



01 March 2017

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 provide comment on ACFA's public discussion paper, *The Protection of Residential Aged Care Lump Sum Payments*, which reviews the current Bond Guarantee Scheme and alternatives to it.

As advised in our letter of 22 December 2016, the attributes of arrangements to protect consumer lump sum deposits that resonate most with Catholic providers are simplicity, efficiency and encouraging 'right behaviour'. The latter is a fundamental tenet of the stewardship approach taken by Catholic providers 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.

On balance, 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.

Keeping the current Scheme avoids the cost of establishing and administering a guarantee fund based on a prospective levy, while at the same time protecting consumers and ensuring access to an economic source of capital which results in lower cost aged services for the community than might otherwise be the case.

Should the Commonwealth decide to implement a retrospective levy, we would support that recovery extend over three years, and that the levy be set as a proportion of lump sum deposits held by each approved provider. However, we note and support that the short-listed options in ACFA's discussion paper countenance a Commonwealth guarantee in the event of a large default.

Extending recovery over three years recognises capacity to pay, noting that provider operating revenues are substantially fixed by government and costs are under pressure as community service expectations are increasing and older people are living longer with chronic and complex conditions. In the event of recovery action, regulations should not prevent Scheme costs being passed to residents.

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 appropriate 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.

Thank you again for the opportunity to comment on the discussion paper. Please do not hesitate to contact Nick Mersiades at nickm@cha.org.au or on 0417 689 626 if you wish to discuss any of the matters we have raised.

Yours sincerely



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Chief Executive Officer