

## Outcry over Aveo's tactics as it moves to aged care

AGE - Saturday, 22 Jul 2017 - Page 2

Embattled retirement village giant Aveo has been forced to effectively refund residents at two villages after an outcry about its decision to transition the villages to its new, expensive Freedom Aged Care program.

At the same time, Aveo is stinging residents at some other villages with two sets of exit fees, which can run into the hundreds of thousands of dollars, if they switch to the new Freedom program, a program offering care similar to that being offered in a nursing home.

Fairfax Media can also reveal that Aveo is using a company that is owned and operated by a current director of its wholly-owned Freedom Aged Care subsidiary to conduct reviews and provide recommendations on the village. It is telling residents the company is independent .

A letter sent to Concierge Bayside residents in Melbourne, says “ to assist with the review, Aveo have engaged the services of Aspire Aged Care, an independent advisory firm , to review the village environment and to meet with residents to discuss their needs” .

Aveo has been under fire for the past month after a joint Fairfax Media-Four Corners investigation uncovered a litany of questionable business practices at the retirement village operator including churning of residents, fee gouging and misleading marketing promises , such as safety and emergency services, made to some of the country's most vulnerable people.

The investigation has also uncovered that Aveo's two new programs The Aveo Way and Freedom Aged Care squeeze even more money out of residents.

Residents at Freedom can pay more than \$900 a week in maintenance fees and care fees, then pay additional fees for services such as changing a light bulb, \$15.

Aveo denies it churns and gouges clients and says its new contracts are simpler and provide certainty to residents. It also denies its marketing is misleading.

In its brochures it says Freedom Aged Care has 24/7 nursing available . But the company this week conceded that registered nurses were not necessarily on site 24/7 but were available on call if required .

But it has created tensions among residents after its move to waive exit fees and refurbishment costs for residents at Bayside Concierge and Balwyn Concierge in Melbourne as they transition to Freedom Aged Care.

Darren Pitt, whose mother lives in an Aveo village at Berwick in Melbourne, says he was flabbergasted by the unfairness.

He said his mother needs more care and to move into a Freedom unit in the same village would put the family into debt.

Aveo valued his mother's twobedroom unit this week at \$365,000. But after exit fees of more than 30 per cent she would need to find hundreds of thousands of dollars to move into a one-bedroom Freedom unit in the same village, which would attract another 40 per cent exit fee when she sells after two years. Ongoing weekly costs would total more than \$900 a week.

“ It's all about greed,” he says. “ This seems completely unfair for the residents of Aveo Berwick.

“ Now the residents are lumped with a very bad deal if they ever required more care from within the village.”

Rosalind Smallwood, at Veronica Gardens, says “ offering a financial benefit to a select few doesn't

seem reasonable to me.”

Aveo chief executive Geoff Grady told Fairfax Media he would review some of the language being used in marketing material to ensure people understood there may not be a nurse on site after hours.

He denied claims that Aveo was pressuring people to switch to Freedom Aged Care. He defended the costs, saying it was a premium product that allowed people to receive care until they die without having to live in a nursing home.

“ There are a number of choices open to them, one is that they can transfer from that independent living unit across to the Freedom unit, that would involve them getting the equity out of their unit and contributing that towards buying into the Freedom unit.

“ The other choice is not to come across and to either get services delivered into their home or probably what they will do is sell their unit, get that equity and go to somebody else’s nursing home.”

Far from free — BusinessDay

## **Calls for retirement village reforms grow**

AGE - Saturday, 22 Jul 2017 - Page 54

In December 2014, Barry O’Farrell wrote to a group of residents at a retirement village telling them he “ remained of the view that a parliamentary inquiry was required’ ’ into the multi-billion dollar retirement village sector.

The letter, sent months after he stepped down as Premier of NSW after being “ Granged” , said the issues and concerns, if not remedied, would affect more people in coming decades given current demographic projections.

He said a parliamentary inquiry was the best vehicle to investigate the sector as it would be public, involve MPs from various parties, under the Parliament’s rules, and its recommendations would have to be publicly responded to by the government within three months.

“ I regret that largely due to the winding up of the parliament’s sittings I have been unable to secure such an inquiry,” he said.

But he said given he was stepping down at the next election in March he had made it clear to his parliamentary colleagues the importance of calling an inquiry.

O’Farrell left politics in March 2015, and his words have left a hollow ring for the growing number of retirement village residents who describe buying into a retirement village as financially ruinous .

One former diplomat, John Lander, described his purchase of an Aveo unit in Veronica Gardens as a “ financial sinkhole” , others have used similarly disturbing phrases such as “ financial bondage’ ’ and a financial prison, largely due to the high exit fees and other costs associated with leaving.

Fast forward to now and almost 2000 residents of retirement villages in NSW signed a petition calling for an industry ombudsman and other reforms .

Sadly, even that fell on deaf ears, with the government believing an ombudsman wasn’t necessary.

