

Thankyou for the opportunity to give additional information to the Senate Enquiry.

This organisation forwarded a submission in November 2008 and subsequently gave evidence to the committee in Launceston in March 2009.

The following comments relate directly to statements made to the Senate enquiry by Department of Health and Ageing representatives on March 13.

Our experience is that the increase in government benefits to the end of Feb 09 was an increase of 2.73%. The previous financial year the increase was 2.58%, not 8% as stated.

The statement made re frailty of residents and ACFI policies is not evident in the industry at large as reflected by the many submissions the enquiry has received. In addition we would like to point out that validation has resulted nationally in a downgrading of 28% of all reviewed government subsidy claims made in the period 1 Oct 2008 to 31 Dec2008. In Tasmania this figure was 35%.

This comment by Dr Cullen we believe does not take into account the cap on the ACFI payments that does not allow us to claim fully for new and existing residents. Currently if a resident is assessed as being at the frailest level (HHH) the funding level is \$171.43, however it is the policy of the government to cap this and the provider receives only \$ 138.11.

How is the provider expected to meet the \$33.32 difference?

The experience of this organisation as a previous top performer in national benchmarking is that our return on investment 2007-2008 was 1.44% but predicted at this stage for 2008-2009 to be -0.37%.

The department representatives constantly refer to EBITDA however this does not allow for depreciation on equipment which needs to be constantly replaced. It does not allow either for any return on the substantial investments in buildings.

For the first time in 10 years this organisation is likely to record a loss.

Management has not altered. What has altered is the funding. The indexation simply doesn't reflect costs of care. This organisation has a lean management structure and has implemented some extra service beds and a range of cost minimisation measures. Despite this the immediate future looks bleak.

The success of extra service beds as a revenue generator relies on there being a particular financial demographic, but in a modest suburb such as ours this is not always easy to achieve. We know of one local totally extra service provider running at below 80% occupancy.

The notion that bonds in high care go some way to addressing the current financial difficulties of the sector does not take into account the global financial circumstances. The real issue is that current indexation has not kept pace with the costs of providing care.

The argument put forward by the Department representatives, that all providers should be able to emulate the top quartile is not only invalid but of great concern. Circumstances both regulatory and financial prevent this occurring. For example in Tasmania for most operators a maximum bond in the metropolitan area would be in the vicinity of \$300,000 whereas in some other parts of the country, Perth and some parts of Sydney, it is not unusual to attract bonds of \$1,000,000.

In Tasmania the State Poisons Act requires the employment of Registered Nurses to undertake duties that in other States are undertaken by carers, this obviously has a huge impact on wage costs.

The market demands have driven the provision of single rooms with ensuites. One of the key drivers of the residential aged care business is occupancy; to ignore this demand would impact negatively on occupancy and further erode profitability.

Given the recent experience in the child care industry we would strongly caution against the idea that economies of scale offered by acquisition is in some way an alternative to adequate funding and indexation

Frail very elderly Australians deserve better.

It is all these factors that have recently prevented this organisation from applying for additional licences and we will continue to do so until recurrent and capital funding as well as indexation methods are revised.