



ACAA
27th Annual Conference

Hobart - November 2008

**Impact of ACFI and Ensuring
Appropriate Care Income**

by

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There is one key challenge with the ACFI funding we will look at today.

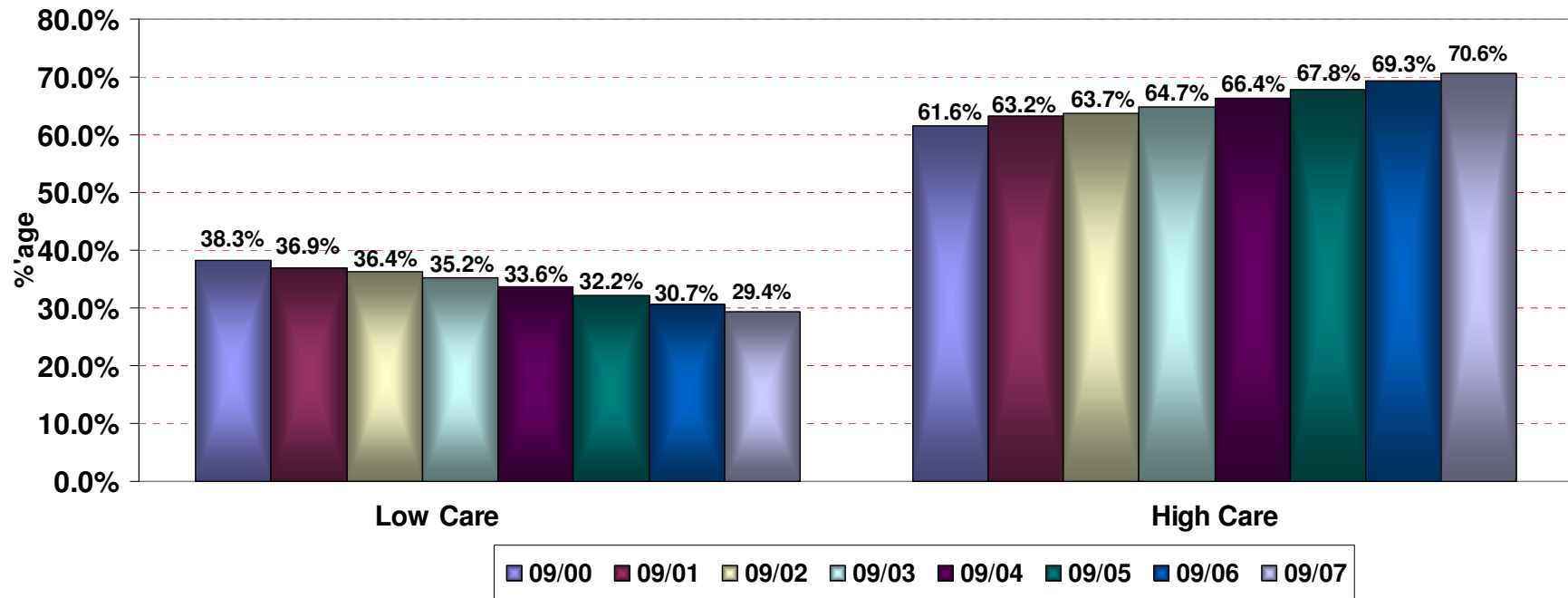
- Insufficient subsidy for persons of lower care needs
- Low or even *no* subsidy, so...not offered a place, but...
- Lower average occupancy means we can't find a higher-frailty substitute
- So...a possible solution offered at end of this talk
- But, first:



The High Care v Low Care Challenge

- 44% of new residents are ACAT'd as Low Care, but...
- Only 28% of new residents are ACFI'd as Low Care on first ACFI.
- The default Low Care subsidy of \$44.14/day
- Or the erroneous ACFI ?!
- The end of the “cosy” arrangements in SA.
- But what if the ACAT started getting it right?
Catastrophic reduction in bonds?

