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Productivity Commission Study into the Contributions of the Not for Profit Sector

1 June, 2009

Productivity Commission
GPO Box 1428
Canberra City ACT
2601 Australia

Dear Sir or Madam:

I am writing in regards to your Commissioned Study into the Contribution of the Not for Profit Sector. Please find my submission enclosed with this letter. The submission is written on behalf and in consultation with Ronald McDonald House in the Hunter NSW. The Not for Profit Organisation has taken great interest in this topic as they believe there are a number of obstacles that are impeding the Not For Profit Sector. Consequent to this Ronald McDonald House in the Hunter aims to play active role in reforming these obstacles. The nature of this submission will look at the issues concerning funding and the misconception surrounding Ronald McDonald House as a financial competitor. It will also outline issue surrounding the Isolated Patients Travel and Accommodation Assistance Scheme (IPTAAS) and how this impacts the contributions of many not for profit health organisations and in particular Ronald McDonald House in the Hunter.

We would appreciate any information regarding the outcome of this study.

Sincerely,

Joanne Karmas

Communication Student from the University of Newcastle

Contribution of the Not for Profit Sector

Commissioned Study into the Contribution of the Not for Profit Sector

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On behalf of:
Ronald McDonald House in the Hunter

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1. Executive Summary

RMHH welcomes this commissioned study and is thankful for the opportunity given to establish views on the NFP and its contributions. The not for profit (NFP) sector is an increasingly important contributor to the Australian economy and to the community. The Australian Bureau of Statistics (ABS) estimated that in 1999–00 the NFP sector contributed \$20.8 billion to the Australian economy (Allen’s Consulting Group 2005). The contributions made by the NFP sectors hence are very important to Australia at large. Ronald McDonald House in the Hunter is greatly aware of the need to enhance the contributions made by the sector in numerous areas. Thus this report intends to:

- Outline the contributions made by RMHH
- Examine the regulations surrounding government funds and fundraising in general
- Investigate the issues and impediments surrounding the Isolated Patients Travel and Accommodation Assistance Schemes
- Support research by giving recommendations

2. Background

Ronald McDonald House in the Hunter (RMHH) recognises and supports the need to enhance the contributions of the NFP sector and appreciates the opportunity to contribute to the commissioned study at hand. The NFP sector is an extremely diverse sector that contributes to society in a number of different areas. Of these areas not for profit health organisations play a major contributing role. RMHH is just one of the 724 health related NFP organisations in Australia (ABS, 2008).

2.1 Introduction

Ronald McDonald House Charity (RMHC) is a registered tax exempt Charity, deductible gift recipient and is registered as a charitable fundraiser in all states and territories in Australia. There are thirteen Ronald McDonald Houses nationwide and each house is a registered charity with a local Board, fundraises in its own right and is licensed by RMHC. Ronald McDonald House in the Hunter is one of the thirteen Houses that aim to provide a safe, secure and supportive home away from home for seriously ill children and their families during their time of need. The House is located on the grounds of John Hunter

Children's Hospital in Newcastle and acts as a home for children with serious and life-threatening conditions, children in recovery, children awaiting test results and children who are in between treatments. The House contributes to the sector as it provides temporary accommodation predominately to families and children that live in areas where hospital services are not readily available. The main aim of RMHH is to help children and their families overcome the stresses associated with a child's illness by encouraging supportive interaction with other parents in a comfortable, homelike environment.

2.2 Scope of the Submission

This report is written on behalf of and in consultation with the staff of Ronald McDonald House in the Hunter. The subjects brought up in both the terms of reference and the issues paper are vital to RMHH as they directly influence the operational and regulatory framework in which the organisation exists.

Hence this submission aims to examine the issue regarding

- Access to financial resources
- The Isolated Patients Travel and Accommodation Assistance Schemes and the impacts it has on the contributions of NFP organisations.

3. Access to financial resources

The total amount of financial resources available to any NFP organisation, and the process through which these funds are allocated directly impact the organisation ability to operate effectively and enhance its contributions. Consequent to this, RMHH have disclosed in the submission the issues and impediments associated with:

- Government Funding
- Fundraising

3.1 Government Funding

The Terms of reference invite interested organisations to “consider options for improving the efficient and effective delivery of government-funded services by community organisations, including improved funding.”

