and to allow the inclusion of the "tick-boxes" on the first page of the survey.

6. UNFUNDED PLACES RESIDENT AGREEMENTS

Following the Minister gazetting User Rights Amendment Principles 2003 (No 1) allowing the uncapping of fees for unfunded places within our nursing homes and hostels, we have adjusted the James Underwood & Associates Resident Admission Package (RAP) to allow for admission of unfunded residents.

Sliding Scale of Unfunded Residents' Fees

Some services may prefer to specify and agree to a sliding scale of fees for unfunded residents, where the "agreed amount" increases as residents' assessed care needs increase to have regard exactly to the subsidy that would otherwise have been payable had the resident been in a funded place. For example, if the resident had very low care needs and commenced at a care level equivalent to a Category 8, then the additional amount may only be an amount equivalent to pensioner supplement – some \$5.96 per day. This fee could increase to the full foregone subsidy plus the pensioner supplement if and when the care needs of the resident increase.

Alternatively, many organizations may prefer to just charge a flat additional amount – say \$30/day if Low Care and \$100/day if High Care – to avoid having to step residents through ever-increasing fees as new notional RCS's are determined for the unfunded resident. A number of services anticipate that they will continue with just a low, flat, additional amount for unfunded residents because the resident would come onto the Claim Form (and the additional fee cease) as and when the resident's care needs increased.

If you are considering having a **scale** of unfunded fees, based on a resident's notional RCS or on some other basis, it is suggested that a separate schedule of fees be prepared specific to your service for inclusion with your Resident Agreement.

7. ADDITIONAL FEES FOR EXISTING UNFUNDED RESIDENTS

The James Underwood & Associates Resident Admission Package (RAP) is used for **new** residents into aged care. There may also be a desire for some providers to commence these agreements for **existing** residents and to offer higher fees for existing unfunded residents, particularly if or as their care needs increase. Amendments to the User Rights Principles make allowance for this commencement of a higher fee for existing unfunded residents but make it clear that the following must occur:

- the existing unfunded resident must be an approved care recipient (ACAT approved); and
- the resident or the representative must be informed first in writing that the proposed maximum daily fee payable would be more than the maximum that would have been payable if the place were funded; and
- the resident must be informed in writing that the approved provider **cannot** ask the resident to leave the service simply because the unfunded resident does not agree to pay the additional amount.

Note: After an unfunded resident has agreed to the additional amount, the provider **could** ask the resident to leave the service if the resident does not then pay the agreed amount (subject to normal termination of tenure requirements).

The above is applicable **only** in respect of **existing** unfunded residents who are approved care recipients. **New** residents would be expected to – and should be – advised in advance of entering into an agreement with you, that the place is unfunded and what your arrangements are for fees in those unfunded places. Accordingly, there should be no possibility that a **new** resident has not already agreed to pay such additional amounts as are appropriately disclosed.

8. SALES OF LOW CARE SERVICES

A recent sale of a Brisbane Low Care service achieved a new record price for Queensland and, we believe, for Australia, for general Low Care places. A 92-place service in Brisbane North sold for over \$115,000/place. The service was six years old; in two separate buildings; and had no additional land. The hostel was not extra services; it was simply a normal Low Care service, some 35 kilometres north of the city centre. The agent for the sale – Douglas Norris – advises that he has an older Low Care service about 11 kilometres south of the Brisbane GPO about to be offered for sale.

It is strongly anticipated that continued high prices will be achieved for Low Care services around Australia as the average level of bonds continues to grow enormously. This bond increase is being fuelled by the very high prices which prospective residents are achieving on sale of their houses and units prior to or following entry to residential care. The value of extra service High Care services (that can also take bonds) can also be expected to continue to grow. This should put further upward pressure on the prices of residential care places. We continue to see sales of **places** in excess of \$40,000 + GST in all major metropolitan areas except Perth.

James Underwood and Associates Newsletter is produced two-monthly by James Underwood & Associates Pty Ltd, advisers to the nursing home, hostel and retirement village industry.

If you would like to be added to our mailing list, or for any further information, please contact our office on (07) 3222 9666.

Organisations are invited to subscribe to the newsletter at an annual cost of \$325.

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Newsletter

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CONTENTS:

1. UNCAPPING FEES CHARGED FOR UNFUNDED PLACES

The former Minister for Ageing – the Hon Kevin Andrews MP – gazetted a change to the User Rights Principles on 29 August 03 to "uncap" fees charged for unfunded places

This change has the strong potential to increase the availability of aged care places to the public, free-up hospital beds and provide a viable alternative for aged persons waiting for allocated (funded) places to be constructed and become operational.

In addition, certification, accreditation, user rights, etc. now clearly apply to unfunded residents.

This change is tremendous news for the industry and is considered to be a turning point in provision of residential aged care in this country.