It has been a common theme across the sector. In 2016 a parliamentary inquiry was conducted in Victoria but the Andrews government has opted to sit on a weak set of recommendations.

Federally, there is a lot of hot wind going around Canberra but little sign of much else.

To be fair, the sector is regulated by the states, but given many retirement village operators are national and the growing calls for reform, the Turnbull government should at least meet the opposition half way in its offer for a bipartisan approach to solving the sector's problems.

Surely, launching an inquiry into the sector isn't that hard.

A joint Fairfax Media investigation with Four Corners has put the spotlight on the retirement village industry, particularly on Aveo, one of the biggest operators. It uncovered a litany of questionable business practices including fee gouging, safety issues and misleading marketing promises, made to some of the country's most vulnerable people.

The investigation found that many retirees don't know what they are signing until it is too late and when it comes time to exit a retirement village, due to death, illness or something else, some find they are financially trapped and don't know where to turn.

The best the Federal Aged Care Minister Ken Wyatt will do for now is review a set of recommendations made a decade ago in a federal parliamentary inquiry.

Those recommendations included the ACCC investigating whether exit fees should be banned. It recommended the appointment of an ombudsman and said if state legislation wasn't working, consideration should be given to putting it under federal corporations law.

Wyatt has also met the lobby group for the industry, the Retirement Living Council, which is an arm of the powerful Property Council. In a letter, the peak body said it had a one-on-one with Wyatt, who it said "acknowledged the importance of our sector in providing accommodation and support for older Australians, and knows there are many outstanding operators doing great work."

That the Turnbull government is dragging its heels on announcing an inquiry has raised eyebrows.

The ACCC, for its part, has launched an inquiry that it says will look at some of the more serious allegations being raised, including whether contracts are unfair and unconscionable.

Gerard Brody, the chief executive of Consumer Action Law Centre, recently said the retirement living contracts were some of the worst contracts he had seen across many different industries – even worse than complex financial services.

He said it boiled down to weak regulation and weak consumer protections. "I think they're able to run rampant and be really unfair," he said.

In the meantime, lawyers can see a gap in the regulation and a number of law firms and litigation funders are assessing the potential for a class action. Little surprise there.

Aveo's chief executive Geoff Grady has been busy doing the rounds of villages since the joint media investigation put the company into the headlights .

Since then, its shares have plunged and it has launched a \$145 million share buyback to try and prop up the share price. It has also lost a substantial shareholder in Perpetual, which has reduced its holding to less than 5 per cent. There have been rumours it will privatise, something it denies.

Grady said he had spoken to a number of residents and the feedback was that they were angry with the media coverage because they felt they had been portrayed as vulnerable and not able to understand the contracts they had signed.

But a key revelation of the media investigation was that the contracts are complex, opaque and more than 100 pages in length. Not even lawyers understand them.

Grady says the new Aveo Way contracts being rolled out by Aveo are simpler and give more certainty. He says across the group's 79 villages, which house more than 12,000 residents, there are 140 different contracts.

This is a lot of contracts to manage. To put it into perspective, more than 8000 people are estimated to still be operating under the old contracts, which have varying exit fees, terms and conditions.

But Aveo doesn't think it's done anything wrong. It believes its products are innovative and leading the sector.

It sees its latest acquisition, Freedom Aged Care, filling a gap in the market. "At Freedom we don't just provide care – we genuinely care for you."

But behind the marketing hype, the fees and confusion tell a different story.

Federally, there's a lot of hot wind going around Canberra but little sign of much else.

## **No Freedom from high costs at Aveo**

AGE - Saturday, 22 Jul 2017 - Page 61

Retirement giant's push

into aged care is under fire. Adele Ferguson and Sarah Danckert report.

Embattled retirement village operator Aveo is spruiking a 1960s "casino fun night" at one of its NSW sites at the end of this month to celebrate the success of the listed giant's new Freedom Aged Care business – some residents, though, are in no mood to party.

Aveo is turning much of its portfolio of pure retirement villages – the second largest in the country – into ones that offer Freedom Aged Care, a new venture for Aveo, which runs facilities similar to nursing homes.

Despite the casino party's pitch that Freedom "loves" to see happy residents and that it encourages "them to remain young at heart", many Freedom customers have told Fairfax Media the reality of life in the villages does not match the sales pitch, while retirement village residents they feel pressured to take up the expensive aged care package – whether they need it or not.

The complaints have common themes: confusing contracts, high costs, and uncertainty about future liabilities at the point of signing a contract. There is also concern that the levels of care fall short of the marketing spin.

The fancy-dress party at Banora on Friday night to celebrate Freedom follows a string of visits by senior Aveo management nationwide to hose down allegations made in a joint Fairfax Media-Four Corners investigation that the company is engaged in questionable practices.

