JAMES UNDERWOOD & ASSOCIATES PTY LTD

Newsletter

No. 5/04

ABN 32 055 879 028
AMP Place, 10 Eagle Street,Brisbane
PH: (07) 3222 9666 FAX: (07) 3221 9822
Postal: GPO Box 740 BRISBANE Q 4001
juoffice@underwoods.com.au

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1. ACCOMMODATION CHARGE DIFFERENTIALS

As of 1 July 2004, there are now two different accommodation charge structures for residents, dependent on whether or not the resident first entered residential care (other than respite) before 1 July 2004.

Hostel Residents Transferring to Nursing Home

Any person who was a permanent resident in a Low Care service prior to 1 July 2004 and is now transferring to a nursing home can only be levied a maximum accommodation charge of $14.19/day for a maximum of five years only. It is only new residents from 1 July onwards who can be levied the $16.25 maximum with no five year limit.

Resident Agreements should be amended to identify whether the resident was in permanent residential care before 1 July 04 and to show whether they should pay the accommodation charge for a maximum of 5 years or for the entire duration of their stay. (The JU&A Resident Admission Package was adjusted with the 1 July 04 update.)

Ready Reckoner

All clients and newsletter subscribers are very welcome to have a complimentary copy of the new "two-tier" Accommodation Charge Ready Reckoner. Just email a request to suzy@underwoods.com.au and we will forward it out to you.

2. 2003/04 NATIONAL SURVEY – INVITATION TO GROUPS

Invitations to participate in the 2003/04 Bentleys MRI/James Underwood & Associates National Residential Aged Care Survey will be coming out to all Australian High and Low Care services in October 2004. The survey is Australia's largest survey on costs, expenditure and profitability in a huge range of items in residential aged care and includes key benchmarking information on staffing hours in all staff categories; RCS levels; numbers of residents per room in High Care; bonds; dementia; age of buildings; extra services; industrial arrangements; and more.

2003/04 will be the tenth year of this national survey. It provides comparisons to all previous years. In 2001/02, we provided our survey template to the Pricing Review to assist in running their national survey. We are pleased to advise that the Department of Health and Ageing (DOHA) has provided us with the (de-identified) data from that survey to allow us an unbroken series of data since 1994/95.

The 2002/03 survey provided national and state averages plus benchmarks for 200 High, Low and merged services.

Participation of Groups in 2002/03

A very successful initiative with last year's survey was the inclusion of a special report for one group of homes – Catholic homes. This initiative was supported by Catholic Health Australia, and allowed for a separate report to be prepared for the almost 40 Catholic homes that ticked the box wanting to be part of this initiative. Whilst the confidentiality of the homes identities was maintained, a **separate report** for all Catholic services showing benchmarking plus comparisons to state and national averages was provided plus an additional narrative report. There was no additional charge for this initiative and all information – including benchmarks – was provided **in electronic form** to allow ease of re-use.

Invitation to Groups for 2003/04

Any group of religious, charitable, private for-profit, local government or state government services is welcome to have this confidential report provided for them and the members of their group (and them alone) at no additional charge to the normal base participation fee for the national survey. We encourage the state or national offices of **any** groups to foster this initiative.

Please contact Suzy Kingdom at James Underwood & Associates or Dianne Power at Bentleys MRI (07 3222 9777) if you would like to know more.

3. MERGING CO-LOCATED SERVICES

Merging is the process of seeking to have the one approval number for a co-located hostel and nursing home service. Most Australian co-located services remain unmerged. With the 1 July 04 change in the transitional supplement rate, one of the last remaining obstacles to merging approval numbers disappeared. At the majority of services that we now review, we are recommending that the approval numbers of co-located services should be merged.

Items to consider:

(i) Transitional Supplement

The transitional supplement for "FDP" hostel residents was only $5.06/day prior to 1 July 04. As and when these residents moved to the co-located but unmerged nursing home, they could be assessed for concessional status and moved up to the higher concessional supplement rate (then $13.49/day if more than 40% concessional). This was an increase of over $3,000p.a. in government supplement.

From 1 July 04, all of these transitional residents moved to $16.25/day – the same as the maximum rate of concessional supplement. The challenge before 1 July was that, if you merged, then you never had the opportunity to re-assess these residents for concessional resident status, so they remained at the low $5.06/day rate for the duration of their stay.

There is now actually an incentive to merge, **if** your High Care service has a 40% or less concessional ratio, because these transitional Low Care residents would otherwise be re-assessed as concessional and you would receive only $10.63/day, whereas, if you merge your service, these residents will remain transitional for the duration of their stay and you will receive $5.62/day **more** for them or just over $2,000p.a. extra. If your Low Care service still has a significant number of pre-1 October 97 FDP residents, this may be a strong incentive to consider merging approval numbers.