Numbers of Low Care residents are decreasing



Movement in Low Care & High Care Resident Levels as Proportions of All Australian Residential Aged Care Residents Sep 2000 to Sep 2007

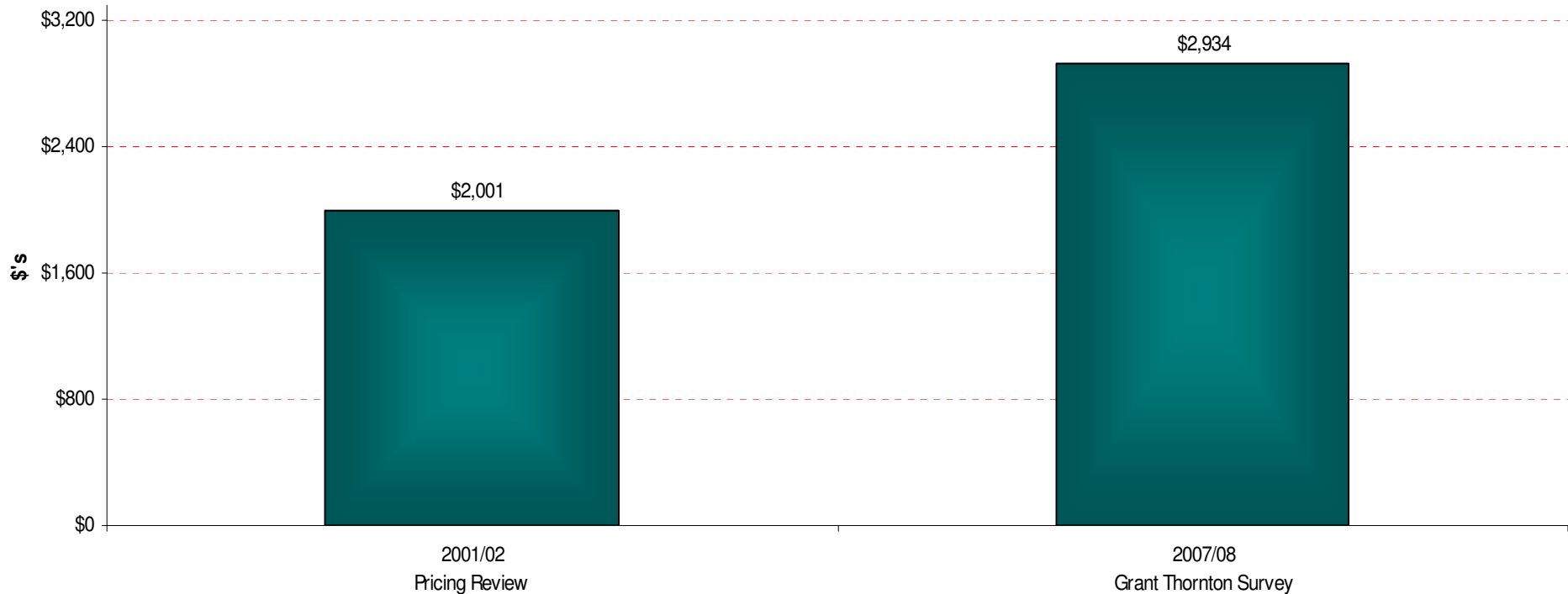


Other ACFI Solutions

- First ACFI is Low Care, even if ACAT was High Care
- Nurse Consultants
- The unsold ILU and the DoHA “hardship” rules
- But, back to the returns in residential care....


Average Returns are Poor

EBITDA Per Place Per Annum



•The Pricing Review figures are, however, “overweighted” with negative return Victorian state government services.

