



13 November 2008

The Secretary
Senate Finance and Public Administration Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Sir or Madam

Senate Inquiry into Residential and Community Care

Reference is made to the current Senate Inquiry into Residential and Community Aged Care and the invitation to interested parties to make submissions.

Kiama Municipal Council owns and operates the 82 bed Blue Haven Aged Care Facility. The facility was opened in 1979 and Council is currently planning an extension of the facility to accommodate a further 52 beds. The deteriorating state of the building fabric, the consumer driven push for single rooms and the need for increased economies of scale are the main drivers of the capital rebuilding programme.

Since the introduction of the 1997 Aged Care Act the financial viability of the facility has declined markedly. The facility has operated with operational losses for a number of years and it has been necessary for Council to use capital income in order to stay afloat. The real problem that Council is now faced with is that the facility requires a major capital injection but capital resources are limited.

The current funding levels are inadequate to meet expected quality service provision outcomes. The concerns of Council regarding the impact of the recent introduction of the ACFI financial instrument have been directed to the Minister for Ageing and a copy is attached for your information. The comment is made that preliminary estimates indicate that a large proportion of the "Low Care" residents will attract less funding under the ACFI instrument and may indeed receive no funding. The consequences of this are that there will be residents within our community who seek admission to low care facilities but will not be successful unless they can pay a substantial bond. The dire financial situation has been exacerbated by the ongoing expectation that quality standards will "continuously" improve without any financial recompense.

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The COPO indexation factor has been an issue for nearly a decade. A funding system based on cost increases exceeding subsidy increases has been responsible for a steady increase in operational losses every year. This is an untenable financial situation and one which has to be remedied in order for facilities like Blue Haven to survive in the long term.

The Grant Thornton Report has highlighted the relatively high cost of accommodating residents in single rooms in terms of both operational budgets and construction costs. The report indicates that operators are incurring unsustainable losses, particularly in modern facilities. As mentioned Council is seeking to expand and rebuild the facility and the increased cost that Grant Thornton has identified will no doubt impact on our operations. The regulatory and pricing framework now threatens the viability of the Aged Care sector by suppressing incentives to invest in modern Aged Care infrastructure. As the population structure dramatically ages with the baby-boomers and with the relative increase of residents affected by dementia additional funding per bed will be required.

Another additional impost on Council has been the fact that Blue Haven staff have not been able to access the "PBI" tax benefits following the High Court judgement that precludes local government run facilities from being considered to be Public Benevolent Institutions. Staff recruitment has become much more difficult as the tax advantages offered by other facilities are highly attractive to people looking to work in the industry. This ruling is highly discriminatory in its impact on Local Government run facilities.

Many aged care providers are fortunate in having volunteer support. The level of volunteering that occurs in the aged care industry is likely to decline over time further affecting the resources available to providers.

Council takes great pride in the Blue Haven Aged Care Facility and the service it provides to the community. The aforementioned financial issues impact directly on the level of services that are provided to our residents and while we operate within the "not for profit" sector of the industry the funding regime should be such that we receive sufficient resources to survive in the longer term.

Yours faithfully

A handwritten signature in blue ink, appearing to be 'M Forsyth', with a stylized circular flourish at the end.

M Forsyth
General Manager

9 October 2008

The Hon Justine Elliott MP
Minister for Ageing
PO Box 6022
CANBERRA ACT 2600

Dear Minister

On behalf of the Management Committee of the Blue Haven Retirement Village I wish to raise with you the grave concerns that our Committee has with the future financial viability of the Council owned and operated Blue Haven Hostel.

Since the introduction of the new Age Care Funding Instrument (ACFI) in March 2008 nine (9) "existing" residents have been assessed under ACFI and the result is an annual reduction of \$21,900 per annum. If this pattern is extended to the whole hostel resident population of 29 then the annual loss of income will escalate to \$76,728 when CAP funding is included and this represents a 16% reduction in Commonwealth Subsidies.

While the "grandparenting" provisions will assist during the transitional period when "existing" residents are replaced by new residents the indications are that unless the resident mix is drastically altered then the hostel becomes unviable. As staff of the facility become more familiar with the ACFI instrument it is becoming increasingly apparent that residents who previously would have been regarded as Category 6 or 7 will in all likelihood attract no funding under ACFI.

The ramifications of the move to ACFI have been immediate and Council is now faced with a situation where at the present time we have 2 vacant units even though we have people interested in moving into the hostel. To ensure the ongoing viability of the hostel senior staff are having to inform some potential residents that unfortunately they can not be accepted into the facility because of the nature of the new funding model. This is causing great angst for the families concerned as well as the staff who have to communicate this advice.

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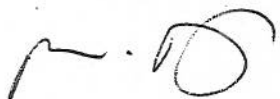
A vagary of the new funding system that Blue Haven has encountered is that a new resident was categorised under ACFI as being "Nil, High, Nil" which translates to a "High" level of care but the associated funding of \$28.51 per day roughly equates to the old Category 7 funding. The effect of this anomaly is that Blue Haven is required to provide a high level of care in terms of the types of goods or services that we are obliged to provide that resident but only receive what is considered to be the equivalent of hostel category 7 funding.

There is no doubt that the introduction of the ACFI instrument will cause structural problems for Council in terms of maintaining the Blue Haven Hostel as a viable facility. The community will also undoubtedly suffer as there will be a whole new class of people who have been assessed for "low" level residential aged care but will not be able to be placed due to the nature of the funding system.

Council has been made aware that other Aged Care Facilities are experiencing similar difficulties.

In voicing Councils concerns I would welcome the opportunity for a Council delegation to meet with you in person to discuss the issues raised.

Yours faithfully

A handwritten signature in black ink, appearing to be 'M. Forsyth', with a stylized flourish at the end.

M Forsyth
General Manager