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PUBLIC DOCUMENT

Productivity Commission Inquiry
Caring for Older Australians

Cook Care Group is an Australian family owned and operated business which cares for 731 residents, employs approx 800 staff across four (4) facilities in Qld and six (6) in NSW. Of these five (5) operate as Extra Service including three (3) Extra Service wings. In the last five (5) years we have undertaken and successfully opened five (5) new buildings.

We refer to item two (2) of the Scope of Inquiry dealing with regulatory and funding options. In backgrounding our comments we refer to the NHHRC recommendations and firstly address the following:

Recommendations of the NHHRC

42. Linking subsidies to people rather than places

- This has not worked in Child Care so why impose it on Aged Care Planning. The cost to government has increased exponentially in Child care as individuals have taken over the demand driver making it more politically sensitive;
- There is gross oversupply in Child Care with many going out of business, is this what is really wanted in Aged Care? We don't believe so;
- The current planning regime has operated successfully for 30 years. Whilst there is sense in reviewing the parameters from 1000 people over 70 to a higher age bracket such as 80, the concept of the government controlling the allocation of supply of residential care bed licences is appropriate for government and should continue. A ratio of 80 or over is more appropriate as it better balances the demand from the male population who have a shorter life expectancy statistically and would be disadvantaged by an 85 years and over system;
- The major banks would be likely to freeze funding to the industry if a radical change such as removing providers' bed licence approval and transferring funding to people rather than places were to be an outcome of this inquiry. This has been fundamental to the funding of the industry's capital needs as any of the specialist valuers will attest. This decision would cause havoc with Provider Balance Sheets which would then trigger a breach of bank covenants. It is alright for those without their own assets on the line to criticise the private sector for wanting to protect Balance Sheet values but this is a fact of business life.

Address: Head Office, PO Box 838, Willoughby NSW 2068 Ph: 02 9958 5399 Fax: 02 9958 7199
Email: office@cookcare.com.au Web: www.cookcare.com.au ABN: 30 003 909 322

43 Allowing Accommodation Bonds in high care after removing supply constraints

- The recommendation to extend Bonds to all High Care residents is supported however it is basing it on a removal of supply constraints is a false premise. This presupposes that the industry is operating on full occupancy which is a fallacy. The Dept. of Health and Ageing's latest figures show occupancy at 92% and Cook Care's experience is that in some areas this can be below 85% currently. Oversupply is already occurring and consumers have a good choice in most areas thus there is no need to change the bed allocation process to allow Bonds in High Care;
- Many High Care residents already pay refundable Accommodation Bonds through both the Extra Service scheme and those whom have entered through a Low Care "front door". It is estimated that those HC not paying a Bond would be less than 20% of the industry;
- New buildings in the High Care sector has been by the use of Bonds either cross subsidised from Low Care or Extra Service homes. It is wrong in principle that people requiring High Care have not contributed to the redevelopment of capital;
- Recommendation 43 also refers to "price". We submit that there should be a separation of Care funding and Accommodation so that residents and their families pay a price for accommodation and services more in keeping with what is being provided. This accommodation price should be set by the Provider as it is now in Extra Service whilst the government should fund Care for all and pay an accommodation subsidy on a means tested basis;
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50 Give providers 5 years to convert Low Care to Community Care places

- In no way can this be supported. As a provider of Low Care we are well aware of the needs of families who require choice. Families are always reluctant to place a relative in care , be it low or high but the reality is they need that choice ! Families should not be FORCED by government decree to care for a frail family member at home, in the same way women are not forced to give up work to care for their children at home. Residential care services are an essential part of CONSUMER CHOICE;
- It would be a more appropriate response to remove the artificial boundary between high and low care which would immediately provide a solution to the Capital needs of the industry.

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Other Issues

Improve access to capital by amending the Extra Service scheme to "Exempt Homes"

Radical change is to be avoided, thus incremental change to the existing scheme is far preferable.
By modifying the Extra Service Scheme, appropriate fees and capital can be released to the sector. Also those whom have not yet upgraded buildings can be incentivised to do so.

- Re-badge Extra Service as Exempt Homes
- Grandfather or Auto convert all existing Extra service approvals
- All facilities which have complied with 2008 Building Certification are eligible
- Ex H to set their own refundable Bonds and Fees as currently but for any rooms complying, not necessarily a whole facility
- Remove the requirement for a separate wing and lounge/dining areas
- Make any home providing private or twin rooms anywhere within a facility eligible
- Remove all other qualifying criteria

Impact

Will incentivise homes with 2,3,and 4 bed rooms to renovate or re-build as they will have a business model to provide to their bankers delivering higher fees and bonds for those rooms;
Provides differentiation within buildings giving consumers choice as to pay a Bond for a private or twin room or no Bond for a 3 or 4. This is consistent with community expectations;
Hotel services can be charged at discretion of proprietor.
Care levels remain funded by government as per current system.

Accreditation

Provide choice of Accreditation Agencies as in other government jurisdictions. The current monopoly is counterproductive as they simply act as an arm of the Department confusing compliance with quality assurance.

Remove High Low Boundary

The capital needs of the industry can be met simply at no cost to government by removing the High Low artificial boundary.

Providers can then firstly obtain refundable Bonds but also control their daily fees by utilising the Periodic Payment options of the current arrangement.

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Inadequate Indexation

We are aware of many industry submissions on this matter but need to add our weight to the call for the industry's needs for adequate indexation to be recognised.

The inadequate system over the past 12 years has simply resulted in gross distortions between the Aged Care sector and the Public Sector. More recently also differentials between the Private and Voluntary sectors as the Voluntary sector has agreed to higher wages funded in part by their taxation status.

How is it that Health Funds get 6% -8% annual index in rates and we get less than 2% on average ?This stifles our ability to pay wage increases and increases the loss of staff to the public sector and those voluntary sector homes with FBT salary packaging advantages.

An index based on Health sector wages needs to be introduced.

ENDS

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