) the approved provider if it is a corporation, is being wound up or ceases to exist and there are insufficient funds to repay the accommodation bond entitlements; and*
- (iii) the approved provider is otherwise unable to meet the approved provider's liabilities under the enabling legislation.*

*As well as management of the Fund, the Fund Authority is to have prudential oversighting authority of approved providers. The powers of the Authority should include but not be limited to:*

- (i) the ability to examine the financial affairs of an approved provider, by means of inspection and analysis of the records, books and accounts;*
- (ii) the ability to review the value of the assets of each approved provider's corporate entity;*
- (iii) the ability to appoint an administrator of the corporate entity;*
- (iv) the ability to apply to court for the winding up of insolvent approved providers; and*
- (v) the ability to require an approved provider to enter into negotiations for the disposal of assets and if that fails, to secure an outcome to avoid where possible a claim on the Fund.*

2.4.4 As part of its \$2.2 billion response to the Hogan Review in the 2004-05 Budget, the *Investing in Australia's Aged Care: More places, better care* package, the Australian Government announced that it would support the establishment, in consultation with the community and aged care approved providers, of a provider-funded guarantee fund. The Australian Government indicated it did not consider that the high degree of regulation recommended by the Review could be justified, and that a Guarantee Fund offered a similar degree of security without the high cost of additional regulation to approved providers.

### **3. The proposed guarantee scheme arrangements**

3.1.1 The proposed guarantee arrangements are set out in the three Bills currently before Parliament. In brief:

- (a) the Aged Care (Bond Security) Bill 2005 provides for a scheme whereby the Australian Government will repay outstanding accommodation bond balances to aged care recipients in cases of aged care provider default. The Australian Government can then attempt to recoup the amount paid out by the Government from the defaulting provider;
- (b) the Aged Care (Levy) Bill 2005 enables the Australian Government to impose a levy on aged care providers to the extent necessary to recover amounts (including administrative costs) that it has not been able to obtain from the defaulting provider; and
- (c) the Aged Care Amendment (2005 Measures No.1 ) Bill 2005 provides for the strengthening of existing prudential requirements related to accommodation bonds especially in relation to liquidity, record keeping and disclosure.

3.1.2 The approach reflected in the three Bills does not reflect the exact type of strengthened prudential arrangements recommended by the Hogan Review.

3.1.3 Rather than establish a guarantee fund via an “up-front” levy on the industry, the Australian Government has opted, in the first instance, to act as guarantor of the bond balances and then on ‘as needs’ basis levy the industry to recoup any amount that it has outlaid on bond default payments.

3.1.4 This latter approach has the advantage of not ‘locking up’ potentially large amounts of bond money in a fund that then would not be available to aged care providers for capital purposes. An ‘as needs’ approach to levying the providers is more flexible and less costly as it forgoes the need to administer a permanent guarantee fund that would necessarily reduce the amount of potential capital funding available to the aged care sector.

3.1.5 The Australian Government considers that this approach is preferable to one that ties up scarce capital resources in a guarantee fund that providers contribute to just ‘in case’ there is a default in the sector.

3.1.6 The Guarantee scheme should also be seen in the context of other reforms that the Australian Government has announced that will further strengthen the security of accommodation bonds. This includes making receipt of the Conditional Adjustment Payment subject to approved providers producing General Purpose Financial Reports, have those reports audited by a Registered Company Auditor and making those reports available to residents and prospective residents.

## **4. Estimating the cost to providers of the guarantee arrangements**

### **4.1 *Circumstances in which approved providers may be required to pay***

4.1.1 There will be no costs to the approved providers of residential aged care unless one or more of them goes bankrupt or insolvent and are unable to refund accommodation bond amounts to care recipients.

4.1.2 In situations such as this, the Australian Government will refund those accommodation bond amounts and then seek to recover those amounts from the defaulting provider by standing in the shoes of the bond holder as an unsecured creditor. If it is unable to recover the full amount, the Australian Government may then recover any costs that it has incurred by placing a levy on approved providers of residential aged care.

### **4.2 *Factors that may influence the cost to providers***

4.2.1 The need for, and the size of, this levy will therefore depend on the circumstances of the bankruptcy or insolvency and the consequent ability of the Australian Government to recover funds from the aged care provider/s concerned.