These allegations included excessive charges, opaque contracts and a business model that profits from "churning" residents. Aveo makes most of its profit when a resident leaves or dies because they have to pay an exit fee of up to 40 per cent on the sale price of a unit, which is kept by Aveo. This fee is unique to the multibillion-dollar retirement village industry.

For its part, Aveo says it does not churn residents and has developed a new contract for its retirement villages (known as the Aveo Way) that is simpler and provides more certainty, and that its fees are fair.

The revelations, though, have sparked an investigation by the Australian Competition and Consumer Commission and led to a significant 18 per cent fall in Aveo's share price despite the company launching a \$145 million share buyback in an attempt to prop up the share price.

At the same time, Minister for Aged Care Ken Wyatt has said he will review recommendations set out in a 2007 parliamentary committee inquiry into retirement villages, while Opposition Leader Bill Shorten has flagged a willingness to work with the government for reform in a sector that largely falls through the regulatory gaps.

And at state level, the Victorian government is yet to release its response to a 2016 inquiry into the retirement village sector that featured Aveo residents prominently, while in NSW the government has rejected a petition by almost 2000 retirement village residents to appoint an ombudsman.

Since the media investigation, hundreds of emails and phone calls have poured in from residents, most voicing concerns about Aveo and the broader industry. Some relate directly to Freedom, a business Aveo bought last year for \$215 million to tap into the ageing crisis and \$4.6 billion of annual government funding, following deregulation of the sector.

Judith Currie, whose mother lives in an Aveo retirement village in Victoria and has chronic kidney problems, questions the fees.

Besides paying \$2000 a month in maintenance and assisted living fees, her mother now pays an additional \$270 a week as a Freedom customer. She will also face more than \$100,000 in exit fees when she leaves. One of the major issues is that the Freedom fees can change year to year, regardless of the client's needs, because they are set to cover the care of all residents in a village.

“ I feel like my mother has an open cheque book and has little control over what she is being charged for due to lack of transparency . She is trapped in her original contract with Aveo because the exit fees take so much of her savings. Now she has uncertainty if her needs increase and her unit multiple increases she will have no savings left ... My mother has less freedom now than she ever had.”

Under the new legislation older Australians are assigned funding that they can then use to decide who provides their care.

This means they can direct the estimated \$4.6 billion a year in government funding to private institutions such as Aveo's Freedom.

Aveo says Freedom offers care at the same level as a nursing home but it is not an accredited nursing facility. Instead it has set up its own governance framework. It says Freedom allows people to age in their own home – living in a unit in the village – with more freedom than in a traditional nursing home but more care than a suburban house.

“ The Freedom Aged Care model is a premium product, where people wish to experience their final years in their own home, receiving care on their own terms – and for this service to be a reality, Aveo has created a product/service they are willing to purchase,” the company said in a statement to Fairfax Media.

But despite protestations by Aveo that Freedom is not compulsory , some retirement village residents say they are feeling pressured to shift to the new Freedom contracts .

A current Aveo retirement resident whose village is being converted to Freedom Aged Care says she has developed shingles “ which is a nervous complaint because of the pressure to sign up ... it's going to cost a lot of money” .

Another says she was accosted by a nurse in the village's common room.

Others are aghast at the cost.

“ The prices would blow your mind,” Darren Pitt, who was quoted more than \$900 a week, including costs and maintenance fees, to transfer his mother from an Aveo retirement arrangement into a Freedom customer.

There are also two lots of exit fees if she made the move even though she would be a customer of Aveo throughout.

She would pay more than \$100,000 in exit fees to leave her unit, leaving her with less than \$250,000 to put towards a one-bedroom Freedom unit, priced at \$550,000, in the same village.

When she leaves that Freedom unit in the same village in Berwick in Melbourne, she would then have to pay a second exit fee of 40 per cent or \$220,000 if she were there for two years.

According to the company, existing residents receive a 10 per cent discount if they transition to a Freedom apartment.

Freedom contracts obtained by Fairfax Media show residents under the Freedom program show recurring weekly costs, including maintenance fees and basic meals, as high as \$950 per week.

So expensive is the program, Aveo allows residents to defer up to 50 per cent of the costs until their departure – creating a massive financial sting for family members .

Residents or their families also have to share 50 per cent of capital gains and take 100 per cent of any loss on the sale of a unit as well as paying 50 per cent of refurbishment and reinstatement costs.

Aged and Disability Advocacy chief executive Geoff Rowe described the Freedom agreement as “ vague, long, complex, lacking in transparency and not in plain English” .

He said it was not in the spirit of the government's reforms of home care.

He said it was time for the government to step in and standardise contracts. He is one of a growing line of people calling for industry reform.

According to Aveo's own material , Freedom is a program that supplements the government-funded home care packages.

It uses a pooled-funds model whereby residents' fees are pooled and then distributed on a needs basis.