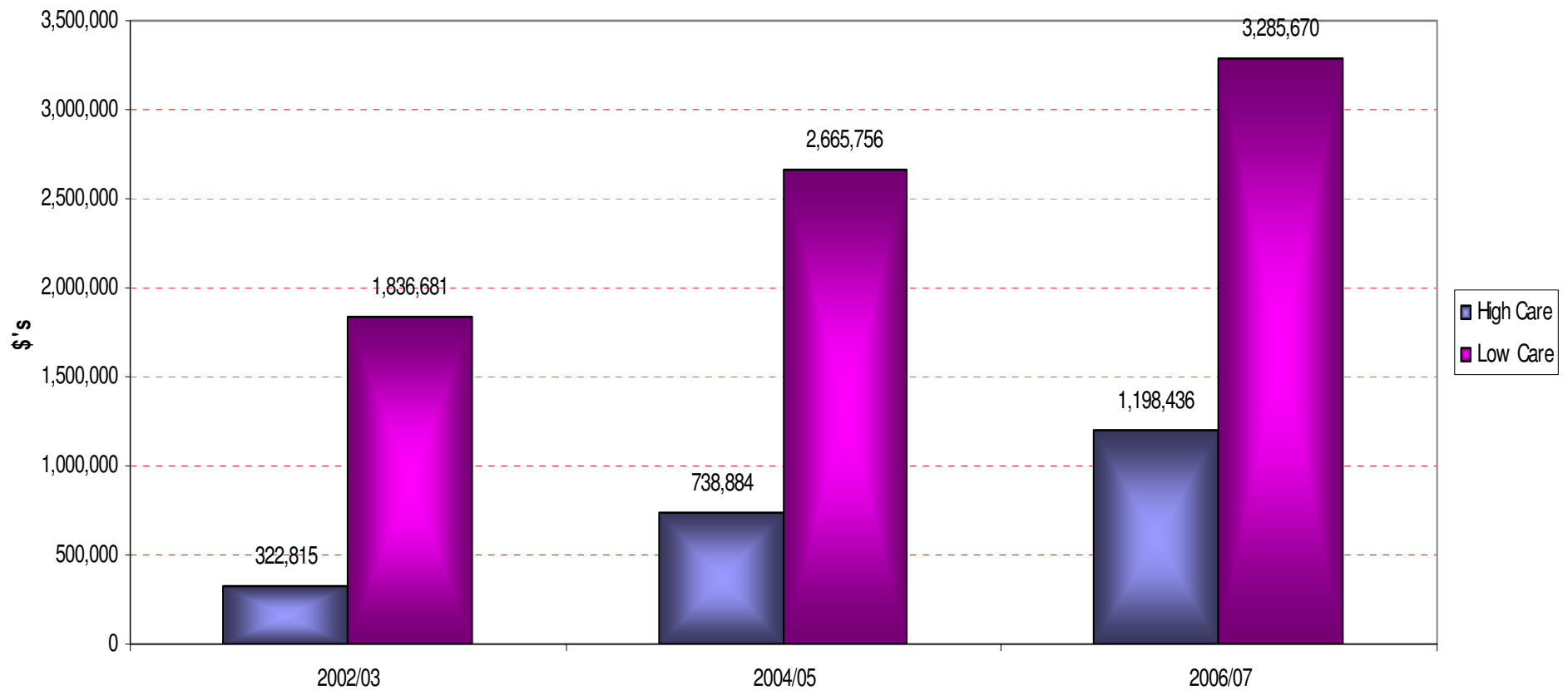
•The Grant Thornton Survey is, however, “overweighted” with negative return NSW religious services from the Stewart, Brown and Co annual survey.



The Big Difference between High Care and Low Care is the Bonds

- **The average EBITDA of High Care and Low Care is not too different, but the real difference is in the bonds.**
- **Neither EBITDA nor “Return after Capital Outlays” captures the benefit of the bonds.**

