

21 March 2011

Inquiry into Caring for Older Australians
Productivity Commission
GPO Box 1428
CANBERRA CITY ACT 2601

Via Email: agedcare@pc.gov.au
Via Fax: Jill Irvine, 02 6240 3311

Dear Sirs,

Thank you for the opportunity to respond to the Productivity Commission's draft report on its review into aged care in Australia: Caring for Older Australians.

The key objectives of our original submission to the Productivity Commission, dated 23 July 2010, were based on the potential for reform with positive outcomes that overall allowed better alignment of service, resident expectation and investment in the residential aged business.

We are pleased with most recommendations and the model appears to be right, and we look forward to further information, details and timing (particularly around the transitional measures). We, of course, reserve our rights to change our view once the final report is released.

Lend Lease Aged Care has worked closely with industry peak bodies, Deloitte and other operators to understand and subsequently comment on the draft report.

Our comments on some of the key points follow.

1. Unbundling of the components of the cost of aged care

Accommodation and living expenses to be paid by individuals (safety net for those unable to pay)

Health services to be paid by government

Personal care – contributions from residents who can afford to pay

We agree with this recommendation, however must emphasise that government funding (ACFI or a new system) must be subject to regular and reliable review and certainty (indexation plus other increases to take into account industry specific issues). Predictability and timing of this is essential for the smooth operation of any business and will reduce investment risk and give confidence around strategic thinking and planning for aged care providers.

2. Supply

It is recommended that the removal of restrictions on the number of residential care beds occur as well as the removal of the often artificial distinction between high care and low care. Also there will be no extra service bed licences in the future.

We agree with the Productivity Commission that this is a good change, however we believe that the Approved Provider process will need significant overhaul to ensure the suitability of anyone entering/building aged care facilities.

The impact of this recommendation will need to be carefully monitored over time, assuming some providers will be faced with financial pressures, whilst others who already display good business principles will be no worse off.

3. Accommodation bonds and accommodation charges

The Productivity Commission recommends that residents should have the option to pay for their accommodation costs either as a periodic payment for the time of their stay or as a lump sum (accommodation bond), or a combination of both.

Lend Lease Aged Care agrees with this, however, we ask that the Productivity Commission clarify what is to be included in the accommodation charge, e.g. cleaning and other amenities, or is it just the room? Is the accommodation charge to reflect the cost of providing all services associated with accommodation to a certain level or just the provision of the room.

We agree with a co-contribution process (with appropriate safety net in place) i.e. residents who can afford to contribute should do so.

However, we do have concerns regarding the timing and introduction of this recommendation as it may result in a realignment of business cash flow (and therefore less certainty) precisely at the time that new investment is needed (and certainty required for investment decisions).

We would welcome further discussion with you concerning this recommendation, particularly the short term cash flow changes.

4. Workforce Issues

We agree that the proposed Australian Aged Care Regulation Commission should take into account the need to pay competitive wages to nursing and care staff delivering aged care services when recommending and changing the price attached to aged care. This would recognise the differential between aged care and the acute health sector and the differential should be remedied. We believe this is crucial to attract staff to the aged care sector. It also goes hand in hand with the proposed skills development.

Therefore, Lend Lease Aged Care believes additional funding to support and entice recruitment as well as assist in the development and training of aged care workers is essential.



The current aged care system is seen by many prospective residents, families and staff as complex, difficult, unsustainable and in need of reform at all levels.

Lend Lease Aged Care would welcome time, preferably before the end of April, with representatives of the Productivity Commission to further discuss our views and the solutions proposed by the Productivity Commission.

Yours sincerely,

Paul Walsh
Managing Director

Pam Barry
General Manager Aged Care