(ii) Accreditation Fees

The maximum accreditation fee is currently $12,801 for any service of 100 or more places. The cost for two co-located (but unmerged) services of 80 places each would be $10,871 x 2 = $21,742. There may be a substantial saving in accreditation fees in merging two co-located services. (Note: There is no fee for services under 20 places.)

(iii) Viability Supplement

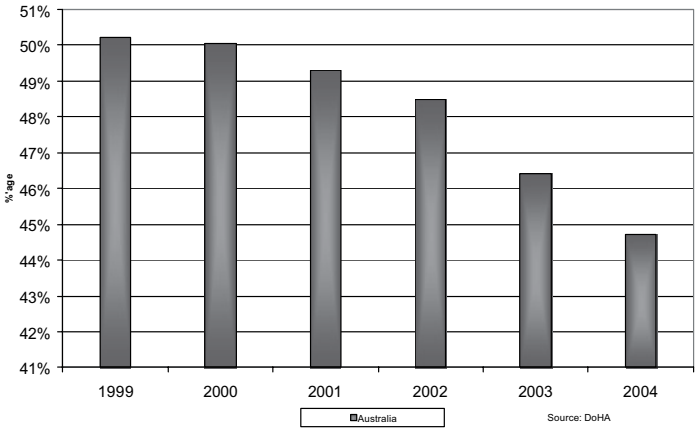
You may remain eligible for higher viability supplement payments by having two services unmerged if one or both services currently fall into the 1–15 place band or 16–29 place band for calculation of your eligibility score.

(iv) Concessional Supplement

We often see that a High Care service has greater than a 40% concessional ratio and the Low Care service has less than 40%. Accordingly, the High Care service receives $16.25 for all concessional residents and the Low Care receives $10.63. This difference is over $2,000/resident.

You should consider whether merging the approval numbers would bring your total concessional numbers above 40% or below 40%. In determining this, it's also important to look towards the future as the level of concessional residents Australia-wide continues to decline. The national concessional ratio has fallen from 50.22% at June 1999 to 44.73% at June 2004., as below:

MOVEMENT IN PROPORTIONS OF CONCESSIONAL RESIDENTS IN AUSTRALIAN HIGH AND LOW CARE SERVICES 1998/99 – 2003/04



In a number of cases we have reviewed, we have been able to increase concessional resident supplement in the Low Care service by $50,000p.a. or more by the simple expedient of merging with a High Care service that had a high proportion of concessional residents (and/or a wing of extra services that doesn't count towards your non-concessional ratio).

(v) Minimum Concessional Ratios

Required minimum regional concessional ratios vary across the country and are commonly at around 20%. A number of Low Care services are challenged in trying to reach this 20%, owing to the large numbers of home-owners entering their services, possibly because of the success of HACC and CACP initiatives.

(Many people are able to be supported successfully with HACC or CACPs in their homes whilst their carer is alive. The death of that carer can mean they can no longer be supported at home and need to seek admission to residential aged care. In this case, there would clearly be no spouse or long term carer remaining in the home and the new resident would not be concessional.

It is believed this may be a major reason for the reduction in the number of concessional residents entering Australian residential aged care, because it is the exclusion of the still-occupied house from the assessable assets of a prospective resident that is a major reason for determination of concessional status.)

Merging a Low Care approval number with a High Care service that has higher levels of concessional residents may allow the service as a whole to continue to meet the minimum concessional requirements.

(vi) More Bonds in Low Care

Another positive consequence of merging is that a Low Care service can then effectively go below the minimum regional requirements. This may accurately reflect the changing demographics of the target group and also increase capital holdings by having bonds for a greater proportion of new Low Care admissions.

(vii) Flexible Use of Unfunded Places

Many High and Low Care services have additional certified (unfunded) places. If a service merges, it may prefer to have only funded places in its High Care buildings and so effectively transfer Low Care place approvals to the previously unfunded places within the High Care buildings, leaving a higher number of unfunded places in the Low Care building.

It may be far simpler to offer the **un**funded places as Low Care only for a daily fee of $50, $60 or $70/day – all that is needed to be charged to make up for foregone DoHA subsidy – as opposed to continuing unfunded places in High Care at a daily fee of $150 or more.

Note: Any **post**-1 Oct '97 Low Care approvals that operate within a High Care service could remain subject to a requirement that only new Low Care admissions be taken. Any **pre**-1 Oct 97 Low Care place approvals do not normally have this prohibition.