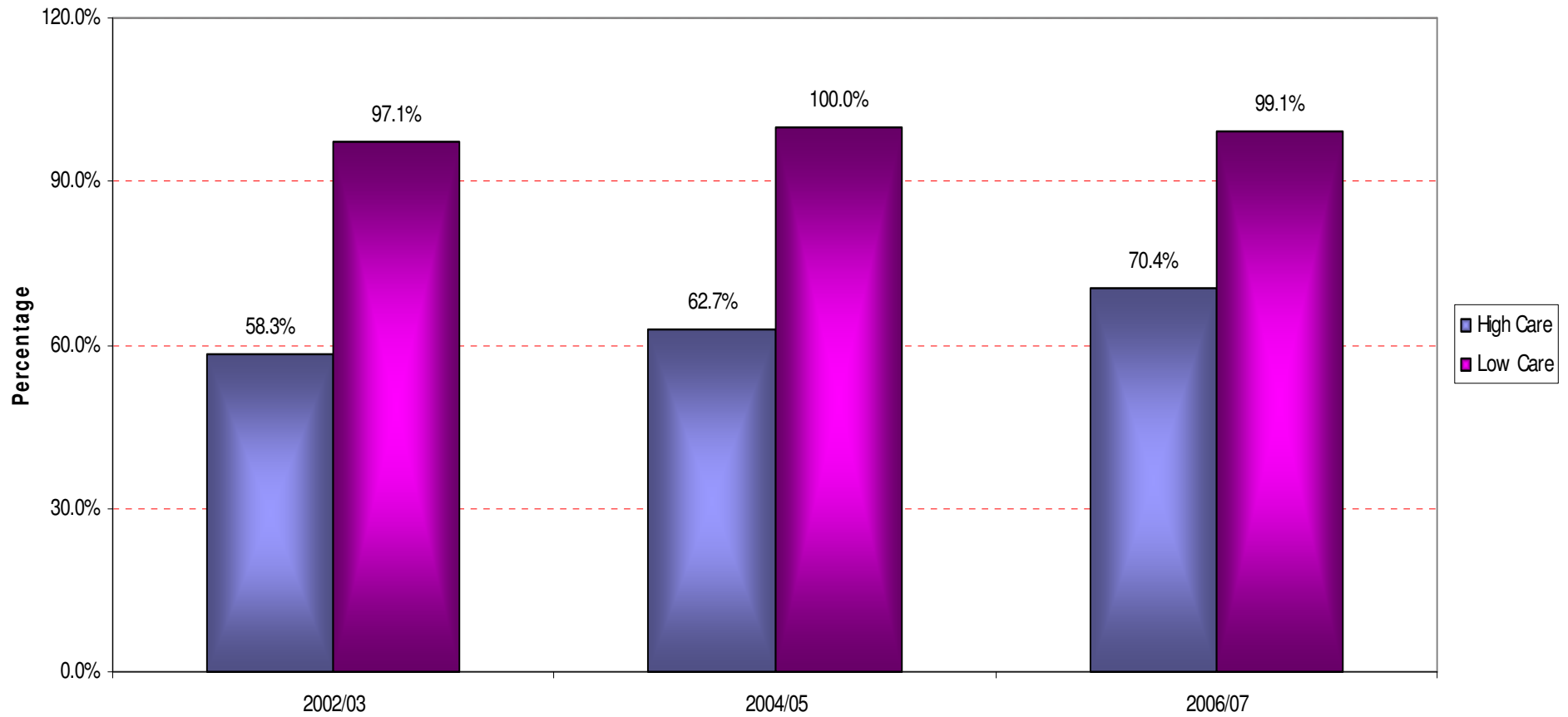
Growth in Average Bond Holdings per Service