4.2.2 The cost to an approved provider (the levied provider) in a given financial year will therefore depend on:

- (a) the likelihood that default events will occur in that financial year;
- (b) the likely size of those events, if they should occur;
- (c) the amount the Australian Government can recover from the defaulting providers in respect of those default events;
- (d) the share of the industry's total accommodation bond holdings that are held by the approved provider who is being levied.

### **4.3 *Estimating the level of the levy that may be applied to providers***

4.3.1 In order to estimate the likely costs to industry, the Department commissioned PricewaterhouseCoopers to analyse the financial risk profile of the residential aged care industry, with particular emphasis on the ability of approved providers to repay accommodations bonds in accordance with the *Aged Care Act 1997* and evaluate, by actuarial calculations, the amounts approved providers would need to pay to fund such an arrangement.

4.3.2 Based on the analysis undertaken by PricewaterhouseCooper, the Department estimates that in any given financial year the average value of accommodation bonds that may need to be repaid by the Guarantee arrangements, and consequently recovered from providers would be in the order of 0.2% of the value of the industry's accommodation bond holdings. The

amount of the levy that a given approved provider could be asked to pay would therefore also be 0.2% of their accommodation bond holding. It must be stressed that this is clearly a conservative estimate, as no default has occurred since the commencement of the Aged Care Act in 1997.

4.3.3 The Department also estimates, on the above very conservative assumptions, that the size of the levy on the industry would only exceed 0.8% of bond holdings once in every twenty years.

4.3.4 These costs are very low compared to other mechanisms that approved providers could employ to ensure that all residents were guaranteed the repayment of their accommodation bond. For example, it is estimated that the purchase of an Irrevocable Guarantee from a (prudentially regulated) financial institution would cost the provider one to two per cent of the value of bonds held (each year), regardless of whether a default event occurred. Further detail regarding these alternative options is included in the following Chapter.

## **5. Alternative arrangements considered**

5.1.1 The Department, in consultation with industry, considered several alternative Guarantee Schemes, which did not involve a Guarantee Fund, to examine whether they would provide the same level of security to care recipients, but at lower cost to, and with less administrative burden, for providers.

### **5.2 Individual Trust Accounts**

5.2.1 Under this option, each approved provider holding accommodation bonds would be required to establish an independent trust account in which all bond balances were held.

5.2.2 However this proposal, on its own, would not provide a workable comprehensive solution, because:

- (a) not all providers would have sufficient liquid assets to immediately establish such an Independent Trust Fund;
- (b) it would significantly impact on the usefulness and worth of accommodation bonds to approved providers as debt offset; and
- (c) it would not guarantee full repayment of bonds in the case of fraud.

### **5.3 Central Trust Fund**

5.3.1 Under this option, the Aged Care Accommodation Bond Trust Fund arrangements as set out in the User Rights Principles 1997 would be reactivated and approved providers would be required to deposit all accommodation bonds in the Central Trust Fund. The Central Trust Fund would pay approved providers interest on the bonds it held on deposit from them and draw down and pay retention amounts as they were due. The Trust Fund would also act as a source of capital funds for the industry.

5.3.2 This arrangement would provide greater security to care recipients than the Individual Trust Account proposal, as it would be easier to ensure that approved providers lodged their bonds with the Trust Fund rather than ensure that they operated their Individual Trust Accounts properly, although it would still be necessary to establish a Guarantee Authority to monitor providers' compliance with the requirement.

5.3.3 However, the Central Trust Fund proposal would not provide a workable, comprehensive solution, because:

- (a) not all providers would have sufficient liquid assets to be able to immediately pay all of their bond balances into such a Central Trust Fund;
- (b) it would significantly impact on the usefulness and worth of accommodation bonds to approved providers as capital debt offset. The extent and ability of the

Central Trust Fund to lend to providers at below market rates may provide limited alternative choice of capital borrowings; and

- (c) it would not guarantee full repayment of bonds in cases where providers did not comply with the requirement to deposit all bonds with the Central Trust Fund.