“ The standard fee paid by everyone in the Freedom Care Program is independent of care needs. Freedom assesses all new entrants to determine their suitability for the standard rate and may ask entrants to pay a multiple of the standard rate if care needs are significant at the time of entry,” it says in a statement.

It means a resident with little or no care requirements who pays into the fund, is effectively subsidising a person with higher care needs. However, if a resident doesn't sign up to the fund by the set deadline, they can't join in the future.

The contracts show that individuals are required to “ exhaust’ ’ all government-subsidised services , including home care payment packages available to the participants . If they don't , they must pay a top-up amount to the Freedom fund equal to the government subsidy.

A reading of several service agreements obtained by Fairfax Media raises questions about certainty of costs. The fees are capped for a year and after that there is a clause that enables them to vary them on a fortnightly basis at the manager's discretion.

It says the resident acknowledges and agrees that “ the Freedom Care Program share may increase or decrease due to an increase or decrease in the number of participants, and the Freedom Care unit multiples applied in respect of some participants” .

Aveo denies the contracts are complex or confusing and says participants enter and leave the fund throughout a financial year.

“ The fortnightly mechanism is designed to ensure that the costs of the Freedom Care Program are apportioned fairly in regard to entry and exit timing.”

Another clause in the contract that has raised eyebrows warns that residents “ may end up paying more’ ’ under the Freedom program than under the fee-forservice model – where they pay only for services they use.

But the biggest criticism is the lack of certainty about how much it actually costs at the time of signing .

The contract refers to a reconciliation cost at the end of the year. Aveo says in a statement the reconciliation process arises because the final total cost of care will vary from the initial assessments conducted at time of entry.

Despite the high fees, residents complain that they are still expected to pay for Band-Aids , incontinence pads and \$15 to change a light bulb.

Under the contracts, “ wound management’ ’ means you pay for the dressing but not for the person to apply the dressing; “ palliative care’ ’ includes management of palliative care but equipment, beds and medicines are excluded and cost extra; and while wheelchairs for mobility issues are at an additional cost, the fees do cover the cost of someone pushing you.

Aveo says if it didn't charge for these things, the weekly costs would be higher.

Then there is the question of care, which is heavily spruiked in the glossy brochures, TV ads and in the sales pitch of sales reps.

An inquiry from an interested party sent to a sales representative comes back with an answer that suggested the Freedom program has a registered nurse on site at all times.

“ Our carers are there 24/7 and we are able to care for residents from low care, high care, palliative care. We are run by our registered nurses,” the Aveo sales representative is recorded as saying.

But Judith Currie and others disagree. Currie, who asked to use her married name to protect her mother's identity, said her 95-year-old mother couldn't even get her blood pressure monitored despite paying hundreds of dollars a week after signing up for a Freedom Aged Care package at a retirement village in Melbourne.

She told Fairfax Media that her mother was unwell a few weeks ago and asked one of the staff to take her blood pressure.

“ The attendant said she was not allowed to take blood pressure,” she said.

Currie said she rang the manager to inquire whether a nurse was in attendance. The answer was no.

Currie was later told by management in correspondence that the personal care attendants on site should be able to take “ noninvasive observations ... though at no time are they able to provide comment on or assess the results” .

Currie said she was shocked because when she signed her mother up for Freedom at a weekly cost of \$270 a week, plus more than \$500 per week in maintenance fees and for assisted living, she had been told there would be nurses on site 24/7.

“ The word ‘nurse’ has a totally different understanding to me than a domestic attendant. A nurse has medical training and authority to act in a medical event,” she said.

The best she was told was that in future personal care attendants would be allowed to take blood pressure and other simple observations , “ where they feel competent to do so” .

She said when she inquired about a support person accompanying her mother to a doctor's appointment she was told this service wasn't yet being implemented so she had to make other arrangements .

Gwyneth Jones, a resident at Aveo's The George village in Sandringham , said she refused to sign up with Freedom because she doesn't trust what's on offer.

“ They promise a registered nurse 24 hours a day. This is not happening. I check up, I have been

checking up every night, half past 11, 1 o'clock in the morning, there is never ever a registered nurse on overnight. All we have on overnight, is personal care attendants, and all they ever do is wash linen from incontinent patients who are now, been living at The George, because it's been turned into an old aged home."

Jones' advocate Alan Kohn, says he asked four secret shoppers to inquire about Freedom by visiting villages.

He said all four mystery shoppers told him that the sales consultant was very vague and could not answer questions relating to how the Freedom care program works in unison with the Commonwealth Funded Home Care Packages .

" All mystery shoppers were provided promotional material, but however, were not provided a copy of the Fact Sheet relating to the retirement village as required by the Retirement Villages Act 1986. A copy was only provided when a follow-up call was made a few days later requesting this," he said.

Aveo says the villages are staffed 24/7 with nursing and personal care staff, including during the night, weekends and public holidays . It says registered nurses will be on site overnight if the assessed care needs of patients " warrant that level of care" . It says it does not have to provide a registered nurse on overnight if the care needs of the residents don't require it.