During the 2006-07 financial year, not-for-profit health organisations received \$5.1 billion in income. The main source of income for these organisations was funding from federal, state and local government, which accounted for nearly two thirds (65.2% or \$3.3b) of total income (ABS, 2008). Although Ronald McDonald House in the Hunter is able to gain the financial support of the government through the Isolated Patients Travel and Accommodation Assistance Scheme, the House is unable to meet the requirements needed to acquire any direct government funding.

This is largely due to the misconception associated with the Ronald McDonald House title. Government entities, corporate organisations and the community at large are unaware that Ronald McDonald House in the Hunter is an independent incorporated entity and a registered charity. McDonald's food chain covers administration costs and Ronald McDonald House Charities (RMHC) is major contributor of funding toward Ronald McDonald Houses and their operation. However the majority of funding of Ronald McDonald Houses still needs to be raised by each individual Board. Consequently, RMHH heavily relies on community fundraisers and donations for providing ongoing services. With the inability to gain the support needed from the government, there is a constant pressure put on the House to acquire the funds needed to efficiently and effectively administer day-to-day operations and services.

3.2 Fundraising

As notified in the issues paper “the quantity and quality of financial resources available to not for profit organisations exert a fundamental influence on the efficiency and effectiveness of their operations,” due to this it is relevant that RMHH discloses the impediments in regulation regarding fundraising in the NFP sector using Ronald McDonald House in the Charities as a basis of investigation.

A Study conducted by the Allen's Consulting Group stated that,

“Fundraising is a major source of income for many NFP organisations. Members of the public and philanthropic organisations donate or grant funds to not-for-profit organisations because they wish to assist the organisation in furthering its purpose.

Within the NFP sector, fundraising is most important for those organisations which are working towards goals for the broader public such as charitable organisations” (2005).

Due to the undoubtedly huge role fundraising plays in the survival of many NFP organisations. Ronald McDonald Houses engages in a number of different charity and fundraising events to meet the financial requirements needed for success. The Houses are all registered tax exempt Charities with deductible gift recipient status allowing donations over \$2.00 to be tax deductible. This status has allowed RMHC to attract donations from a number of donors. RMHC are authorised fundraisers and ensure that all funds raised are reported in an accountable and transparent fashion and are allocated to benefit the overall contributions made by the organisation.

Ronald McDonald House in the Hunter holds fundraising events such as

- Ride for Sick Kids
- Annual Ball
- Golf Day
- Special Events

Furthermore, one of Australia’s largest annual fundraising events is McHappy Day which helps seriously ill children and their families by raising money for the many important programs at Ronald McDonald House Charities. One dollar from every Big Mac purchase is donated to RMHC and last year alone the event raised over 1.9 million dollars (RMHC, 2008).

3.3 Impediments on Fundraising:

Because Ronald McDonald House Charity is an Australia based Charity organisation there are some burdens associated with fundraising on a national level. Due to state and territorial regulations RMHC must comply with all legislation in each jurisdiction in which they operate. This is a considerable administrative burden on national NFP organisations that wish to conduct national level campaigns and fundraisers such as McHappy Day. In order to overcome these burdens, nationwide policy needs to be addressed to enhance the sector’s contributions and eliminate obstacles that burden the operations of NFP organisations in Australia.

4. Burdens and Impediments to the Effectiveness and Efficiency of NFP

Organisations

In the terms of reference the productivity commission seeks to “identify unnecessary burdens or impediments to the efficient and effective operation of community organisations generally, including unnecessary or ineffective regulatory requirements and governance arrangements,” and invite organisations to “consider options for improving the efficient and effective delivery of government-funded services by community organisations.”