#### **5.4 Irrevocable Guarantees**

5.4.1 Under this option, each approved provider would be required to secure an Irrevocable Guarantee from a (prudentially regulated) financial institution for the total amount of accommodation bonds they held. The provider would pay the financial institution around one to two per cent of the value of bonds held (each year) and the financial institution would guarantee repayment of the bond to the care recipient. The rate charged would be expected to be of the order of the risk margin the financial institution would normally charge on loans to the approved provider. The Irrevocable Guarantee could be held by the provider or by an independent body. On a default by the provider, the provider or the independent body would call on the guarantee and use the funds obtained to repay the care recipient.

5.4.2 However, this option could not form the basis of an acceptable alternative, at least immediately, because not all approved providers would be able to obtain an irrevocable guarantee from a financial institution, either because

- (a) they did not have a borrowing relationship with a financial institution; or
- (b) their credit risk rating would not allow them to secure such a guarantee, or would raise the cost of the guarantee to a prohibitive level.

#### **5.5 Individual insurance**

5.5.1 Under this option, each approved provider would be required to take out an insurance policy with a prudentially regulated insurer on each bond they held with the care recipient named as the beneficiary of the insurance policy. On a default by the approved provider the insurance company would pay the care recipient their bond.

5.5.2 However this option does not offer an acceptable alternative, at least immediately, because such insurance products are not common and the costs of such individual insurance, if available, would be prohibitive for some approved providers.

#### **5.6 Universal insurance**

5.6.1 Under this option, each approved provider would pay a group insurance premium into an industry pool. An insurance broker would be appointed who would secure insurance coverage for the entire industry, thereby aggregating risk. The broker's role could encompass risk management, identifying potential risks in relation to insolvency, bankruptcy, fraud, departure of care recipients, or loss of accreditation and assisting the industry to avoid such risks. It could also undertake an audit role ensuring that premiums were based on correct financial information. Individual premiums could be risk-rated, based on an initial assessment

of risk and then revised to reflect claims experience. The broker could be appointed on a tender basis. This would allow risk sharing between the industry and the broker.

5.6.2 This option does not offer an acceptable alternative, at least immediately, because it is unlikely that an insurance provider would be willing to take on the entire risk of the industry and would be likely to charge a large premium at least in the short term as no risk rating would be available on which to base the premiums. It should also be noted that many insurance products include an excess provision and under such an arrangement this option would not guarantee the full refund of all accommodation bonds.

### **5.7 *Preferential debt status for accommodation bonds***

5.7.1 Under this option, the *Corporations Act 2001* would be amended to give unpaid accommodation bond balances the status of preferential debts.

5.7.2 However, this option does not offer an acceptable alternative because it:

- (a) would only strengthen the prudential protections for care recipients whose approved provider was a corporation;
- (b) would not guarantee the full refund of all accommodation bonds; and
- (c) would adversely impact on the industry's ability to attract finance.

## **6. Industry consultation and industry views**

### **6.1 *The Minister's Implementation Taskforce***

6.1.1 The new arrangements were developed in consultation with the Minister's Implementation Taskforce (MIT) and the Conditional Adjustment Payment and Prudential Reference Group (Reference Group).

6.1.2 Consultation regarding options for establishing a guarantee scheme for repayment of residents' bonds was undertaken through MIT between September 2004 and April 2005. The MIT comprises a number of approved providers, aged care health professionals and academics. Details of the MIT membership are included at Attachment A.

6.1.3 MIT supported an approved provider funded guarantee scheme administered by the Australian Government. At the time, MIT did not consider that the Australian Government acting as guarantor, in the first instance, might be in scope and as such focussed their attention on a pre-paid scheme whereby all approved providers would contribute an amount of money to be held by the Australian Government for use in the event that an approved provider became bankrupt or insolvent.

### **6.2 *The Conditional Adjustment Payment and Prudential Reference Group***

6.2.1 The Conditional Adjustment Payment and Prudential Reference Group (the Reference Group) also considered the issue. The Reference Group comprises a number of approved providers of residential aged care as well as the CEOs of the major approved provider peak bodies, a consumer representative and the Chair is an expert in accounting and auditing. Details of the Reference Group membership are included at Attachment A.

6.2.2 Members of both MIT and the Reference Group were also consulted on the content and approach proposed for the legislative framework for the guarantee scheme and the prudential regulatory arrangements. These members all supported the model reflected in the legislation in preference to a pre-funded guarantee scheme (as originally proposed by Professor Hogan).

