

**Finance & Public Administration Committee
Inquiry into Residential and Community Aged Care
Perth Hearing 30 January 2009**

QUESTIONS ON NOTICE TO THE AGED CARE ASSOCIATION AUSTRALIA WA &
AGED AND COMMUNITY SERVICES WA

Question 2.

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The administration, compliance and regulation financial burden is having a major impact on all sectors of the aged and community sector and in particular small and regional/remote providers who have limited ability to spread these overheads across the organisation. This is having a significant impact on viability.

For many providers the increasing regulation processes and administrative requirements are impacting on the resources for clinical care.

These are some of the areas that are causing the impact:

1. Annual workforce census for each site
2. Annual Staff training statement for each site
3. Annual Financial Statements
4. Annual Conditional Adjustment Payment (CAP) Return
5. Residential Aged Care Funding Claim, monthly per facility
6. BAS ATO Quarterly
7. Annual Prudential Compliance Statement
8. Certification requirements duplicate the Building Codes of Australia and State/Local Government requirements
9. Accreditation Agency Visits Announced and Unannounced (4 standards 44 Outcomes)
10. Police Checks

- 11.Complaints Investigation Scheme Visits (Announced and Unannounced)
- 12.Department of Health Visits
- 13.Local Government Visits
- 14.Fire and Emergency Visits
- 15.Union Visits
- 16.Mandatory reporting
- 17.Complex application process for Government Funding with particular impact on small and regional/ remote providers who have neither the expertise or time to prepare

Regional and remote Western Australia in particular is just battling to keep going and evidence already submitted to the Inquiry supports this.

Question 4

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The Government brought in the need for all Providers to have audited financial accounts set out in compliance with the international accounting standards from the 2005-06 financial year.

This requirement came about as part of the prudential arrangements for accommodation bonds and a trade off for providing the Industry with the 1.75% Conditional Adjustment Payment (CAP) recommended by Warren Hogan because of the inadequacy of COPO as an indexation for the Industry.

The need to comply with IFRS and the audit of IFRS accounts put considerable pressure on all Providers to both meet the 31st October deadline for lodgement and a significant cost, which is probably in the vicinity of \$10,000 to \$15,000 per facility (over \$100,000 for a group owning 10 Facilities).

Where a Provider's accounts included income and expenses from other activities, besides aged care, such as retirement village management and

development, then those other activities had to be excluded from the financial accounts.

The reason for this was to enable the Department to see the performance of aged care industry as a sector.

Those financial accounts have to be lodged with the Department by 31st October each year and, if they are not lodged on time, the CAP funding for the next month is not paid to the Provider for each facility it operates and continues not to be paid on a monthly basis until the audited accounts are lodged.

For the 2005-06 and 2006-07 financial years, the Government contracted with Bentleys MRI, chartered accountants, to analyse the financial results of all Providers lodged with the Department to assess the performance of the Industry.

In the first year, Bentleys then wrote to all providers with an analysis of their results against the benchmark average of similar facilities.

Bentleys also used the information to advise the Industry at seminars how it was performing against previous years.

In 2006-07, Bentleys analysed the figures and provided a summary of the information in seminars to the industry. However, Bentleys did not write to each Provider advising how they performed against the benchmarks.

The Department, when questioned about the deteriorating performance of the Industry, stated that the information was collated for the benefit of the Industry and the Department does not use them at all.

In 2007-08, the Government appointed another accounting firm to do the analysis of the accounts lodged but did not allow them to provide any information to the industry. Nor did the new accounting firm write to the Providers to advise them how they performed against the benchmarks.

We have no feedback or knowledge of the results of the Industry figures for 2007-08 as the Department have not released anything to the Industry.

We expect the results will show a continuing downtrend in performance and the Government is embarrassed to make them public.

Providers are also required to make these financial accounts available to any resident or intending resident, should they ask for them. The Industry experience is that no more than one or two residents or intending residents have asked to the financial accounts for any facility in more than three years of reporting.