



TOPICS TO BE ADDRESSED IN WITNESS STATEMENT

[Note: Where applicable, identify the basis of your opinion, including with reference to your research. Include appropriate citations when citing any statistics or other research. Unless otherwise specified, the term “aged care services” refers to both residential aged care services and aged care services provided in the home.]

Qualifications and research

1. Provide an overview of:
 - a. your current occupation
 - b. any relevant past occupations you have held
 - c. your qualifications
 - d. your experience working in aged care
 - e. your involvement in the aged care system either in Australia or internationally.

Financial state of the aged care sector

2. Are aged care providers adequately funded to provide quality care?
3. Identify and explain the key financial challenges that aged care providers experience under the current aged care system. Without limitation of the matters you wish to address, your statement should cover:
 - a. the factors that exacerbate the key challenges
 - b. how the challenges can be addressed, ameliorated or mitigated against
 - c. the impact of caps on what can be charged for daily living costs and care
 - d. the role of potential variation of the levels of Refundable Accommodation Deposits (RADs) and Daily Accommodation Payments (DAPs) via application for determination by the pricing commissioner
 - e. the extent to which care and accommodation subsidy levels appropriately recognise the administrative and overhead costs of delivering those services
 - f. any evidence for your response.
4. Are there features of the aged care system that impact on aged care services being delivered in a cost-efficient manner? Without limitation of the matters you wish to address, your statement should describe:
 - a. the ideal characteristics of efficient delivery of aged care
 - b. whether and how the design and operation of the current system aligns or does not align with or incentivise these characteristics

- c. any evidence for your responses.
5. Are residential aged care services (that is, the operations of approved providers by which aged care is provided to residents of residential aged care facilities) cross-subsidising the provision of personal and clinical care through funding obtained for accommodation and hotel services? If so include in your statement, if possible:
- a. any evidence for your response
 - b. your views as to the reasons why cross-subsidising is occurring
 - c. your views as to whether this presents problems affecting the efficiency, quality or safety of aged care
 - d. your views as whether and how this could be avoided under a new system?
6. At a general level, what are the input costs that providers face in delivering aged care services (both residential and home care services)? In your answer describe:
- a. how these costs can be expressed and measured
 - b. whether these costs vary by reference to:
 - i. the location in which the aged care service is being delivered (i.e. collective living as against living in the community)
 - ii. the geographic location of the service (i.e. metro, regional, remote services)
 - iii. the population served (e.g. socio-economic status, CALD, indigenous etc)

If these costs do vary, how do they vary?

- c. What can be done to meet these costs?
7. What advantages or disadvantages do you see for the aged care sector, and especially residential aged care, if the supply of bed licences was de-regulated and no longer subject to per capita supply constraints? In your answer describe what you consider to be the pre-conditions to allow for such a change, and the effect you think this would have:
- a. on the composition of the providers in the aged care sector (i.e. would this cause the sector to consolidate, would providers exit the sector)
 - b. on the financial viability of the remaining providers in the sector;
 - c. on the attractiveness of entering the market for new providers, including your views on the sort of organisations who might be attracted to enter the sector, if any; and
 - d. whether this would have any differential adverse impact in areas of 'thin markets' in comparison to well-serviced metropolitan locations.

Funding arrangements

8. What funding models or mechanisms (for example, case mix, block funding, vouchers, cash etc.) should be used for aged care? Without limiting the matters you wish to address, your statement should cover:
- a. Basic domestic supports
 - b. Basic social supports
 - c. Personal care, nursing, allied health and other care for more complex needs provided in the home, flexible supported accommodation or other community settings
 - d. Personal care, nursing, allied health and other care for more complex needs provided in the setting of residential aged care facilities
 - e. Respite
 - f. Support services for informal carers.

In responding to the above, address the question of what is the appropriate test for determining how much funding is provided to an aged care service provider for the various categories of services they provide?

- g. Is using an individualised care plan to generate an individualised budget, or a casemix based funding model, or something else, appropriate? Does your answer differ between residential aged care and home care services? If so, why?
 - h. If the better model is an individualised care plan and budget model (e.g. 'reasonable and necessary' test), what are the key features that model should have and what is needed for its successful implementation?
 - i. If the better model is a casemix model, what are the key features that model should have and what is needed for its successful implementation?
9. How should funding models account for changing cost inputs of aged care providers?
10. What are your views as to the positives and negatives of funding self-assessment carried out by providers (as is the case under the current ACFI model) and independent assessment (such as was trialled in the RUCS pilot)?
11. What do you see as the potential benefits and challenges of the introduction of an independent pricing authority for aged care?
- a. Is the Independent Hospital Pricing Authority a good model for a pricing authority that could be applied to the aged care system?
12. In your experience, and in your understanding of the situation across the sector, what is the current appetite of financial institutions to lend to the aged care sector?
- a. Is there a trend towards access to capital becoming more difficult for the aged care sector in general?
 - b. From your experience, are certain characteristics of approved providers (e.g. business model, size, diversity of services providers) particularly attractive or unattractive lending institutions?

13. As to the cost of capital and required rate of return on capital for aged care service providers:
- a. Should the funding of aged care meet providers' cost of capital?
 - b. Does the cost of equity capital materially vary depending upon the scale, business model, constitution (for profit, public listed for profit, not for profit) and capital structure of the provider?
 - c. Should the cost of capital for aged care service providers be estimated from a weighted average cost of capital including both equity and debt capital?
 - d. If so, what debt to equity ratio should apply and should it be different as between segments of the aged care sector?
 - e. What is the current cost of equity capital, and how would that cost be affected by significant changes to the current arrangements? For example, by removal of caps on supply of places, or greater or less regulation of fees.
14. What role do RADs play in aged care financing and how would the capital markets react to any change in the regulation of RADs, including proposals for their abolition?
- a. What do you foresee as the potential impact of the lower uptake of RADs by new residential aged care residents? Does the sector have a vulnerability should this trend continue?
 - b. Is it the case the approved providers always prefer to receive a RAD instead of a DAP? What are the benefits and drawbacks to receiving payment by each method for an approved provider?
 - c. Do you believe there need to be changes to the MPIR for DAPs to reflect the cost of capital? Would this make use of DAPs by residents more attractive to approved providers of residential aged care?