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Mr. Mike Woods  
Commissioner  
Nursing Home Subsidies  
Productivity Commission  
PO Box 80  
BELCONNEN ACT 2616

Dear Commissioner Wood,

**Nursing Home Subsidies - Comments by Eldercare Inc. On Position Paper**

Thank you for the opportunity to comment. on your Position Paper. Eldercare has usually participated in the public hearings of the Productivity Commission where the subject has an impact on our activities.

I consciously chose- not to present before the Commission due to the fact that there was little to say that would constructively add to the positions you have postulated.

Eldercare supports the major directions of the paper, but being South Australia it is no surprise that we exhort you to recommend for the shortest implementation/transition period to a national rate.

We applaud the essentiality of the firm link you seek to establish in the paper between costs and prescribed outcomes on one hand. and the quantum of the subsidies for those services on the other. The government has long maintained a position of no connection between costs and subsidies, and the RCS process of scaling across available funds as a method of pricing was never reasonable or acceptable.

Your recommendation to link costs and subsidies will create a dilemma for government in that your rationale is sound and reasonable, but its impact on government finances will be significant.

The Commission has sought comment whether, in moving to a new subsidy regime, there should be another round of changes to income and asset testing regimes. Eldercare is firmly of the view that those with the resources to contribute to their care should do so. We are also of the view that given this area is so politicised and emotional that the residential care sector would probably be unwilling to have the 'old sores' reopened as they inevitably must. The only way these areas could be opened again for consideration in the near future would be for there to be bipartisan political support.

The fact remains that for the majority of the small, single unit facilities the only prospect of finding the funds necessary to achieve necessary upgrading or replacement is the extension of Accommodation Bonds to high care facilities. There would appear to be no reason as to why this could not be offered as an option to the resident. It is often harder to find the ongoing cash now needed to meet the accommodation charge. Large organisations such as Eldercare can pool across the organisation accommodation charges and concessional resident subsidies to produce the funds needed to undertake major projects.

In the smaller facilities, using income from these sources to service debt taken out to achieve significant upgrades is in reality a no win situation. The facility at the end will only receive enough from these sources to cover the interest. The capital of the loan will remain essentially the same, but the facility will have worn out again over time.

The choice of accommodation charges or an Accommodation Bond should be made available to all residents regardless of level of care.

The Commission also sought views on the two tiered concessional resident supplement. Obviously at the higher level the value of the subsidy roughly approximates the yield of a typical Accommodation Bond. The lower rate does not offset the income capable of being generated by a Bond. A theoretical ideal would be that in the broadest of averages the facility recovered almost the same amount per resident for every resident regardless of whether the funds' source was from a supplement or a Bond yield. This would allow some certainty of capital cash flow streams, but with the option to utilise the upfront cash of a Bond when chosen.

Regardless of the structure of any drip fund method of capital funding the problem will remain for the small single unit operation.

Thank you for the opportunity to comment and I look forward to the speedy implementation of any recommendation producing a single national rate for general application based on cost for defined outcomes. In having this view I also acknowledge the special funding needs of the smaller facilities in rural and isolated areas and would support the development of a soundly based additional subsidy.

Yours sincerely,



**TERRY HEALEY**

Chief Executive Officer

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