ACCOMMODATION PAYMENTS

DOHA APPROVED LEVELS OF FEES, CHARGES, SUBSIDIES AND THRESHOLDS IN RESIDENTIAL AGED CARE
(Since Commencement of Aged Care Act 1997)

	CONCESSIONAL			ASSISTED		ACCOMMODATION CHARGE: For residents who first entered permanent residential care before 1 July 04			ACCOMMODATION CHARGE: For residents who first entered permanent residential care on or after 1 July 04			PENSIONER SUPPLEMENT		BOND RETENTIONS	
	Asset Threshold ($)	Supplement/day ≤40% ($)	Supplement/day >40% ($)	Asset Threshold ($)	Supplement /day ($)	Max "Assisted" Acc.Charge/ day ($)	Asset Threshold for Max Charge ($)	Max Full Acc. Charge/day ($)	Max "Assisted" Acc. Charge/day ($)	Asset Threshold for Max Charge ($)	Max Full Acc. Charge/day ($)	Bond Threshold ($)	Pensioner Supplement/ day ($)	Max Retentions p.a. ($)	Min Retentions p.a. ($)
01-Oct-97	22,500	7.00	12.00	36,000	3.50	6.00	44,000	12.00	-	-	-	90,000	5.30	2,600	1,350
01-Jul-98	23,000	7.10	12.17	37,000	3.55	6.00	44,900	12.00	-	-	-	92,000	5.37	2,600	1,350
01-Oct-98	23,000	7.10	12.17	37,000	3.55	6.00	44,900	12.00	-	-	-	93,000	5.37	2,600	1,350
01-Apr-99	23,500	7.10	12.17	37,500	3.55	6.00	45,400	12.00	-	-	-	94,000	5.37	2,600	1,350
01-Jul-99	23,500	7.20	12.34	37,500	3.60	6.00		12.00	-	-	-	94,000	5.45	2,632	1,367
30-Sep-99	24,000	7.20	12.32	38,000	3.60	6.00	45,900	12.00	-	-	-	95,500	5.45	2,632	1,367
30-Mar-00	24,000	7.20	12.34	38,500	3.60	6.00	45,900	12.00	-	-	-	96,500	5.45	2,632	1,367
01-Jul-00	24,000	7.35	12.60	38,500	3.68	6.17	46,500	12.33	-	-	-	96,500	5.56	2,706	1,404
20-Sep-00	24,500	7.35	12.60	39,500	3.68	6.17	47,000	12.33	-	-	-	98,500	5.56	2,706	1,404
16-Mar-01	25,000	7.35	12.60	40,000	3.68	6.17	47,500	12.33	-	-	-	100,500	5.56	2,706	1,404
01-Jul-01	25,000	7.52	12.89	40,000	3.76	6.54	48,900	13.07	-	-	-	100,500	5.69	2,868	1,488
20-Sep-01	25,500	7.52	12.89	41,000	3.76	6.54	49,400	13.07	-	-	-	102,500	5.69	2,868	1,488
20-Mar-02	26,500	7.52	12.89	42,000	3.76	6.54	50,400	13.07	-	-	-	105,500	5.69	2,868	1,488
01-Jul-02	26,500	7.70	13.20	42,000	3.85	6.73	51,000	13.45	-	-	-	105,500	5.83	2,952	1,530
20-Sep-02	27,000	7.70	13.20	43,000	3.85	6.73	51,500	13.45	-	-	-	107,500	5.83	2,952	1,530
20-Mar-03	27,500	7.70	13.20	44,000	3.85	6.73	52,046	13.45	-	-	-	110,000	5.83	2,952	1,530
01-Jul-03	27,500	7.87	13.49	44,000	3.93	6.96	52,886	13.91	-	-	-	110,000	5.96	3,054	1,584
20-Sep-03	28,500	7.87	13.49	45,500	3.93	6.96	53,886	13.91	-	-	-	113,500	5.96	3,054	1,584
20-Mar-04	29,000	7.87	13.49	46,500	3.93	6.96	54,385	13.91	-	-	-	116,500	5.96	3,054	1,584
01-Jul-04	29,000	10.63	16.25	46,500	6.69	7.10	54,897	14.19	9.30	58,657	16.25	116,500	5.96	3,114	1,614
20-Sep-04	29,500	10.63	16.25	47,000	6.69	7.10	55,397	14.19	9.30	59,157	16.25	118,000	6.08	3,114	1,614

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 $349

JAMES UNDERWOOD & ASSOCIATES PTY LTD

Newsletter

No. 6/04

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1. EXTRA SERVICES (ES) IN LOWER INCOME AND RURAL AREAS

Should extra services (ES) be considered in areas of low house prices and in rural areas? The answer is often, "yes".

James Underwood & Associates has assisted religious and charitable High (and Low) Care services in small communities to apply for and gain ES approval to allow for **bonds** in High Care to meet capital needs **plus** gain higher fees to make newer single-room services viable.

In some rural towns there is a high level of home-ownership but a low level of median house sale price.

