



## Separate care and accommodation revenue, experts advise

By **Natasha Egan** on [February 26, 2015](#) in [Industry](#)



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Left: Derek McMillan and Grant Corderoy talk aged care reform

**The clear distinction between care and accommodation costs is starting to have a positive impact for providers but the revenue streams from each should be clearly separated on the ledger, according to experts.**

Delegates at Leading Age Services Australia's Tri-State Conference in Albury on Sunday were told there had been very little resistance to pricing since the compulsory publication of providers' refundable accommodation deposits (RAD) and daily accommodation payments (DAP).

Speaking on a panel discussing the aged care reforms, senior partner at accountancy firm StewartBrown, Grant Corderoy, said the new system drew a clear distinction between the cost of care and the cost of accommodation, "which was starting to have some traction."

He said the sector had been significantly under-pricing accommodation for years but could now show residents each component and highlight that accommodation was not dependent on acuity levels.

"We are getting very strong indications with very little RAD or DAP pressure. In other words, it is justifying that the consumer will pay for greater accommodation pricing," he told delegates. "That then allows us to focus on the very difficult cost of care."

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He said while the sector had been asking for a cost of care study for years, it already knew the cost of care.

"It is just that the department does not want to know what the cost of care is or advertise the cost of care. Here's a great opportunity to put it up there in lights; this component is for your care and this component is for your accommodation," Mr Corderoy said.

Similarly, Derek McMillan, CEO – retirement living of residential, home care and retirement provider Australian Unity, said his plea to all providers was to ensure they separated the cost of and the returns from the accommodation and the care components when speaking with senior staff, boards, and external contacts.

Mr McMillan said he suspected some organisations were adding their DAPS into their care returns to get a total return, which would be misleading organisations internally and potentially causing problems for the industry as a whole.

"We need to be very clear about what the return for care is and what the return for accommodation is. People have the right to make money out of accommodation. We should not be ashamed about saying we are making that money out of accommodation," he told the conference.

However, he said organisations must be very clear about what's accommodation and what's care. "I think irrespective of regulatory reporting, we should be separating that in our conversations."

### **Don't compare on care hours**

Speaking from a home care perspective, CEO of Care Connect Paul Ostrowski said that as clients were similarly becoming more informed about the cost of home care package components, it was important not to under-price the service offered.

"One of the things that concerns me across home care is we risk taking a reductionist view of this," Mr Ostrowski said.

He said he had heard a lot about comparisons where a potential client called an organisation to ask how many hours of care they would get with a particular package.

"They are simply comparing us on the number of hours of care we give, which means we just need to drop what we pay our caregivers to the lowest possible amount, which is taking ourselves very quickly to the lowest rung," Mr Ostrowski said.

"We have a responsibility in industry to try and raise our dialogue level. To make sure that we are not allowing comparisons of organisations principally on how low we pay our staff because that is essentially what hours of care often equate to."

Providers have to make the value they bring evident by talking about the outcomes when an individual comes to their organisation and try to avoid comparing hours of care with the other organisation, he said.

*Images: Peak Multimedia*

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