RMHH feels that the issue regarding the government-funded Isolated Patients Travel and Accommodation Assistance Scheme (IPTAAS) is a major influence to the contribution and services provided by RMHH and many other contributing NFP organisations in Australia. The Staff and management at Ronald McDonald House in the Hunter feels that although IPTAAS assist them greatly in the funding arena there are concerns and issues about this Scheme on the overall financial and regulatory environments in which it exists.

4.1 IPTAAS

RMHH recognises that there has been a considerable amount of previous studies and research into the impacts of IPTAAS and are pleased for the advocacy role given to them to further address their concerns about the regulation and policy involved with IPTAAS and the reform needed to ensure efficient and effective operation in the NFP sector. NFP organisations play a significant role in providing services to patients who must travel for health care and these organisations are very reliant on the services provided by IPTAAS. However it is a consensus amongst management of RMHH that changes need to be made to IPTAAS to enhance the contributions of NFP organisations and ensure they are efficient and effective in their cause.

4.2 Burdens of IPTAAS:

Under IPTAAS, the maximum refund for accommodation is \$46.00 per night. This is if a patient (\$13) and their escort (\$33) stay at the House. More often than not however the costs are usually \$33 for escorts, as patients are usually in a close by hospital receiving

treatment. It is the role of the charity to then fundraise to cover the cost that IPTAAS does not. A further increase in the concession given by the government would largely help the operations of RMHH and elevate the pressure of fundraising on RMHH.

Although the cost of running RMHH has increased over the years the initial \$33 concession has remained the same since its inception. RMHH recommends that in order to remain effective and efficient as a NFP organisation the government funded service should be increased annually by 3% to a Consumer Price Index.

Furthermore, Families have to pay IPTASS costs upfront and seek reimbursement if they are a short stay family (less than 2 weeks) and RMHH can bulk bill for families that are long term or who are on a health care benefits hence there is generally no charge for the families to stay. This can cause a burden on the House and CEO Ross Bingham suggests that bulk billing should be available for all timeframes of stay to ensure simplicity towards financial requirements.

The waiting period for IPTAAS funding is another key concern of the staff and management at RMHH. It can often take months to receive payments from the government once a families leaves. Therefore long term families can mean that RMHH often has excessive amount of outstanding debtors. This is an ongoing concern and a major strain on the limited resources available to NFP organisations.

In NSW, patients qualify for IPTAAS if they travel over 100km to seek medical help. Public Relations manager of RMHH, Rohan Bingham raises concerns about these issues stating that if the threshold for qualification was lower “it would certainly take the pressure off us financially if more people qualified and it would definitely take the pressure of the fundraising side of things.” Therefore there is a continual push for the threshold for qualification to be lower to enhance the contributions made by the sector in elevating financial burdens on families.

RMHH also recognise that travel and accommodation schemes differ immensely in each state causing unnecessary inconsistencies. NSW’s IPTAAS has been accused of being the strictest in regards to contributions made by the government. IPTAAS concessions are extremely low in comparisons to Queensland’s rates of \$30.00 Single and \$60.00 Double.

Furthermore the 100km threshold for qualification changes amongst different states. RMHH therefore proposes that beneficial uniform regulations govern the travel schemes nationwide to ensure consistency is fairness in application.

5. Conclusion:

RMHH welcomes this commissioned study and is thankful for the opportunity given to establish views on the NFP and its operations. It is evident within this report that RMHH seeks reform in many areas regarding the regulations concerning fundraising and government services. The submission delved into issues regarding the perception often involved with the Ronald McDonald House title, the impediments with fundraising and the overall access to resources. Furthermore the study examined the role of IPTAAS, outlined any burdens associated with this and disclosed recommendations to overcome these.

6. Recommendations:

- Fundraising Acts should be consistent throughout each state to ensure effective nations campaigning.
- The \$33 accommodation assistance granted through IPTAAS should be increased and Consumer Price Indexed annually.
- The 100km threshold for IPTAAS eligibility should be decreased to comply with the 50km requirements in other states of Australia.
- Efficient Reimbursements of bulk billing should be implemented to curb the issue of outstanding debtors and assist with the limited resources of NRP organisations.
- Uniform travel and accommodation assistance schemes across state borders to ensure consistency and fairness in application.

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