



## **Subsidy in ORAs: The Agreed Regime as of 1 July 2013**

### **Background**

NZACA, the RVA, and DHB Health of Older People Steering Group have been discussing ways to ensure residents assessed as requiring long-term residential care who are party to an ORA with a provider receive a fair and reasonable outcome and that providers comply with the Aged Residential Care Agreement.

### **Calculating the rebate.**

NZACA, the RVA and DHBs agree the way of valuing the accommodation component is to use the implied value within the rest home GST rate of 12.3% to calculate the rebate. This calculation results in an accommodation component of 18% of the gazetted TLA rest home price. We have also agreed that the 18% applies to the provision of hospital care into an ORA i.e., there is one only accommodation rate calculated over both rest home and hospital as the accommodation component is essentially the same. The method for calculating the resident rebate is as follows:

1. Calculate daily capital cost rebate: Rest Home TLA price (GST inclusive) x 18% = rebate. For example, \$110 x 18% = \$19.80
2. Over a year this would equate to a rebate back to the resident of \$7,727

The calculation will be reviewed if either the TLA rate or the GST rate for rest homes changes.

### **Weekly Retirement Fee**

All parties accept that a weekly retirement village fee can be charged to residents receiving care in their ORA and the binding terms and conditions of an ORA remain in force after a resident chooses to switch from self-funded services or subsidised home care services to receiving rest home subsidised care.

This means the weekly retirement village fee for residents in an ORA receiving care, may be no greater than that paid by other independent residents living in the retirement village. In the situation where an operator only offers serviced apartments and does not separate out a retirement village fee, then they are required to set a retirement village fee which is no higher than the average village fee in their DHB as determined by the Retirement Villages Association.

### **Obligation Mandatory**

By including the obligation to pay 18% of the maximum price to the resident within the ARRC Agreement, providers should note that this becomes mandatory and in effect the only approach to ensure residents assessed as requiring long-term residential care who are party to an ORA with a provider receive a fair and reasonable refund for accommodation that is funded through the Aged Residential Care Agreement.

### **Grandfathering of Existing Arrangements**

The agreement with DHBs recognises that prior to 1 July 2013, arrangements with residents may already be established and it has been agreed that, provided such arrangements are fair and reasonable, such arrangements can continue (grandfathered) until the arrangements expire with the residents.

It should be noted however that this grandfathering clause is resident-specific, so as a provider gets new ORA residents, they will need to use the 18% refund rule, at the same time as existing arrangements with residents continue on the current model. This will mean that providers affected will need to run both models for a while, unless they get existing residents to agree to the new model.

### **Amendments to Aged Residential Care Agreement**

The following amendments to the ARRC have therefore been agreed to take effect from 1 July 2013:

Add "*subject to clause A14.2*" to the beginning of clause A13.1;

Add "*but subject to clause A14.2,*" after "*To avoid doubt*", in clause A14.1;

Add the following new clauses A14.2 and A14.3;

*"A14.2. Subject to clause A14.3, if you are party to an Occupation Right Agreement with a Resident who is covered by the Social Security Act and has been assessed as being eligible for care, you must pay to the Resident 18% of the maximum price inclusive of GST for Rest Home services specified in clause C2.1 and may charge the Resident the charges for accommodation specified in the Occupation Right Agreement."*

*"A14.3. You may, but are not required to, comply with clause A14.2 in respect of any arrangement between you and a Resident who is party to an Occupation Right Agreement with you, provided that that arrangement complied with this Agreement on [day before new clause A14.2 takes effect]."*

Add the following definition to clause A31.8;

*"Occupation Right Agreement has the same meaning as in the Retirement Villages Act 2003".*

### **Code of Practice**

To support the agreement reached with DHBs, the NZACA and RVA have agreed a Code of Practice for the aged care and retirement village sector on this topic. The Code sets out in greater detail how the regime will be interpreted.

## CODE OF PRACTICE

### RESIDENTIAL CARE AND OCCUPATION RIGHT AGREEMENTS

The purpose of this document is to set out the regime for aged residential care operators and District Health Boards in managing the issues in relation to residents who purchase Occupational Rights Agreements under the Retirement Villages Act and then receive rest home level care under the Age Related Residential Care Contract.

#### **1. Operators are required to provide an accommodation credit to residents**

The rest home fee includes a component for accommodation costs and all parties agree that a portion of the subsidy covers accommodation costs and therefore a rebate must be paid back to the resident.

#### **2. Calculating the accommodation credit for the resident : an example**

The accommodation credit is based on the GST rest home rate which is 18% of the TLA rest home price for your area. The amount of the accommodation credit will change when the Government reviews the TLA Rest Home price (typically 1 July each year) or if the GST rate on the residential care subsidy is changed. The 18% also applies to the provision of hospital care into an ORA i.e. there is one only accommodation rate calculated over both rest home and hospital as the accommodation component is essentially the same.

#### **3. Occupation Right Agreement cost remains unchanged.**

All parties accept that a weekly retirement village fee can be charged to residents receiving rest home care in an ORA and the binding terms and conditions of an ORA remain in force after a resident chooses to switch from self-funded services or subsidised home care services to receiving rest home subsidised care.

This means the weekly retirement village fee for residents in an ORA receiving care may be no greater than that paid by other independent residents living in the retirement village.

Where an operator only offers serviced apartments and does not separate out a retirement village fee, they are required to set a retirement village fee which is no higher than the average village fee in their DHB as determined by the Retirement Villages Association.

#### **4. Residents subscribing to services in excess of those covered by the ARRC Contact**

Operators may agree with an ORA resident to provide and charge for services which exceed the services provided for in the aged residential care subsidy; for example, Sky TV.

#### **5. Payment of the Rebate**

It is entirely up to the operator and the ORA residents on how the rebate is to be paid. For example, some operators may wish to pay it back on an annual basis which others pay it back as part of the final exit arrangements.

## 6. Calculating the rebate.

The method for calculating the resident rebate is as follows:

1. Calculate daily capital cost rebate: TLA Rest Home price (GST inclusive) x 18% = rebate. For example, \$110 x 18% = \$19.80.
2. Over a year this would equate to a rebate back to the resident of \$7,727.

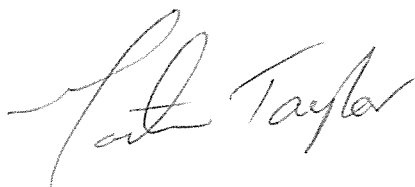
The calculation will be reviewed if either the TLA Rest Home price or the GST rate for rest homes changes.

## 7. When will the new regime come into force.

The new regime will come into force on 1 July 2013. All existing arrangements will be grandfathered. However, arrangements that are demonstrably unfair as agreed by DHBs, NZACA and the RVA will not be supported by the Associations.

## 8. Disclosure to Residents

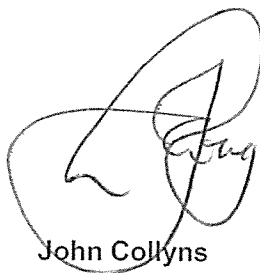
It needs to be clear that the resident has the option to move from the serviced unit to the rest home at any time.



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