Aveo purchased Freedom in early 2016 for \$215 million.

According to analyst reports and transcripts of company briefings , Freedom Aged Care is supposed to take Aveo to the next financial level.

" Aveo management believes rolling out the FCP to existing villages will boost the price incoming residents pay for units and will also result in slightly higher average occupancy ," wrote Morningstar analyst Tony Sherlock in February this year.

The company has also described the acquisition as " materially' ' earnings-per-share accretive to analysts.

Aveo's acquisition of Freedom came just ahead of a major reform to how the federally home care packages are administered.

From February this year, Australia switched to a consumer directed care model.

According to the federal government's literature on the program, consumer-directed choice is designed to give more choice and flexibility to consumers.

Yet at Freedom that choice disappears , according to experts.

Ronda Held, chief executive of the Victorian branch of the Council of the Aged (or COTA) and an expert in home care, says she has several concerns about the Freedom program.

" There's so much control in the hands of the care manager," Held says. " They're pooling the risk to support people with higher needs and they're guaranteeing you can stay there for life and we'll deliver up to high care," she adds.

" But they're doing that at the expense of other people using their services which was the old model of home care that the government has just thrown out."

COTA, which has a contract with the government to run a website explaining home care, has other concerns about the Freedom program , according to its national CEO Ian Yates.

" I would be very concerned if residents were being pressured into entering the program," Yates says.

Shanny Gordon, senior retirement housing worker at Housing for the Aged Action Group Inc, says the variability of costs on a fortnightly basis was particularly concerning.

“ It is really unreasonable. How can you have somebody not know how much their care will cost. They would not be able to budget. This could really blow somebody’s budget out. It seems really odd to include this,” Gordon says.

“ I think this should be challenged , there should be a certain cost throughout the year and then it goes up annually by CPI,” she says. Gordon also questioned why there was a need to include an exit fee at all considering the ingoing contribution could be around \$600,000.

“ The fact that they can take a unit that is supposedly worth \$250,000 and make it worth \$600,000 is incredible.

“ The reasoning that they gave behind charging a deferred fee in villages in the first place was that they were charging below market value for the unit.”

Fairfax has seen Aveo offer documents pricing one-bedroom apartments under the Freedom program in the outer suburb of Berwick in Melbourne at \$550,000, with an exit fee of 40 per cent after two years and a share in any capital gain. At the same time Domain. [com.au](http://com.au) is advertising a fourbedroom house in the same suburb for \$540,000 to \$590,000. Meanwhile , at Aveo’s The George in Sandringham, two-bedroom apartments are selling for \$700,000, while down the road a brand-new two-bedroom apartment is on the market for \$650,000.

Aveo says the higher ingoing contribution is not reflective of house price growth but aligned with the cost of nursing home bonds in the same area.

But critics say a key difference is nursing home bonds do not incur an exit fee, which in Aveo’s case can add hundreds of thousands of dollars to the overall cost of the product.

For Darren Pitt’s mother, paying two exit fees and moving into a smaller unit at a higher price to access Freedom isn’t an option. “ The residents originally brought into the village with the assurance that they and their families would have an affordable option if they required more assistance.

“ They have basically been sold a lemon.”

# businessday

with My Career, Classifieds, Boating and Commercial Real Estate

**Commercial Real Estate**

Starts Page 36

**Masters  
saga**

Stores sell-off  
almost complete



## Far from free

Retirement giant's push  
into aged care is under  
fire. **Adele Ferguson** and  
**Sarah Dankert** report.



**E**mbattled retirement village operator Aveo is spruiking a 1990s "casino fun night" at one of its NSW sites at the end of this month to celebrate the success of the listed giant's new Freedom Aged Care business - some residents, though, are in no mood to party.

Aveo is turning much of its portfolio of pure retirement villages - the second largest in the country - into ones that offer Freedom Aged Care, a new venture for Aveo, which runs facilities similar to nursing homes.

Despite the casino party's pitch that

Freedom "loves" to see happy residents and that it encourages "them to remain young at heart", many Freedom customers have told Fairfax Media the reality of life in the villages does not match the sales pitch, while retirement village residents they feel pressured to take up the expensive aged care package - whether they need it or not.

The complaints have common themes: confusing contracts, high costs, and uncertainty about future liabilities at the point of signing a contract. There is also concern that the levels of care

fall short of the marketing spin.

The fancy-dress party at Banora on Friday night to celebrate Freedom follows a string of visits by senior Aveo management nationwide to hose down allegations made in a joint Fairfax Media-Four Corners investigation that the company is engaged in questionable practices.

These allegations included excessive charges, opaque contracts and a business model that profits from "churning" residents. Aveo makes most of its profit when a resident leaves or dies because they have to pay an exit fee of

up to 40 per cent on the sale price of a unit, which is kept by Aveo. This fee is unique to the multibillion-dollar retirement village industry.