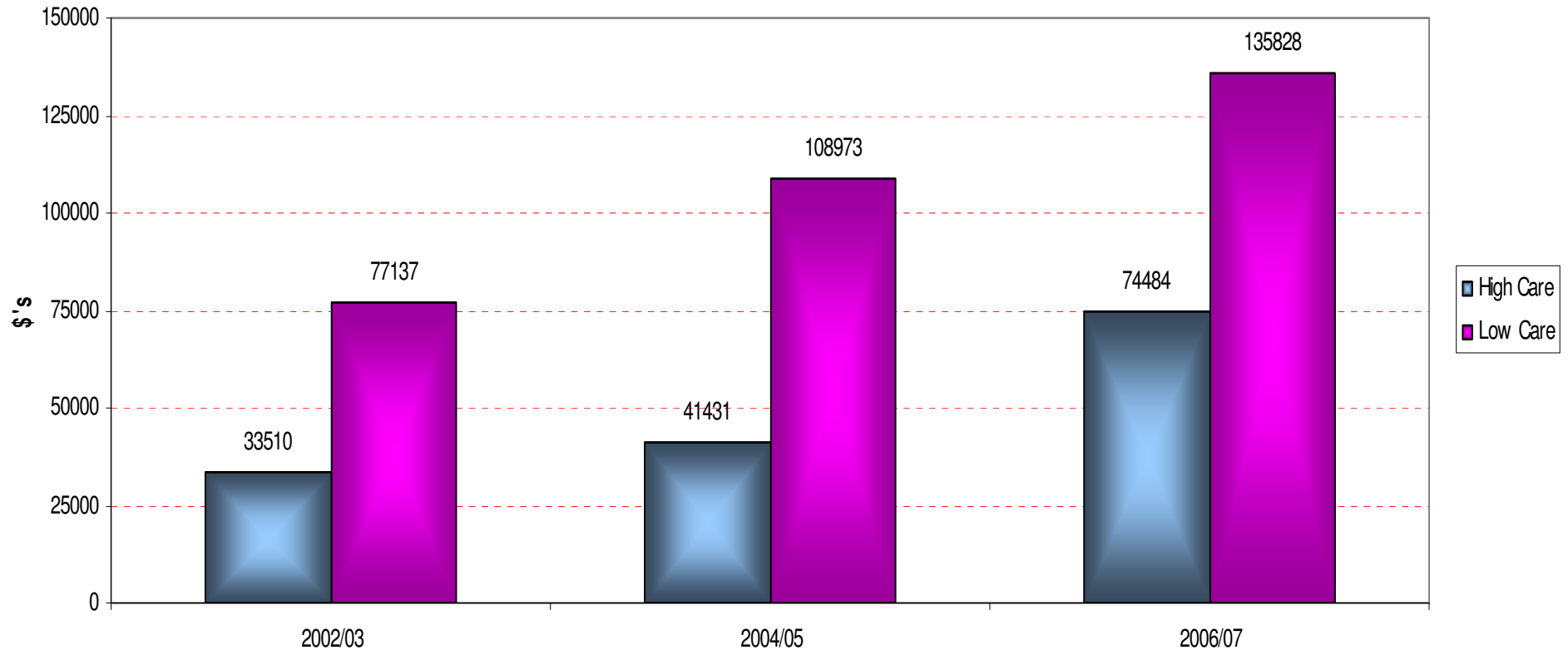
Source: James Underwood & Associates / BMRI Surveys (Note: This is average bond holding across ALL surveyed services. Many High Care services had NO bonds)