If your service is in a region where the median house price is just $110,000 – and thus a reasonable bond to request might be $80,000 – you could nonetheless substantially enhance your income by implementing extra services for bond-paying High Care persons.

Pay the Extra Fee from the Bond

Many pensioner or part-pensioner residents may not have the fortnightly income to easily pay a higher fee. If the extra services amount was a modest $25/day (with a $5/day "claw-back"), then new bond-paying High Care residents could be offered the opportunity to – at their free option – withdraw the extra amount from their bond.

As less than 45% of new High Care admissions are expected to be with the service for more than two years – and less than 15% are expected to be with the service for more than five years – most departing residents would still be expected to have a reasonable level of refund upon departure, even if they had agreed to have, say, c.$12,000 p.a. withdrawn from their bond for the first five years (i.e. the $3,114 annual retention plus the $25/day ES Amount).

For those new residents concerned that, if they were at your service for so long that their entire bond balance could be exhausted (more than 7 years), you could offer a "Peace of Mind Guarantee" where any additional fee above the base fee is then waived.

Viability

The impact on a service's viability could be extraordinary. If you were gaining an additional $20 prpd net income from half your High Care residents – effectively $10 prpd across all residents – this could be effectively doubling or tripling your current return. (The other half of your residents could be concessional/assisted.) The extra money could be used in full to enhance the range and types of services offered. Alternatively, you may already have high quality outcomes but lose money on operations. This extra income can return your service to viability.

This process has also assisted services to maintain the levels of capital (bond) monies held as the **needs** in a region shift from Low Care to High Care. Traditional Low Care services are taking in more High Care residents and need bonds to be paid by these new residents to fund pay-outs to departing bond-payers.

What "extras" do you have to provide?

If your accommodation, food and services are already up to a good level, then you would usually have to offer nothing "extra" to extra services residents, but you could enhance services and outcomes (and viability) for **all** of your residents – including concessional residents.

The "Downside"

Services with ES are ineligible for the Viability Supplement for **any** residents. So ES is probably not a good option if your Viability Supplement is $12.73/day or more, but may work well if you receive only the base figure of $1.26/day (or nil).

Services with ES are ineligible for future capital grants. You have to repay a proportion of any grants you received in the last 15 years, but only for that number of places that you change to ES. This repayment is 100% if you received the grant in the last 5 years and abates at 10% per year from 6 to 15 years. For many services, the repayment may be less than the amount you receive in just **one** bond – and you have 2 or 3 years to pay it off!

User Pays

For some providers, this type of arrangement might appear a bit revolutionary, but significant amounts of differentiation in fees through user-pays and means-testing have been in place in residential aged care for a very long time now. The initiative may be accepted by most residents if the additional income gained by bonds and additional fees is used to cross-subsidize an enhanced outcome for all residents. (This cross-subsidisation happens **now** in Low Care where some people pay $250,000 or more in bonds and others pay nil. The $6,000p.a. or less you receive in concessional supplement is **far** below the income you achieve from a $250,000 bond.)

We are pleased to advise that we have engaged a new member on the JU&A team for the specific role of assisting in implementing and marketing extra services and we will feature details on this service in future newsletters.

2. 2003/04 NATIONAL SURVEY

The invitations to participate in the 2003/04 JU&A/Bentleys MRI National Residential Aged Care Survey have been forwarded to all Australian High and Low Care services. The response rates are better than ever and we are expecting a bumper year. This is a great outcome as it means there will be more benchmarks and the state-based averages will be more representative.

We are also pleased to be providing a special additional report for Catholic, Baptist and Salvation Army (Eastern Territory) services that participate in the national survey. This complimentary add-on is accessed by member services in these groups just ticking a box on the last page. If any organisation is having difficulty meeting the closing date for submission of response forms of Friday December 10, 2004, please give us a ring.

Merged Services

We have had quite a number of queries from services where there are a nursing home and a hostel on the one site with two separate approval numbers but there is no separate accounting for the two entities. (I.e. The nursing home and hostel are operated as the one cost centre with no split-ups of income and expenditure items.) Such services are not "officially" merged services because they have not sought and gained approval from the Commonwealth to have one RACS ID N^{o} for the entire site across what were formerly two services. They have sought our advice as to how to complete the survey response forms.

The answer is that, where you do not have separate accounting for your co-located High and Low Care services, you should complete the response form for the survey **as though you had a single merged service**. Show the two service names and the two service RACS ID N^{os} in the respondent details at the top of the response form and then circle "M" for merged in Section 1 – Service Details, Item (A). Then just complete the one response form as though all the places were in the one service.

If, however, you continue to have your accounting records show the income and expenditure separately for the High Care and the Low Care services on the one site, then two response forms should be submitted. There remain, for many organisations, substantial differences between the way the nursing home and the hostel on a co-located site operate, and it would generally be preferable to continue to operate them as two separate cost centres **even if you chose to merge the approval numbers** (although this would provide for a challenging process of allocation of Australian Government income if your records didn't easily identify which residents are in which service).