Background

Unfunded residents are the occupants of unfunded places who are "approved care recipients" – i.e. ACAT-approved – but ineligible for Commonwealth care subsidy because all the service's funded places are in use for **other** "approved care recipients". For example: you may have 60 available single rooms within your service but only 50 residential aged care places. Typically, the ten unfunded places are not in any special wing, house or floor but simply spread across the entire service and side-by-side with funded places.

"Unfunded places" does **not** normally refer to places in retirement villages or to serviced apartment blocks clearly separated and distinct from nursing home or hostel activities on a site.

The "Challenges" of Unfunded Places

There have been challenges with identifying whether these unfunded places are certified or "certifiable" under the Commonwealth's building certification process.

There have also been uncertainties as to the applicability of the accreditation processes of the Standards and Accreditation Agency to these unfunded places.

The **biggest challenge** has been in respect of the fee-charging arrangements. It had appeared that providers were unable to levy any fee above the base fees – of \$26.47/day for pensioners and non-pensioners and \$33.05/day for self-funded retirees – irrespective of the residents' care needs (and lack of any subsidy); irrespective of the residents' capacity to pay; irrespective of the residents' desire to remain within the service and pay for the care as appropriate; and irrespective of even pensioner residents' eligibility for rent assistance and the non-availability of pensioner supplement to providers of unfunded places.

This has meant that providers of unfunded places have generally been unable to charge a fee even equivalent to the income for a "Category 8" resident. A "Category 8" resident is a resident in a **funded** approved place, who's care needs are so low that they qualify for **no** subsidy. Some 1500 or 2.3% of hostel residents nationally are "Category 8". (No pensioner supplement plus a statutory inability to charge rent assistance meant providers received \$2,200p.a. **less** income for an unfunded place than for a Category 8 place!)

The application of these challenging fee-charging requirements on unfunded places had resulted in providers being very unwilling to make available additional – unfunded – places within their services, despite the fact that these places may already have been built and despite the fact that the additional places may bring the nursing home or hostel to a more viable size whilst also meeting community needs.

The Likely Impact of Change

It is not expected that the take-up of uncapped fees for unfunded places will be limited to "Category 8-type" residents only – far from it. The opportunity to provide unfunded places within our existing, certified, accredited facilities may help meet the demand for residential aged care at **all** levels of frailty. The provision of such places to persons who wish to take them up and who have the capacity to pay for the full cost of their care should mean a **reduction** in overall pressure for places **and** an **increase** in availability of **funded** places for financially-disadvantaged and lower-income persons. It is possible that the **supply** of places could actually meet **demand**, or even exceed it.

The applicability of certification, accreditation and user rights to these unfunded places should be readily acceptable to providers – most are meeting these regulatory requirements already.

Additional unfunded places cannot be built overnight and would generally only be built where providers had assessed that there was a need and determined that they could successfully meet that need. Accordingly, the impact on the industry could only be considered to be likely to be **gradual** and not too threatening. It could, nonetheless, be the harbinger of a new era of progressively allowing greater flexibility, innovation and the structured application of market forces to the benefit of both consumers and the vast majority of providers.

2. ACCOMMODATION BONDS IN HIGH CARE

To be able to take in the capital funds needed to build and operate the attractive, new, single-room, private-ensuite High Care services which residents and their families want, it is very useful to achieve a substantial level of accommodation bonds. There are four main ways that bonds (or their equivalent) can be taken for High Care residents and many services are not utilising these sufficiently (or, in some cases, at all). These are:

(i) Category on First RCS

A new resident with an ACAT approval for High Care **can** be charged a bond if their first RCS is Category 5 to 8, provided this bond is specified and agreed to in the resident agreement. (It is recommended that the JU&A Resident Agreements be used – these agreements cater for this option very well.) Where the Care Manager considers that the first RCS for a resident may be Low Care (**despite holding a High Care ACAT approval**) then you can specify in the resident agreement that the resident must pay a charge if their first RCS is high **or a bond if their first RCS is low**.

If the resident moves to Category 1 to 4 at a later date, no ACAT reassessment is normally required – the resident already holds a High Care approval.

(ii) Deeming Fund Deposits Equivalent to Accommodation Bonds

All Public Benevolent Institutions (PBI's) can have access to exempt deposit (deeming) funds. Almost all religious and charitable homes are PBI's. There is no Centrelink **income**-deeming on monies in deeming funds. Accordingly, by placing monies in deeming funds, residents' pensions are maximised and income-tested fees are minimised. (Monies in deeming funds are still subject to the Centrelink **assets** test.)

Prospective High Care residents or their representatives who wish to deposit monies equivalent to an accommodation bond can do so and the assessed accommodation **charge** can be withdrawn – at the resident's option – from these deeming fund deposits. In some cases, where the deposit is sufficiently large, the accommodation charge may be waived. Alternatively, amounts equivalent to **retentions** – instead of assessed accommodation charges – can be withdrawn from these deposits (or waived, depending on the policy of the service) where these "retentions" are at or below the assessed accommodation charge and levied as a "charge".