Proportion of Services Holding Bonds

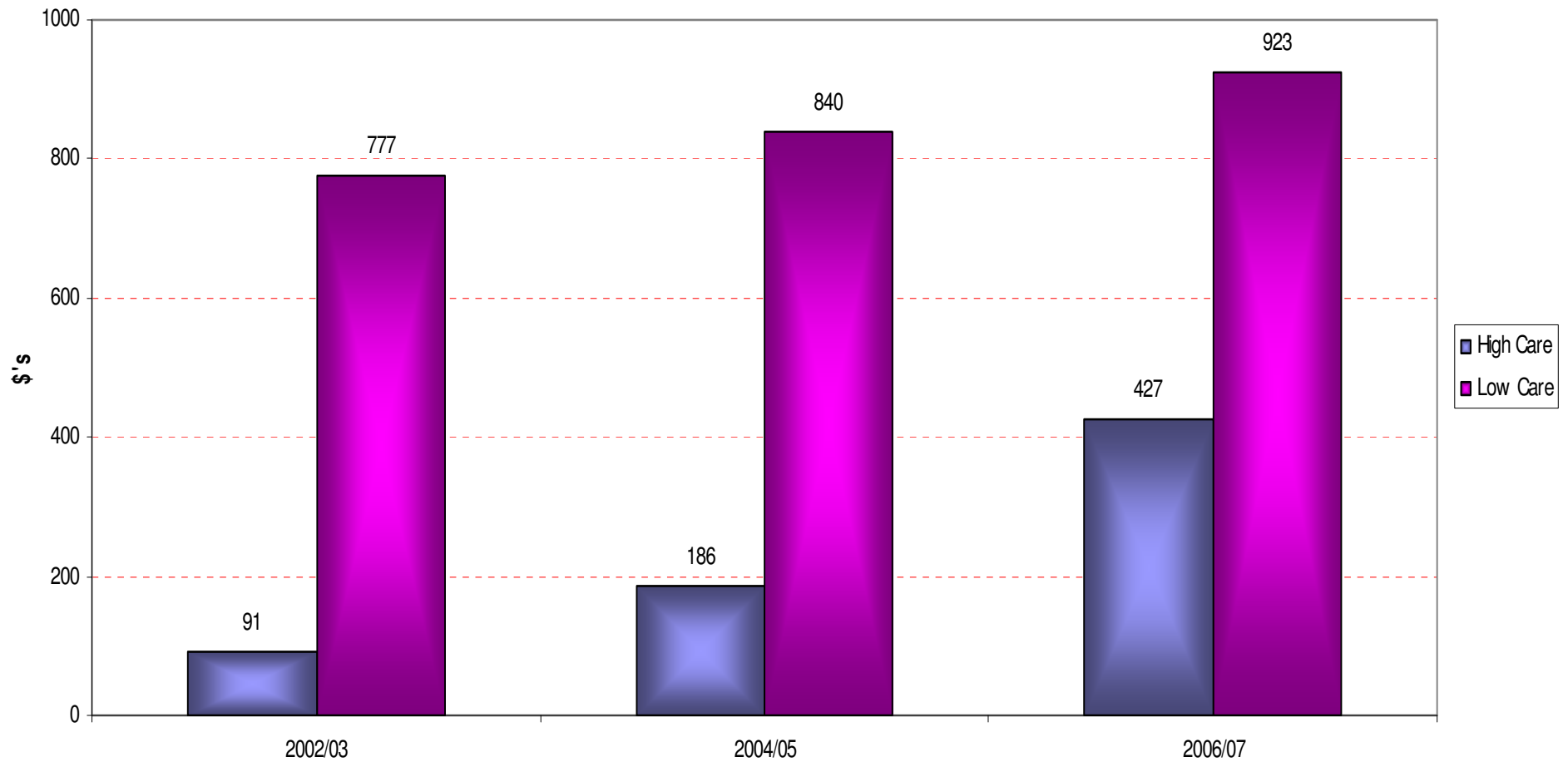


Average Bond Received in Year



Source: James Underwood & Associates / BMRI Surveys (Note: Average Bond is averaged across ALL services, including those taking no bonds in High Care)

