



22 December 2016

The Chairman
Aged Care Financing Authority
ACFA Secretariat
Department of Health
GPO Box 9848
CANBERRA ACT 2601

ACFA.Secretariat

Dear Ms O'Grady

Thank you for the opportunity to meet with you concerning ACFA's review of options for the protection of residents' refundable accommodation deposits, and for the invitation to provide follow-up comment.

We note the principles developed by ACFA as a means of assessing the merits of options for protecting lump sum deposits. While acknowledging the relevance of all of the principles, those that resonate most with Catholic services are simplicity, efficiency and encouraging 'right behaviour'. The latter is a fundamental tenet of the stewardship approach taken by Catholic services which emphasises a prudent and conservative approach to capital financing and business operations - to the extent that no Catholic provider has ever been in a default situation.

We consider that the current Bond Guarantee Scheme as implemented to date, supported by prudential governance and reporting standards designed to encourage 'right behaviour' which are jointly administered by the Commonwealth and providers, is a simple and effective means of protecting lump sum deposits.

The current Scheme is cost effective as it avoids the cost of setting up and administering a guarantee fund based on a prospective levy. This is particularly relevant in a sector where operating revenues are substantially set by government and costs are under pressure as community service expectations are increasing and more older people are living longer with chronic and complex conditions. Accordingly, should the Commonwealth decide to implement a retrospective levy, we would support that recovery extend over three years. In pursuing retrospective cost recovery, regulations should not prevent Scheme costs being passed to residents, nor require that any such costs are refundable.

If there were to be changes to the current Scheme, Catholic providers would wish to keep open the option of making private insurance arrangements to secure the lump sum deposits they hold.

Summing up, we recommend the continuation of the current Bond Guarantee Scheme, supported by prudential governance and reporting standards. It is a simple and cost effective means of protecting residents' lump sum deposits and ensuring that the sector continues to have access to a vital source of capital. In the event of

retrospective recovery in response to a default, we would support that recovery extend over three years, noting that the short-listed options in ACFA's discussion paper countenance a Commonwealth guarantee in the event of a large default.

Thank you again for the opportunity to meet with you. Please do not hesitate to contact us if you wish to discuss further any of the matters we have raised.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Suzanne Greenwood', with a small dot at the end.

Suzanne Greenwood LLM LLB FAIM MAIDC
Chief Executive Officer