

30 March 2009

Senator Helen Polley  
Chair  
Finance and Public Administration Committee  
Parliament House  
Canberra ACT

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Dear Senator

**Re: Senate Standing Committee on Finance and Public Administration - Residential and Community Aged Care in Australia - Friday, 13 March 2009 Canberra**

We refer to the evidence presented to the Senate Inquiry by the Department of Health & Ageing ("The Department") in the above proceedings (Hansard reference P&FA 78 to 98) and express concern regarding misrepresentations made in relation to the Grant Thornton Aged Care Survey 2008. We take this opportunity to address the following concerns:

**1. Comparison of Alternate Survey Research**

The Department has taken the opportunity to contrast the findings of alternate residential aged care survey studies to refute the need for policy reform. Whilst there will always be inevitable elements of variation within surveys that rely on participation from differing sectors, geographical regions and provider numbers, the findings of all three survey are unquestionably consistent.

The Grant Thornton 2008 survey report presented the most critical finding relating to the viability of investment in modern aged care infrastructure, which most directly addresses the questions raised:

*"Modern high care facilities with single bedrooms reported the worst results, averaging \$2,191 compared to \$4,233 per bed achieved in older facilities with shared rooms. This represents an average return on investment of approximately 1.1% for modern, single bedroom facilities."*

*"The regulatory and pricing framework now threatens the viability of the aged care sector by suppressing incentives to invest in modern aged care infrastructure. This decline in investment severely limits choice for consumers of aged care services."*

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The conclusions drawn in the James Underwood & Associates/Bentleys MRI 2007 Survey presents a consistent theme:

*“There is strong and continuing evidence from the survey results that single-room High Care services (other than ES) are non-viable and that multiple-occupancy room High Care services achieve much better returns.*

*As High Care services across Australia are rebuilt to include more single rooms, then more loss-making High Care services appear inevitable under current income arrangements, unless more services take up full or partial ES arrangements or find some other sources of income or cross-subsidy.”*

The Stewart Brown Business Solutions June 2008 survey concludes:

*“The operating result and overall net profit of facilities with a predominance of multiple bed rooms is better than those with a majority of single rooms. This is going to continue to create a dilemma for providers.*

*Building standards and resident choice is pushing providers to build more single room facilities, however this will tend to have the effect of adversely affecting the bottom line”*

The fourth research study referred to by the Department relates to the analysis of financial information furnished by providers in their “General Purpose Financial Reports” referred to by the Department as “CAP Data”. These reports present the minimum consolidated summary performance data required under Australian Accounting Standards and *do not enable the analysis of individual facility results or trends* as represented by the Department.

The Department’s representations made in the Senate Inquiry and Senate Estimates regarding the “CAP Data” and their refusal to release the results of the “CAP Data” analysis highlights the need for an independent body to undertake industry financial analysis. In our first survey report, we recommended that the responsibility should be assigned to an agency such as the Australian Institute of Health & Welfare that does not have direct responsibility for sector funding or policy development.

## **2. Definitions Used in The Grant Thornton Survey – “Multi-Bed Services”**

In the Senate Inquiry evidence on 13 March 2009, the Department’s representatives raised concerns regarding the appropriateness of the definitions used by Grant Thornton for “single-bed facilities” and “multi-bed facilities”. The Department incorrectly asserted (and then re-affirmed), that references in the Grant Thornton survey to “multi-bed facilities” inappropriately included “a facility that has mainly singles but with a few doubles a multi-bed facility”.

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At the release of our survey on 14 October 2008, Grant Thornton extended an invitation to Department to request any background or detailed trend information from the survey to assist in interpreting the findings and directing future policy. There have been no requests for further information from the Department.

Had the Department made the appropriate inquiries, they would have known that “single-bed facilities” are defined as those with more than 70% single bedrooms. As such, modern facilities with predominantly single rooms and “a few doubles” would be included in the definition of “single bed facilities”.

### **3. Request for De-Identified Information**

The Grant Thornton Aged Care Survey was promoted as independent research in which provider contributions would be held in the strictest confidence. Participants provided their views on the key challenges facing the industry and furnished detailed financial information on their facilities to facilitate benchmarking.

Because the Department regulates or monitors all aspects of the operator subsidies, bed allocations and resident profiles, it is not possible to “de-identify” their submissions and protect their confidentiality.

Our offer to the Department to provide any requested analysis from the survey should have negated the need to request individual participant submissions and compromise their right to information security. Given the use made of the published research referred to above, we consider it unlikely that the Department’s request for individual submissions was intended to support any positive policy reform initiative.

Please do not hesitate to contact me should you require any clarification or further information.

Yours faithfully

A handwritten signature in dark ink, appearing to read 'Cam Ansell', with a stylized, flowing script.

**Cam Ansell**  
**National Head of Aged Care Services**  
**Grant Thornton Australia Ltd**