For its part, Aveo says it does not churn residents and has developed a new contract for its retirement villages (known as the Aveo Way) that is simpler and provides more certainty, and that its fees are fair.

The revelations, though, have sparked an investigation by the Australian Competition and Consumer Commission and led to a significant 18 per

**Continued Page 8**

ILLUSTRATION: SIMON BOSCH

# No Freedom from high costs at Aveo

From Page 1

cent fall in Aveo's share price despite the company launching a \$145 million share buyback in an attempt to prop up the share price.

At the same time, Minister for Aged Care Ken Wyatt has said he will review recommendations set out in a 2007 parliamentary committee inquiry into retirement villages, while Opposition Leader Bill Shorten has flagged a willingness to work with the government for reform in a sector that largely falls through the regulatory gaps.

And at state level, the Victorian government is yet to release its response to a 2016 inquiry into the retirement village sector that featured Aveo residents prominently, while in NSW the government has rejected a petition by almost 2000 retirement village residents to appoint an ombudsman.

Since the media investigation, hundreds of emails and phone calls have poured in from residents, most voicing concerns about Aveo and the broader industry. Some relate directly to Freedom, a business Aveo bought last year for \$215 million to tap into the ageing crisis and \$4.6 billion of annual government funding, following deregulation of the sector.

Judith Currie, whose mother lives in an Aveo retirement village in Victoria and has chronic kidney problems, questions the fees.

Besides paying \$2000 a month in maintenance and assisted living fees, her mother now pays an additional \$270 a week as a Freedom customer. She will also face more than \$100,000 in exit fees when she leaves. One of the major issues is that the Freedom fees can change year to year, regardless of the client's needs, because they are set to cover the care of all residents in a village.



Gwyneth Jones doesn't trust the Freedom offer. Photo: Penny Stephens

"I feel like my mother has an open cheque book and has little control over what she is being charged for due to lack of transparency. She is trapped in her original contact with Aveo because the exit fees take so much of her savings. Now she has uncertainty if her needs increase and her unit multiple increases she will have no savings left... My mother has less freedom now than she ever had."

Under the new legislation older Australians are assigned funding that they can then use to decide who provides their care.

This means they can direct the estimated \$4.6 billion a year in government funding to private institutions such as Aveo's Freedom.

Aveo says Freedom offers care at the same level as a nursing home but it is not an accredited nursing facility. Instead it has set up its own governance framework. It says Freedom allows people to age in their own home - living in a unit in the village - with more freedom than in a traditional nursing home but more care than a suburban house.

## Individuals are required to 'exhaust' all government-subsidised services.

"The Freedom Aged Care model is a premium product, where people wish to experience their final years in their own home, receiving care on their own terms - and for this service to be a reality, Aveo has created a product/service they are willing to purchase," the company said in a statement to Fairfax Media.

But despite protestations by Aveo that Freedom is not compul-

sory, some retirement village residents say they are feeling pressured to shift to the new Freedom contracts.

A current Aveo retirement resident whose village is being converted to Freedom Aged Care says she has developed shingles "which is a nervous complaint because of the pressure to sign up... it's going to cost a lot of money".

Another says she was accosted by a nurse in the village's common room.

Others are aghast at the cost. "The prices would blow your mind," Darren Pitt, who was quoted more than \$900 a week, including costs and maintenance fees, to transfer his mother from an Aveo retirement arrangement into a Freedom customer.

There are also two lots of exit fees if she made the move even though she would be a customer of Aveo throughout.

She would pay more than \$100,000 in exit fees to leave her unit, leaving her with less than \$250,000 to put towards a one-bedroom Freedom unit, priced at \$550,000, in the same village.

When she leaves that Freedom unit in the same village in Berwick in Melbourne, she would then have to pay a second exit fee of 40 per cent or \$220,000 if she were there for two years.

According to the company, existing residents receive a 10 per cent discount if they transition to a Freedom apartment.

Freedom contracts obtained by Fairfax Media show residents under the Freedom program show recurring weekly costs, including maintenance fees and basic meals, as high as \$950 per week.

So expensive is the program, Aveo allows residents to defer up to 50 per cent of the costs until their departure - creating a massive financial sting for family members.

Residents or their families also have to share 50 per cent of capital gains and take 100 per cent of any loss on the sale of a unit as well as paying 50 per cent of refurbishment and reinstatement costs.

Aged and Disability Advocacy chief executive Geoff Rowe described the Freedom agreement as "vague, long, complex, lacking in transparency and not in plain English".

He said it was not in the spirit of the government's reforms of home care.

He said it was time for the government to step in and standardise contracts. He is one of a growing line of people calling for industry reform.

According to Aveo's own material, Freedom is a program that supplements the government-funded home care packages.

It uses a pooled-funds model whereby residents' fees are pooled and then distributed on a needs basis.