Advised Interest Received on Accom Bonds per Resident per Annum

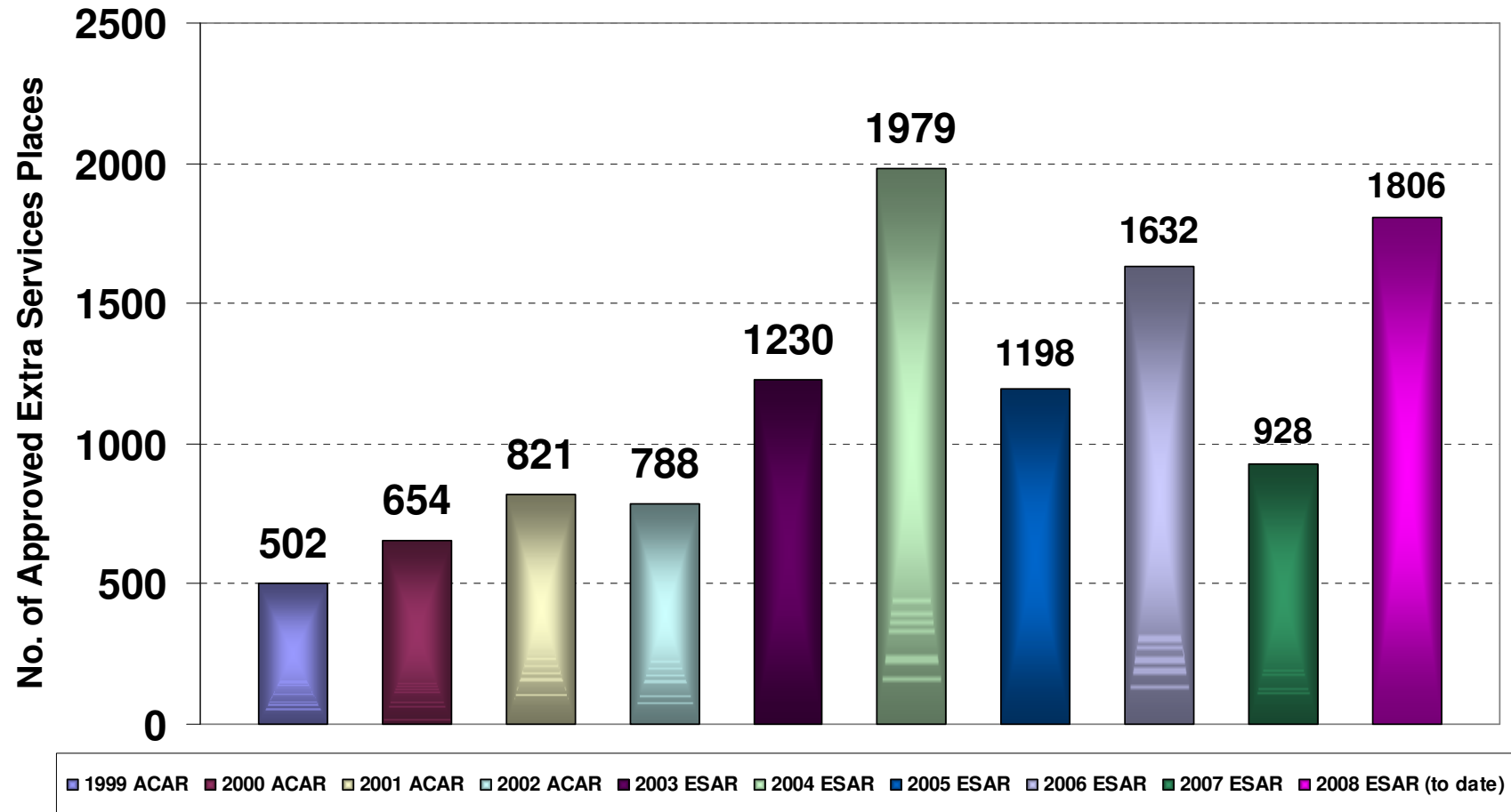




One Solution is Bonds in High Care

- **Reviewed at the workshop tomorrow**
- **Info available from old newsletters**
- **Not “extra services”, just bonded High Care**

ES numbers are expanding rapidly



New approvals for Extra Services Places – Total per Year

(NB: 2008 figure includes the February 2008 results only – a further round is due for submission in December 2008)



A Solution to the Reduced ACFI Funding for Lower Care Persons.

- **The *\$80/day Rule* or any variant thereof**
- **Seek, for example, a \$350,000 bond on average plus \$80/day in fees and/or subsidies.**
- **Any combination will do.**
- **A basic daily fee of \$32.95, plus TAS of \$6.64/day plus an unfunded fee of \$40.41/day.**
- **Or a pp of \$40.41/day.**
- **Or an ESF of \$40.41/day.**
- **Or a subsidy of \$40.41/day.**



The Average Person entering Residential Care is a Home-owning Pensioner

- **Don't try to charge an extra fee other than as a withdrawal from the lump sum**
- **$\$40.41 + \$6.68 = \$47.05/\text{day}$**
- **$\$47.05/\text{day}$ is just $\$17,173.25\text{pa}$.**
- **With resident concurrence, this $\$17,173.25\text{pa}$ can be withdrawn from a $\$350,000$ bond for 20 years!**