### **6.3 *Views of industry in relation to the scheme***

6.3.1 In general, industry has expressed strong support for the model reflected in the Bills currently before Parliament. Industry indicated that this option was far preferable to a model whereby approved provider's deposit funds that would be held by the Australian Government until they need to be used in the event of a default.

6.3.2 Following are some extracts from press releases put out by peak aged care provider bodies in response to the Minister for Ageing announcing the proposed guarantee scheme arrangements.



### 6.3.3 Extract from the Catholic Health Australia Aged Care Bulletin Issue A88/05 September 2005

*It has been Government policy since the Federal Budget of 2004 that there be a prudential guarantee scheme to protect resident bonds funded by the industry. The outcome that the Government intends to legislate into existence is by far the lowest cost guarantee scheme that the industry, including the Church based sector, could possibly hope for and should be supported in the interests of resident confidence in continuing to pay increasingly larger bonds.*

### 6.3.4 Extract from Catholic Health Australia Media Release - 15 September 2005

*Catholic Health Australia supports today's announcement of a new prudential scheme to protect accommodation bonds paid by aged care residents.*

*Speaking after Minister for Ageing Julie Bishop's announcement, CHA's CEOP Francis Sullivan said, "that this is a reasonable move on the part of the Government and should provide residents with greater confidence that their loans to aged care providers are secure."*

*'It is sensible for the Government to take the lead responsibility for accommodation bond protection and we are pleased that the scheme does not impose administrative costs onto providers.'*

### 6.3.5 Extract from Aged and Community Services Australia Media Release – 15 September 2005

*"The industry has known of the Government's concerns about the security of the up front, lump sum payments paid by residents of hostels and extra service (luxury) nursing homes for some time"*

*"We have been discussing the best ways of achieving the Government's policy goals in this area with them for some time to ensure that the response is in proportion to the risk. Today's announcement stating that the Government will repay bond balances if a provider defaults and then seek to recover these funds from the defaulting provider is the right way to approach this issue."*

*"We would hope that the further step proposed, of levying all providers to contribute if another provider fails, will never be needed."*

### 6.3.6 Extract from Aged Care Association Australia Limited Media Release

*The Aged Care Association Australia (ACAA) warmly welcomed today the announcement by Minister Julie Bishop that the Government would legislate to enhance prudential arrangements surrounding the bonds held by residential care providers.*

*Rod Young, ACAA CEO, said "the industry had been working with the Government for some time to ensure that best prudential security is maintained in respect of the bonds being held by the industry on behalf of care residents.*

*The total amount of bonds currently held by the industry is approaching \$4B and it is essential for the community, residents, families and the aged care industry that there is maximum confidence in the security of these funds and an assurance that refunds to residents will always occur in a timely fashion.*

*The Association therefore, welcomes the announcement today that the Government will act as the guarantor in the first instance and thus giving maximum assurance that bond holdings will always be secured.*

## **Attachment A - Membership of Minister's Implementation Taskforce and CAP and Prudential Reference Group**

### ***Membership of MIT***

Mr Jim Carlton – Chair (Carlton International Consulting)  
Mr David Armstrong (Amity Group)  
Mr Wayne Belcher (Churches of Christ Western Australia Inc)  
Professor Tony Broe (Prince of Wales Hospital)  
Ms Sharon Davis (Frontier Services)  
Mr Richard Ellis (Ellfam Nominees)  
Professor Len Grey (Princess Alexandra Hospital)  
Mr Ian Hardy (Helping Hand)  
Ms Jo Hardy (The Mary Ogilvy Homes)  
Mr John Ireland (Southern Cross Care)  
Ms Helen Kurincic (Anglican Aged Care Services Group – Benetas)

### ***Membership of the CAP and Prudential Reference Group***

Mr Ian Struthers - Chair (IL Struthers and Associates)  
Professor Tim Coelli (The University of Queensland)  
Mr Richard Gray (Catholic Health Australia)  
Mr Robert Hillier (The Frank Whiddon Masonic Homes)  
Ms Mary Lyttle (Residential Care Rights)  
Mr Greg Mundy (Aged and Community Services Australia)  
Mr Geoff Taylor (Aegis Health Group)  
Mr Jim Toohey (Tricare Limited)  
Mr Rod Young (Australian Nursing Homes and Extended Care Association)