"The standard fee paid by everyone in the Freedom Care Program is independent of care needs. Freedom assesses all new entrants to determine their suitability for the



standard rate and may ask entrants to pay a multiple of the standard rate if care needs are significant at the time of entry," it says in a statement.

It means a resident with little or no care requirements who pays into the fund, is effectively subsidising a person with higher care needs. However, if a resident doesn't sign up to the fund by the set deadline, they can't join in the future.

The contracts show that individuals are required to "exhaust" all government-subsidised services, including home care payment packages available to the participants. If they don't, they must pay a top-up amount to the Freedom fund equal to the government subsidy.

A reading of several service agreements obtained by Fairfax Media raises questions about certainty of costs. The fees are capped for a year and after that there is a clause that enables them to vary them on a fortnightly basis at the manager's discretion.

It says the resident acknowledges and agrees that "the Freedom Care Program share may increase or decrease due to an increase or decrease in the number of participants, and the Freedom Care unit multiples applied in respect of some participants".

Aveo denies the contracts are complex or confusing and says participants enter and leave the fund throughout a financial year.

"The fortnightly mechanism is designed to ensure that the costs of the Freedom Care Program are apportioned fairly in regard to entry and exit timing."

Another clause in the contract

that has raised eyebrows warns that residents "may end up paying more" under the Freedom program than under the fee-for-service model - where they pay only for services they use.

But the biggest criticism is the lack of certainty about how much it actually costs at the time of signing.

The contract refers to a reconciliation cost at the end of the year. Aveo says in a statement the reconciliation process arises because the final total cost of care will vary from the initial assessments conducted at time of entry.

Despite the high fees, residents complain that they are still expected to pay for Band-Aids, incontinence pads and \$15 to change a light bulb.

Under the contracts, "wound management" means you pay for the dressing but not for the person to apply the dressing; "palliative care" includes management of palliative care but equipment, beds and medicines are excluded and cost extra; and while wheelchairs for mobility issues are at an additional cost, the fees do cover the cost of someone pushing you.

Aveo says if it didn't charge for these things, the weekly costs would be higher.

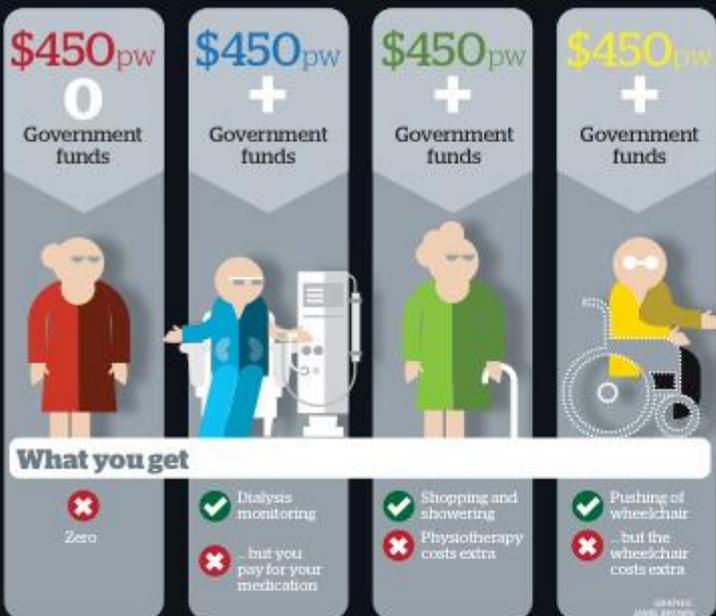
Then there is the question of care, which is heavily sprinkled in the glossy brochures, TV ads and in the sales pitch of sales reps.

An inquiry from an interested party sent to a sales representative comes back with an answer that suggested the Freedom program has a registered nurse on site at all times.

"Our carers are there 24/7 and we are able to care for residents

## How the Freedom Care package works

### What you pay



All residents also pay a **40% exit fee** and circa **\$500** per week in fees

from low care, high care, palliative care. We are run by our registered nurses," the Aveo sales representative is recorded as saying.

But Judith Currie and others disagree. Currie, who asked to use her married name to protect her mother's identity, said her 96-year-old mother couldn't even get her blood pressure monitored despite paying hundreds of dollars a week after signing up for a Freedom Aged Care package at a retirement village in Melbourne.

She told Fairfax Media that her mother was unwell a few weeks ago and asked one of the staff to take her blood pressure.

"The attendant said she was not allowed to take blood pressure," she said.

Currie said she rang the manager to inquire whether a nurse was in attendance. The answer was no.

Currie was later told by management in correspondence that the personal care attendants on site should be able to take "non-invasive observations... though at no time are they able to provide comment on or assess the results".

Currie said she was shocked because when she signed her mother up for Freedom at a weekly cost of \$270 a week, plus more than \$600 per week in maintenance fees and for assisted living, she had been told there would be nurses on site 24/7.

