



Association of Independent Retirees (AIR) Ltd.

ACN 102 164 385

Moreton Bay Region Branch

President : Max Barton
Secretary : Gordon Baker

27th May 2010

CARING FOR OLDER AUSTRALIANS

PRODUCTIVITY Commission Inquiry

Major Problems Associated with Aged Care Accommodation

Our branch members have become aware of problems associated with the imposition of cash accommodation bonds, daily charges for low care residential aged care and the on going variability in the quality of care and fiduciary management. The financial impact on incoming residents and their family is not always apparent due to the complexity of the administrative processes involved. Often the need to enter aged care accommodation arises unexpectedly, increasing the potential for adverse arrangements to be entered into. For the purposes of explanation when a person reaches a stage in their life where some form of regular health care is required an assessment is made by the Aged Care Assessment Team (ACAT). When the assessment confirms the need for aged care the person is classified as either a secondary (low care) or a primary (high care) resident.

The problems can be grouped as follows:

- **The *ad hoc* approach taken by service providers in setting the quantum of the cash accommodation bond.**
For a person entering a low care facility a cash accommodation bond is required. The amount of the accommodation bonds is determined by the service provider and range from about \$150,000 to \$500,000 (some reported cases have been as high as \$1M). The only limitation applied to the assessment of the bond amount is the requirement that the resident must retain a minimum of \$36,000 (currently) after payment of the cash bond amount. It is the *ad hoc* approach by service providers and their open ended right to maximise a cash bond scaled to an aged care residents asset value that gives rise to problems. For most in order to pay the bond amount sale of the incoming resident's home is required. For others there is a diminution in asset value brought about by the need to capitalise assets to meet the up front cash accommodation bond required by service providers. For fully funded SFRs their income stream is determined by income producing assets. The limited range of alternatives available to the cash bond system are unattractive. Realistic alternatives should be available (bank guarantees etc.) to allow responsible management of the residents assets to continue.
- **The complexity of the rules associated with daily charges administered by Centrelink**
For those persons in receipt of a full commonwealth aged pension the daily charge is capped at 85% of the pension amount (currently \$36.94). For others in low care, including those in receipt of a partial commonwealth pension or those fully self funded, the daily charge varies widely and is determined by the value of the incoming resident's income stream. It is calculated as follows:
 1. A basic daily care charge of \$33.74 (currently) plus
 2. An income tested fee up to a maximum of \$59.38 per dayFor fully funded SFRs the maximum daily charges is 252% of that applying to commonwealth aged pensioners. For most cases this means their remaining income stream is appropriated to maximise the daily charge obligation. The situation in respect to a SFR high care resident is similar. More equitable arrangements should be applied.
- **The variable standards applied by service providers in respect to on going quality of care and fiduciary management.** The Dept of Health and Ageing has the general oversight of service providers for the quality of care and management of prudential risk. Fiduciary care of bond monies is also an issue. Service providers are free to determine how they invest the bond monies provided that the bonds and any

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investment income derived are used for aged care purposes. They retain the interest earned as well as fixed annual deductions from the cash bond. The Australian National Audit Office (ANAO) has questioned the adequacy of the management of prudential risk associated with accommodation bonds. ANAO has reported for the year ending June 2009 that service providers hold \$8 billion in cash bonds and increasing at about 25% per annum. In 2006 the Commonwealth Government was required to pay out \$19M to cover default by service providers in respect to bond refunds. Service providers should be subject to proper standards of quality of care and prudential management.

Accordingly AIR considers that reforms to the conditions applied to aged care accommodation regulations are needed that incorporate the following:

1. The quantum of bond required by service providers to be capped to a reasonable maximum.
2. The introduction of realistic alternative forms of bonding arrangements to those currently offered by service providers.
3. The introduction of more equitable arrangements to Centrelink's determination of daily charges applicable to SFRs.
4. The upgrading of minimum quality of care performance standards to be applied to service providers.
5. The imposition of responsible fiduciary care conditions on service providers.

Max R. Barton
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29th January 2010

Hon. Tony Abbott MHR
Leader of the Opposition
Electorate Office
Level 2
17 Sydney Road
Manly NSW 2095

Major Problems Associated with Aged Care Accommodation

Dear Mr. Abbott,

Please find attached a copy of a submission made to our local Federal member Yvette D'Ath urging changes to the current Commonwealth government policies in respect to conditions imposed on aged care residents.

Could you please give consideration to the request with a view to including such changes into your party's future policy applying to aged person's care.

Please give consideration to this request and advise your party's position on these issues.

Yours truly,

Gordon Baker
Secretary
AIR Moreton Bay Regional Branch

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