(viii) Seamless Transfer of Bonds

As bonds increase to amounts of $150,000, $200,000, $250,000 or more, they provide substantially more income to a service than the accommodation charge of a maximum of just $16.25/day. If you continue to operate two services, then the transfer of bonds from the Low Care to the High Care service is "by agreement" and residents can elect to not transfer the bond. If you merge your approval numbers, then no new agreement is required, the resident is not reassessed and the bond is retained for the duration of the resident's stay with the service.

This could give rise to a substantial increase in the capital holdings (and income) of your High Care area.

If, however, your service used to take – or continues to take – very low bonds (e.g. $20,000 or $40,000), then it may be important for you to continue to reassess residents for capacity to pay the accommodation charge, as the accommodation charge will provide higher income than a "fully retended" small bond.

(ix) Variable Fees

There still remains a proportion of Low Care residents on "grandparented" variable fees from pre-1 Oct 97. If your service is merged, these grandparented fees can continue on for the duration of the resident's tenure with the service (or until the base fee reaches the variable fee level).

(x) Capital Funding

A key eligibility criterion for a residential care (capital) grant is that the majority of care recipients must be concessional/assisted. You may have two services – one with greater than 50% concessional (typically High Care) and one with less than 50% concessional. If you are considering applying for capital grants, then it may not be appropriate to consider merging.

(xi) Certification

An entire service is certified, so the failure of one part of one of your two co-located services to meet certification would then apply to the entire site if you merged approval numbers.

(xii) Industrial Arrangements

Moving to one approval number may trigger a request by staff/unions to have identical industrial arrangements – awards, union coverage, EBAs – in both your High Care and your Low Care service. Many services already have identical industrial arrangements in place for both sides. Others acknowledge that staff in both sides now perform similar/identical duties because of the higher frailty levels accommodated in Low Care and that having identical industrial arrangements may now be appropriate. Often an EBA is considered to be able to maintain "hostel-style" flexibility in duties of personal care staff in a higher care environment.

4. EXTRA SERVICES ROUND SUCCESS

The results were announced in early September 2004 of the extra services round that closed on 11 June 04. This firm submitted five successful applications in that round. We have now assisted 18 Australian services across five states to gain extra services approval for designated areas within their homes in 2004. These have been twelve religious and charitable services and six private, for-profit services.

The majority of applications have been for High Care, although we have submitted six successful applications for pre-October 97 Low Care approvals, where these services are predominately targeting High Care residents (and wish to charge new High Care residents the same bonds under the same arrangements under which they charge Low Care residents).

Now comes the interesting part: implementation. Where services were already providing accommodation, food and services to a very good level, we strongly encourage operators to **not** try to market the extra services as being special, "silver-service" or different. We encourage organisations to just **continue** to provide that high level of outcomes for all residents and just charge those who can afford to pay – be they High Care or Low Care – accommodation bonds and appropriate additional fees to allow reasonable viability to be achieved.

We also encourage services to continue to move towards taking in higher numbers of High Care residents if that is where the greatest benefit of their service to the community lies.

5. ACAT RE-ASSESSMENT FOR UNFUNDED RESIDENTS?

The nature of being an unfunded resident in a residential aged care service is that the person enters whilst holding a current ACAT approval or subsequently gains an ACAT approval whilst a resident in a service. Such unfunded residents enjoy all the protections, rights and obligations of funded residents under the Aged Care Act and User Rights Principles with the solitary exception that a higher fee can be agreed to on entry.

A problem comes when an unfunded resident moves to funded status more than 12 months after having been granted their original ACAT approval and there is no record maintained by DoHA that such people have been accommodated within a residential aged care service. This gives the DoHA claims system the signal that no subsidy should be paid and that an ACAT approval should be sought.

Similarly, a person who may have been an unfunded resident within a service for some time, may transfer to funded status in a High Care category, which, again, provides a challenging signal to the DoHA claim process if the service is a post-1 Oct 97 Low Care approval and is ineligible to accept "direct-entry" High Care residents.

The good news is that all these challenges have come up before in different states, and DoHA has very kindly accepted that these people entered a residential aged care service as an unfunded resident within 12 months of gaining their ACAT and the ACAT approval continues for the entire length of their stay. A call to your DoHA claims officer will normally correct this problem.

As unfunded places become ever more prevalent in our industry as a way of meeting the high demand for residential aged care services, it is to be hoped that some method of DoHA data collection for these unfunded residents may be put in place.

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.

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