



CAPITAL CONTRIBUTIONS

Aged Care Association Australia (ACAA) represents nearly 1500 aged care facilities operating nearly 100,000 aged care places throughout Australia.

The Association represents operators and owners of aged care services from all ownership types and from most parts of the country.

As you are probably aware, the Aged Care industry has been calling for reform of the capital creation financing of residential high care.

The industry in partnership with Government has undertaken some major reforms in recent years, namely:

- audited general purpose financial reports completed by all providers
- an enhanced prudential scheme to provide improved security for lump sum payments paid by new residents
- making the lump sum payments exempt for pension assessment purposes
- treating the rental on a principal residence of a new resident as exempt for pension assessment purposes if part of the rental income is utilised to pay residential care accommodation charges or periodic payments.

These reforms have significantly enhanced the security of residents lump sum contributions, improved the business performance of operators and expanded the range of choices open to a resident entering the system when deciding how to best structure their financial affairs.

Unfortunately however, there is still a need for further reform in order to ensure aged care providers have sufficient capital to meet the substantial growth in places which will be required over the next twenty years.

Sixty seven percent (67%) of all residents in care today are classified as high care recipients with future projections indicating that this figure will climb even higher.

However, due to the current capital funding anomalies, the Government continues to allocate more places in low care than high care.

ACAA believes that this perverse incentive within the existing system must be reformed so that future place allocations and building stock actually reflect current and projected demands.

In an attempt to assist a better understanding of this issue and to broaden the debate, ACAA has prepared the attached Options Paper which we believe explores the options for future policy directions.

ACAA believes that the 1997 reforms laid a healthy foundation for the transition of the aged care industry to a strong customer focussed, business disciplined industry.

The Association strongly supports this objective however, believes that this issue of capital viability in residential high care is now acting as a major barrier to continued and sustainable reform.

ACAA recommends the attached paper for your consideration and would welcome any comments on the contents and other alternatives which you consider should be addressed.

Thank you for your attentions to this matter.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Rod Young', written in a cursive style.

Rod Young
CEO

17 August 2006