CATHOLIC HEALTH
Australia

Review of Local Government Rating System
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop NSW 1240

Via email: www.ipart.nsw.au/Home/Consumer_Information/Lodge_a_submission

Dear Tribunal Members,

Thank you for the opportunity to comment on the Review's draft report on the local government rating system in New South Wales.

Our purpose in writing to you is to make the case for continued exemption of aged care facilities and retirement villages operated by not-for-profit organisations from paying Council rates.

About us

Catholic Health Australia is Australia's largest non-government grouping of hospital and aged care service providers. Our members provide around 30% of private hospital care, five per cent of public hospital care, 12 per cent of aged care facilities and 20 per cent of home care and support for frail older people.

A large proportion of our services are located in New South Wales.

The not-for-profit status of our members means that any surpluses that are generated are used to expand and improve health and aged care services for the community.

Aged Care Facilities

The case for continuing the exemption for aged care facilities operated by not-for-profit organisations revolves around the fact that aged care facilities should not be classified as either 'residential' or 'commercial' land uses, as defined in the draft report. Instead, their characteristics are similar to hospitals, which the draft Report recommends should continue to be exempt from Council rates on the basis that hospitals generate substantial public benefits.

The characteristics of aged care facilities and the public benefits they contribute which together make the case for continued exemption include the following:

a) A large proportion of aged care facilities in Australia (65 per cent) are operated by religious and charitable not-for-profit organisations and state and local governments (54 per cent and 11 per cent of facilities respectively). [1]

   Aged care facilities for special needs groups such as the homeless, Aboriginal communities, rural and remote communities and culturally and linguistically diverse communities are overwhelmingly provided by not-for-profit and government providers. For example, 96% of aged care facilities in

[1] Aged Care Financing Authority *Funding and Financing of the Aged Care Sector* July 2016

rural and remote areas are operated by not-for-profit organisations and government (64 per cent and 32 per cent respectively).[2]

b) Aged care is not a housing choice.

Aged care facilities exist to provide assistance with activities of daily living (such as hygiene, toileting and mobility), nursing care and end of life care for frail older people who can no longer manage living in the community. Due to frailty and mobility issues, aged care residents make very limited use of Council services. Although many providers strive to create a 'home like' environment in their facilities, the fact is that most residents have high dependency and complex health care needs which require a high degree of clinical and allied health input.

c) Admission to aged care facilities is subject to needs assessment.

Admission is subject to assessment of care needs by Aged Care Assessment Teams (ACATs) funded by the Australian Government. Most ACATs are co-located with public hospitals. Most people are admitted to aged care following a hospital episode.

d) Length of stay in aged care facilities of most residents is comparatively short.

Approximately 50 per cent of males admitted into aged care facilities die within the first 15 months of entering into care, and 50 per cent of females die within 30 months of admission. Eighty per cent experience a length of stay between 24 months and 48 months. The length of stay is longer for people with dementia. For residents who enter care without dementia, 41 per cent die in their first year, compared with 27 per cent for people who enter with dementia.[3]

The average age of first admission in 2014-15 was 83.5 and the average age of residents at 30 June 2015 was 84.6.[4]

e) Aged care facilities are predominantly funded by government. [5]

The Australian Government provides 70 per cent of total aged care facility revenues, represented by payments for personal care and support and nursing care, and accommodation payments for people assessed as eligible for accommodation support.

The Australian Government contributes 97 per cent of the costs of personal and nursing care.

The bulk of the 30 per cent contributed by residents comprises a contribution towards daily living costs such as food, cleaning and utilities (19 per cent) and accommodation payments (10 per cent)[6]. Subject to a means test, residents may also be eligible to pay a fully refundable accommodation deposit (RAD). The use of RADs is subject to prudential regulations and governance standards, and cannot be used for recurrent purposes.

f) Aged care facilities are cost effective from a public financing point of view.

In the absence of aged care facilities, most of the residents would require hospitalisation at considerably higher cost than being cared for in aged care facilities. The average daily cost of a

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[2] Aged Care Financing Authority *Financial Issues Affecting Rural and Remote Aged Care Providers* February 2016
[3] Australian Government Department of Health Unpublished data
[4] Aged Care Financing Authority *Funding and Financing of the Aged Care Sector* July 2016
[5] Aged Care Financing Authority *Funding and Financing of the Aged Care Sector* July 2016
[6] Excluding fully refundable accommodation deposits (RADs)

person in an aged care facility (which includes personal and nursing care, accommodation and daily living expenses) is around $275[7], considerably less than in hospitals[8].

The structural ageing of Australia's population will significantly increase the need for aged care services. The number of people aged 85 and over, which is the cohort with the greatest need for aged care services, is expected to more than quadruple by 2050 to 1.8 million.[9]

g) Aged care facilities are highly regulated by government.

