

Ms Lynda O'Grady
Chair
Aged Care Financing Authority

3 March 2017

Dear Lynda

RE: Discussion paper: Protection of Residential Aged Care Lump Sum Accommodation Payments

Alzheimer's Australia welcomes the opportunity to provide a submission in response to the review of the Protection of Residential Aged Care Lump Sum Accommodation Payments.

Alzheimer's Australia is the peak body providing support and advocacy for people with dementia and their families and carers in Australia. Dementia is the second leading cause of death in Australia, and there is no cure.¹

Alzheimer's Australia represents and supports the more than 410,000 Australians living with dementia, and the more than one million family members and others involved in their care.² Our organisation advocates for the needs of people living with all types of dementia, and for their families and carers; and provides support services, education, and information. We are committed to achieving a dementia-friendly Australia where people with dementia are respected, supported, empowered, and engaged in community life.

The paper provides a clear outline of the current arrangements that protect accommodation payments and the options for alternative models, along with some high-level analyses of their benefits and risks to consumers, providers and the government.

In the paper we note your request for comments in relation to the costs, benefits and risks of the current scheme; the options outlined in the paper; and the policy issues identified in the paper. The views outlined below are reflective of a consumer-centric analysis and Alzheimer's Australia's recommendations are therefore focused on consumer impact/s without necessarily ameliorating the impact to providers and/or government.

It is clear that all three of the options tabled in your discussion paper will (or already do) impact consumers – either as tax payers or as consumers of aged care services. With this in mind, Alzheimer's Australia has a preference for **Option 1a or 1b** over **Option 2**, the latter of which seems to represent the greatest impost on providers as well as creating the most significant administrative burden for government – and therefore which has the greatest potential for cost-shifting to consumers. A more detailed analysis of the options is as follows.

¹ Australian Bureau of Statistics (2015) *Causes of Death, Australia, 2013*: Cat no. 3303.0

² The National Centre for Social and Economic Modelling NATSEM (2016) *Economic Cost of Dementia in Australia 2016-2056*

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OPTION 1A: Maintain the status quo

Alzheimer's Australia acknowledges that, in the current Scheme, any associated risk with a default event lies with the Government and that, despite the option to impose a levy on providers, Government (and by extension, the tax payer) has, to date, borne the impact of the default. We are also aware that the structure of the current Scheme means that financial forecasting to ensure payment capacity is challenging, both for Government and for providers. In our experience, consumer awareness and understanding of the Scheme is, as stated in the paper, very low.

However, this option represents the most minimal impact on consumers, who should not be adversely impacted by the inability of a provider to meet their prudential requirements. The rare triggering of the Scheme, combined with the comparatively small proportion of providers who default on lump sum accommodation payments (0.13%) means that the current impact on consumers is dispersed, with no additional tax burden and no additional costs incurred through cost-shifting from providers (or Government).

OPTION 1B RETAIN EXISTING SCHEME AND MANDATE RETROSPECTIVE COST-RECOVERY LEVY

The introduction of an automatic, retrospective levy on providers in the instance of a default event (as opposed to the discretionary levy offered under current arrangements) means that providers will wear the cost of the poor behaviour of their peers. Because the levy would only be triggered in the instance of a default event, the ability for providers to budget for the levy would be no better than under the current arrangement, though Alzheimer's Australia acknowledges that it offers greater certainty for Government because any financial outlays to affected consumers will be recouped.

There is a chance that the increased risk of levy payments would see providers review their accommodation pricing in order to absorb that financial risk – meaning that the impact of this measure effectively would be passed on to consumers. Alzheimer's Australia would therefore wish to see further information on whether additional consumer protections would form part of this model and whether any attention would be given to monitoring price adjustments in the lump sum accommodation payments charged by providers.

Similarly, given that the tax-payer-funded moneys currently used to pay out default loans under the current Scheme would be refunded by providers, Alzheimer's Australia would argue that these savings to Government should be deployed elsewhere in the health and ageing system to benefit consumers.

OPTION 2 GUARANTEE FUND POOL AND ANNUAL PROVIDER LEVY

In our view, the introduction of a guarantee fund pool and annual provider levy represents the highest risk for cost-shifting to consumers. A separate fund administered by Government would require greater administrative overheads, an increase in red tape for both Government and providers, and ensure that, by having a clear understanding of their annual levy, providers could more easily pass on the financial impact to consumers through related increases in lump sum accommodation charges.

If accommodation prices are impacted, the additional risk to consumers is that their choice and access to residential aged care may be affected. This is especially pertinent to people living with dementia, who already face limited quality service offerings and it also contradicts the intent of aged care legislation to promote access and equity.

We would be pleased to discuss our comments with you in more detail and thank you for the opportunity to comment on this important element of the aged care system.

Yours sincerely



Maree McCabe
CEO Alzheimer's Australia