Proposed changes affecting residential aged care

Accommodation bonds

The Government introduced in May 2011 the Aged Care Amendment Bill 2011 with a view to strengthen consumer protection for accommodation bonds and to improve the arrangements for handling complaints about Commonwealth funded aged care services.

The proposed new rules in relation to accommodation bonds set out what constitutes ‘permitted use’ and identify those matters that may be financed by accommodation bonds.

Broadly, permitted use of accommodation bonds are:

- ‘Capital expenditure’ to acquire land, premises (including an extension, a significant alteration or a significant refurbishment), furniture, fittings or equipment for premises used for providing residential aged care or flexible care;

- Investment in a ‘financial product’ covered by the proposed legislation;

- Making a loan, provided the loan is made to a non-individual on a commercial basis in written form and the funds are used only for capital expenditure or invested in financial products, and the agreement also includes any other conditions specified in the User Rights Principles;

- Refund of accommodation bond balances;

- Repayment of debts for the purpose of capital expenditure; and

- Other uses as permitted by the User Rights Principles.

According to the Bill, approved providers and key personnel are subject to criminal penalty for non-compliance with the rules for use of accommodation bonds. It is proposed that the new rules relating to accommodation bonds will take effect on 1 October 2011.

Approved providers are reminded that they should review their current systems and procedures to ensure their uses of accommodation bonds are in compliance.
Productivity Commission report – “Caring for Older Australians”

The Government commissioned the Productivity Commission to conduct a broad-ranging inquiry with the aim of developing detailed options for redesigning Australia’s aged care system to ensure that it can meet the challenges facing it in coming decades. The Productivity Commission’s draft report “Caring for Older Australians” was released for public consultation in early 2011.

The report contains a number of draft proposals, including proposed reforms:

- To remove restrictions on the number of bed licences over a five-year period; and
- To remove the distinction between residential high care and low care places.

The draft proposals in regard to bed licences could impact on the future values of bed licences. Approved providers are reminded that when preparing general purpose financial reports for lodgement with the Department of Health and Ageing, bed licences are required to be tested annually for impairment to ensure that the carrying values of the licences are not above the recoverable amount.

For more information please do not hesitate to contact us.