Deposits to deeming funds are voluntary. If residents choose to withdraw the deposits, then organisations can require that the accommodation charge will then have to be paid directly by the resident. (Complimentary deeming fund information packages are available from JU&A.)

(iii) Transfer of Bonds from Low Care

We still see many High Care services that hold **no** bonds. All bond-paying residents transferring from Low Care can be offered the opportunity to transfer their bond directly to the High Care service in lieu of the accommodation charge. This is applicable to **all** residents, not just those coming from a **co-located** Low Care service. This is done "by agreement" between the resident and the provider.

If the bond paid in the Low Care service is very low or fully "retended", it may be more appropriate to request an accommodation **charge**. (Where services choose to **merge** the approval numbers of their co-located High and Low Care services, a bond-paying resident doesn't "leave" the service on moving to the High Care area and the bond remains throughout their stay.)

(iv) Extra Services

Residents entering High Care extra services **can** be levied a bond and can **not** be levied the accommodation charge. Any extra services **amount** could be **below** the accommodation charge – if desired – so new extra services residents could, in fact, pay **lower** total fees than new "general" residents. The payment of a bond also reduces income-tested fees because bonds are not "income-deemed" by Centrelink.

3. EXTRA SERVICES

It is expected that 2003 will be a bumper year for applications for extra services. Extra services applications are no longer at the same time as the Aged Care Approval Round (ACAR) and are intended to be called for four times a year. The Minister has increased the cap on total numbers of extra services places from 12% to 15%. Only 3.8% of Australian facilities currently operate extra services. Extra services status is a bit "ho hum" for Low Care providers – who make up almost half of all places – because they can take bonds anyway. Accordingly, most extra services places are sought by High Care providers. This means that we could perhaps see 25% of all **High Care** places approved as extra services before the 15% of all **residential** places cap is reached!

The Minister noted that *"extra services encourage aged care homes to be innovative by providing an incentive to continually improve care, accommodation and service standards"*.

It is the recommendation of this firm that, if you seek to provide improved care, accommodation and service standards, then you strongly consider partial or full extra services status for one or more of your facilities. We can assist you with those applications – please call Libby Madden on 07 3222 9666.

4. CARER RESPITE CENTRE (CRC)-FUNDED RESPITE

Many services have one, two or more additional (unfunded) places within their services. One excellent option to effectively utilise these places is Carer Respite Centre (CRC)-funded respite. The CRC's are substantial stakeholders of HACC funds which they utilise to enhance the availability of respite in our communities.

CRC's can and do fund part, or all, of the costs of providing respite care for eligible persons in unfunded places. We frequently see respite being provided in these places at a charge of $100 or $120/day with the entire cost being funded by the CRC for financially disadvantaged or lower-income persons. Alternatively, the CRC may pay the entire fee except the $26.47/day standard resident contribution.

If you have one or more unfunded place in your service, it is strongly recommended that you speak with your local CRC and see if it would be of assistance to their target group for you to make available this respite. Short-term respite, emergency respite and dementia-specific respite are almost always in short supply. General respite – Low or High – is also greatly needed in many areas.

5. 2002/03 NATIONAL SURVEY – OFFER TO GROUPS

We are very pleased to advise that the JU&A/Bentleys MRI National Aged Care Survey forms will be coming out to providers in October 2003. This will be the ninth continuous year of the National Survey. (The 2002 survey was undertaken by the Pricing Review using a template substantially derived from our form.)

Feedback

We are always seeking to improve the quality of the information we provide through our national surveys. We would greatly welcome any feedback from organisations that have participated in previous years, or from those who intend to use the national survey for the first time in the 2003 year. If you would like an advance copy of the survey input form to review or to make suggested amendments, please contact Suzy Kingdom on (07) 3222 9666 or juoffice@underwoods.com.au.

Special Reports for Groups

We have been approached by a number of groups to consider providing additional reports relevant to their group only for services participating in the national survey. Examples of groups would be all the Catholic services in Australia, all the local government services in Victoria or all the state government services in South Australia.

We are delighted to offer this service for any group as a **complimentary add-on**. Just as we did some years ago, we would include a tick-box on the front page where services could identify they are part of that group and they would wish a special report showing benchmarks, averages and other information that would be provided confidentially to just the organizations within that group. It is very simple for us to provide these reports in addition to the regular national averages and state and individual benchmarks that all participants will receive. Accordingly, we are able to provide this at no additional cost.

If you are part of a larger organization or group of services and would like to make use of this initiative, just contact us over the next weeks to allow the concurrence to be gained of any head office or central organization