Providing Excel Averages and Benchmarks

Because we will in 2004, for the first time, provide you with a disk with all of the state and national averages plus all of the benchmarks in Excel, you will have the opportunity to sort and change the groups of services to which you wish to be compared or benchmarked by using the sort function in Excel. You may, for example, be a designated Low Care service, but now have such a large proportion of High Care residents that you may prefer – when you receive the disk with the results – to benchmark your service against merged services or even against High Care services to have regard to similar services with similar levels of registered nursing; similar levels of frailty; and similar numbers of single rooms for High Care residents.

3. TRANSFERRING BONDS

We continue to see many High Care services failing to offer to accept the transfer of the bond for transferring Low Care residents. These bonds **can** be accepted, regardless of whether the resident is transferring from a co-located Low Care service or from any other hostel in the country.

With bonds of $118,000, $150,000 and $250,000 becoming more prevalent, it would generally be advantageous to the High Care service to offer to accept the transfer of this large bond. (Residents who do not transfer bonds may become subject to pension reductions and increased income-tested fees following their receipt of the bond balance.)

4. UNFUNDED PLACES

This firm is encouraging increasing numbers of services to take advantage of the August 2003 changes to the unfunded places rules. We have increasing numbers of case studies of successful utilisation of unfunded places.

Case Study 1.

This is a 132-place High Care/Low Care service. It has a further eight unfunded places in Low Care and five in High Care. It maintains full occupancy in all 13 places with fees of $85/day (Low) and $150/day (High). Most unfunded residents pay a c. $200,000 bond. The full utilisation of these unfunded places allows enhanced viability for this religious and charitable service. Most people using the unfunded places are not subsequently transferred to funded status – these people have sufficient income to have agreed at entry that they would remain unfunded residents.

(Note: Technically, an unfunded resident – i.e. a person with an ACAT approval – who enters an approved residential aged care service in a place that has no funding approval should be the next person to be moved to funded status when a funded place becomes available. In actuality, this firm very rarely sees this happen. The occupant of the one unfunded place in one of our client High Cares has been there for over eight years paying full, unfunded fees.)

Case Studies 2 and 3.

These are two very lovely Low Care services in the religious and charitable sector with attractive, large resident rooms. They regularly accept couples into their service and, each time they do so, they then exceed their number of place approvals. The spouse usually has low or no care needs and is typically charged full unfunded fees of $50/day or $80/day.

If the spouse's care needs increase, then the service will typically ask another resident in the service with lower care needs (or no care needs) to accept changing to unfunded status (with no additional fee other than the pensioner supplement amount) to allow their care place approval to be utilised for the person with the higher care needs (and higher subsidy). This works particularly well for services with a small number of Category 8-type residents still within the service, but can still be quite financially viable with deleting Category 7-type residents' names from the claim form.

A surprise bonus for the resident who elects to go to unfunded status is that, if they are a pensioner or part-pensioner and paid less than $118,000 in bond, they become eligible for rent assistance. Both organisations in these case studies only charge the lower pensioner supplement rate to the "newly unfunded" resident, not the rent assistance or the "self-funded retiree" amount. The "newly unfunded" resident gains the difference between these two rates as an extra personal income of, currently, $11.68/fn (there is no change in room, security of tenure, services or anything else to the person who moved from funded to unfunded status).

5. BONDS EXCLUDED FROM THE ASSETS TEST

In the recent federal election, the Prime Minister undertook to exclude accommodation bonds from the operation of the Centrelink/DVA assets test for pension entitlements, effective from 1 July 05. As and when we have the opportunity to scrutinize any implementation impacts or "fine print" associated with this election promise, it seems likely that this may engender an incredibly high enthusiasm on persons to pay accommodation bonds. One wonders what the impact will be on periodic payments and whether the assets retained to create income to allow payment of periodic payments based on a lump sum equivalent will also be excluded from the operation of the assets test.

Currently, a single non home-owning pensioner with assets above $422,500 receives no pension. This gives rise to extraordinary challenges to persons who either sell their homes and gain proceeds which, when added to their other assets, provide them with assets above $422,500 **or** who are assessed as being non home-owners two years after admission to residential aged care. In many cases, these people will have been partial or indeed full pensioners for many years or decades and will suddenly find themselves with no pension entitlement whatsoever and will need to consider cash investment strategies.

If bonds are excluded from the assets test from 1 July 05, then there would likely be a strong push from new residents entering aged care to pay an accommodation bond and keep their partial or full pension entitlements. Those High Care providers who are able to take accommodation bonds (normally that means the extra services homes) may find themselves at an enormous marketing advantage compared to those High Care services that are precluded from being able to take accommodation bonds (i.e. all the rest of the High Care services).

Recommendation

Subject to seeing what the implementation strategies of the Department of Family and Community Services will be, it would be strongly recommended that High Care services consider seeking and gaining partial extra services so that they can charge bonds to those new admissions who may wish to sell their homes upon admission.

We would expect to see a very large number of religious and charitable and private-sector organisations seeking to achieve bond-paying status for that proportion of their normal resident group that is not concessional ahead of this proposed 1 July 05 implementation date. This would mean a rush of applications with the March 05 extra services approvals round.