Providers have to be approved by the Australian Government before they can deliver government-subsidised aged care services and must maintain accreditation by the Australian Aged Care Quality Agency. The Australian Government also operates a Complaints Resolution Scheme for residents and their families and requires considerable compliance reporting by providers on quality issues, as well as financial performance reporting.

The Australian Government also controls the supply and geographic distribution of aged care services through the allocation of bed licences to approved providers.

h) Prices aged care providers can charge residents are set by government.

Prices for providing personal and nursing care services are set by the Australian Government, with the Aged Care Funding Instrument used to determine the price for each resident according to each resident's assessed care needs.

Accommodation prices for supported residents (ie residents not required by a means test to pay a RAD) are set by the Australian Government, and resident contributions towards their daily living expenses are set at 85 per cent of the single age pension for all residents.

Australian Government legislation also specifies the care and support services providers are expected to provide within the prices set by the Australian Government.

Because prices are regulated by the Australian Government, providers would not be able to pass on the additional cost of rates to residents, but instead would have to absorb the costs. This would be particularly challenging for rural and remote services which achieved negative Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of $2,004 per resident per annum in 2014-15, mainly due to higher staffing costs and the small scale of facilities.[10]

Catholic Health Australia considers that these characteristics of aged care facilities operated by the not-for-profit sector, and the public benefits they contribute now and in the future as Australia's population progressively ages, clearly make the case for continuing the current exemption from paying Council rates. They also demonstrate that it would not be appropriate to classify this land use for the purposes of the review as either 'residential' or 'commercial'.

Retirement Villages

Although residential in nature, a case can also be made for exempting retirement villages and independent living units operated by not-for-profit organisations on the basis that they generate significant public

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[7] Ibid

[8] Data on the cost of geriatric wards in public hospitals is not readily available. The Leader of the Opposition in Western Australia was quoted in the *West Australian* newspaper on 26 September 2016, when commenting on older people inappropriately in hospital, as saying that the public hospital cost was $1,910 per day.

[9] Productivity Commission *Caring for Older Australians* June 2011

[10] Aged Care Financing Authority *Financial Issues Affecting Rural and Remote Aged Care Providers* February 2016

benefits by providing affordable housing for financially disadvantaged (low income/low asset) older people, and are not commercial businesses.

By way of example, Southern Cross Care (NSW &ACT) has 863 units which provide low cost accommodation for seniors in metropolitan and regional areas of NSW whose average age is 81 years. Average weekly rental is $101 for double occupancy and $86 for single occupancy. Entry contributions paid by some residents provide the capital required to refurbish and to expand the provision of affordable housing, and to cross subsidise the more financially disadvantaged.

It is also the case that retirement villages operated by not-for-profit organisations often already provide local government-type services for their village residents, such as internal roads, garbage collections, street lighting, transport, libraries, function rooms and other public facilities. As well, retirement village residents, because of their age and frailty, are low users of Council services.

We understand that there may be provision for the above to be taken into account by each Council on a case by case basis when determining rates. However, this would introduce considerable administrative red tape for Councils and retirement village operators. Taken together with the public benefits of not-for-profit operated retirement villages and their non-commercial nature, it may be administratively simpler to continue the current exemption.

We note the public policy principle that, because the provision of social housing is not a formal responsibility of local government, rate payers should not be required to subsidise the cost of Council services used by residents of retirement village. However, this principle needs to be balanced against the following considerations:

a) Because of their age and frailty, residents of not-for-profit retirement villages make minimal usage of Council services;

b) As noted above, many not-for-profit retirement village operators provide Council type services within their villages;

c) Given the target group (financially disadvantaged older people) and its poor capacity to pay, accommodation payments are kept as low as possible and well below market rates. Removal of the exemption would mean that not for profit operators would in many cases have limited scope to recover the cost of Council rates from residents, with negative impacts on the viability of services and the provision of affordable housing for the aged; and

d) Especially in regional and rural areas, retirement villages make an important contribution to the social and economic life of the community.

If this public policy principle is to be pursued, it needs to be considered in the wider context of government policies regarding the provision of affordable housing for seniors, rather than be dealt with within the narrow focus of a review of the local government rating system. The consequences for affordable housing for seniors with limited means are too far reaching to be dealt with within the confines of this review.

Conclusion

For the reasons set out in this submission, Catholic Health Australia recommends that the current exemption of aged care facilities and retirement villages operated by not-for-profit organisations be continued.

Aged care facilities operated by not-for-profit entities are neither residential nor commercial under the review's classification of land use, and cost effectively deliver essential and substantial public benefits. Their characteristics are analogous to hospitals.

While residential in nature, retirement villages operated by not-for-profit entities generate substantial public benefits by providing affordable housing for financially disadvantaged older people, and are not commercial businesses.

We would be pleased to elaborate on our submission. Please contact Nick Mersiades at nickm@cha.org.au or on 0417 689 626 if you wish to discuss any aspect of our submission.

Yours sincerely

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