"The word 'nurse' has a totally different understanding to me than a domestic attendant. A nurse has medical training and authority to act in a medical event," she said.

The best she was told was that in future personal care attendants would be allowed to take blood

pressure and other simple observations, "where they feel competent to do so".

She said when she inquired about a support person accompanying her mother to a doctor's appointment she was told this service wasn't yet being implemented so she had to make other arrangements.

Gwyneth Jones, a resident at Aveo's The George village in Sandringham, said she refused to sign up with Freedom because she doesn't trust what's on offer.

"They promise a registered nurse 24 hours a day. This is not happening. I check up, I have been checking up every night, half past 11, 1 o'clock in the morning, there is never ever a registered nurse on overnight. All we have on overnight, is personal care attendants, and all they ever do is wash linen from incontinent patients who are now, been living at The George, because it's been turned into an old aged home."

Jones' advocate Alan Kohn, says he asked four secret shoppers to inquire about Freedom by visiting villages.

He said all four mystery shoppers told him that the sales consultant was very vague and could not answer questions relating to how the Freedom care program works in unison with the Commonwealth Funded Home Care Packages.

"All mystery shoppers were provided promotional material, but however, were not provided a copy of the Fact Sheet relating to the retirement village as required by the Retirement Villages Act 1986. A copy was only provided when a follow-up call was made a

few days later requesting this," he said.

Aveo says the villages are staffed 24/7 with nursing and personal care staff, including during the night, weekends and public holidays. It says registered nurses will be on site overnight if the assessed care needs of patients "warrant that level of care". It says it does not have to provide a registered nurse on overnight if the care needs of the residents don't require it.

Aveo purchased Freedom in early 2016 for \$235 million.

According to analyst reports and transcripts of company briefings, Freedom Aged Care is supposed to take Aveo to the next financial level.

"Aveo management believes rolling out the FCP to existing villages will boost the price incoming residents pay for units and will also result in slightly higher average occupancy," wrote Morningstar analyst Tony Sherlock in February this year.

The company has also described the acquisition as "materially" earnings-per-share accretive to analysts.

Aveo's acquisition of Freedom came just ahead of a major reform to how the federally home care packages are administered.

From February this year, Australia switched to a consumer directed care model.

According to the federal government's literature on the program, consumer-directed choice is designed to give more choice and flexibility to consumers.

Yet at Freedom that choice disappears, according to experts. Ronda Held, chief executive of

the Victorian branch of the Council of the Aged (or COTA) and an expert in home care, says she has several concerns about the Freedom program.

"There's so much control in the hands of the care manager," Held says. "They're pooling the risk to support people with higher needs and they're guaranteeing you can stay there for life and we'll deliver up to high care," she adds.

"But they're doing that at the expense of other people using their services which was the old model of home care that the government has just thrown out."

COTA, which has a contract with the government to run a website explaining home care, has other concerns about the Freedom program, according to its national CEO Ian Yates.

"I would be very concerned if residents were being pressured into entering the program," Yates says.

Shanny Gordon, senior retiree-

### Residents complain they are still expected to pay for Band-Aids.

ment housing worker at Housing for the Aged Action Group Inc, says the variability of costs on a fortnightly basis was particularly concerning.

"It is really unreasonable. How can you have somebody not know how much their care will cost. They would not be able to budget. This could really blow somebody's budget out. It seems really odd to include this," Gordon says.

"I think this should be challenged, there should be a certain cost throughout the year and then it goes up annually by CPI," she says. Gordon also questioned why

there was a need to include an exit fee at all considering the ongoing contribution could be around \$600,000.

"The fact that they can take a unit that is supposedly worth \$250,000 and make it worth \$600,000 is incredible.

"The reasoning that they gave behind charging a deferred fee in villages in the first place was that they were charging below market value for the unit."

Fairfax has seen Aveo offer documents pricing one-bedroom apartments under the Freedom program in the outer suburb of Berwick in Melbourne at \$550,000, with an exit fee of 40 per cent after two years and a share in any capital gain. At the same time Domain.com.au is advertising a four-bedroom house in the same suburb for \$540,000 to \$590,000. Meanwhile, at Aveo's The George in Sandringham, two-bedroom apartments are selling for \$700,000, while down the road a brand-new two-bedroom apartment is on the market for \$650,000.

Aveo says the higher ongoing contribution is not reflective of house price growth but aligned with the cost of nursing home bonds in the same area.

But critics say a key difference is nursing home bonds do not incur an exit fee, which in Aveo's case can add hundreds of thousands of dollars to the overall cost of the product.

For Darren Pitt's mother, paying two exit fees and moving into a smaller unit at a higher price to access Freedom isn't an option. "The residents originally brought into the village with the assurance that they and their families would have an affordable option if they required more assistance.

"They have basically been sold a lemon."



Elder abuse campaigner Alan Kohn. Photo: Penny Stephens