

AGED CARE

WHAT YOU NEED TO KNOW

This document provides information on the fees and charges that apply to people who first entered residential aged care on or after 1 July 2014 or who move aged care facilities and choose to be assessed under the new rules.

If you or a family member can no longer manage to live independently at home, you may need to consider moving into residential aged care. Before you do, there are many factors to consider, including your eligibility, the costs involved and the effect on your finances and lifestyle.

What care and services are provided?

All aged care homes must provide a specified range of care and services to residents, according to their individual needs. These services include:

- appropriate staffing to meet the nursing and personal needs of residents
- assistance with daily living activities such as bathing, showering and dressing
- assistance with medications
- meals and social activities
- basic furnishings
- laundry and cleaning services
- maintenance of buildings and grounds.

For residents with higher care needs, services will also include the provision of special medical equipment, such as wheelchairs, basic medical and pharmaceutical supplies, nursing and therapy services.

While some aged care homes specialise in a particular level of care, many offer a range of care levels so that residents can stay in one location when their care needs increase.

Entering residential aged care

Before a person enters residential aged care, they must be assessed and approved by the government's Aged Care Assessment Team (ACAT). ACAT helps older people and those who care for them, decide what kind of care will best meet their needs when they can no longer manage on their own. ACAT is made up of a range of health care professionals, including doctors, nurses and social workers.

ACAT thoroughly assesses a person's situation and care needs, provides information on suitable care options and can help arrange access or referrals to residential or home care in the local area. You can arrange an appointment with the ACAT closest to you by accessing the Government's aged care portal 'My Aged Care' at www.myagedcare.gov.au or calling 1800 200 422. Alternatively your doctor can make an appointment with the ACAT in your area.

How much does aged care cost?

While the Australian Government provides funding to residential aged care homes to assist with the costs associated with providing care, most residents will have to pay fees and charges.

Major reforms to the aged care system, including to the way fees and charges are calculated, apply to residents who first enter residential aged care on or after 1 July 2014 or move aged care facilities and choose to be assessed under the new rule.

One of the key changes is that all aged care facilities will be subject to the same fee structure, regardless of the level of care the resident requires.

There are two main types of fees payable for aged care:

- Accommodation payments
- Ongoing fees

Accommodation payments

An accommodation payment is an entry fee payable for residential aged care. It is like an interest free loan to the aged care facility. The amount you pay as an accommodation payment will depend on the facility you choose to enter and is determined by a number of factors including quality of the facility, location and demand.

Aged care facilities must advertise the maximum amount of accommodation payment payable on the government's My Aged Care website www.myagedcare.gov.au. This website provides details of all available rooms in your area as well as the facilities key features.

An accommodation payment can be paid as a lump sum (known as a Refundable Accommodation Deposit), regular periodic payments (known as Daily Accommodation Payments) or a combination of both. In most cases, the entire lump sum bond balance will be refunded upon your departure from the aged care facility.

Protections are in place for residents who do not have sufficient funds to pay an accommodation payment. At the time of entry to the aged care facility, the government measures your 'means tested amount' and if it is less than a specified threshold, you will not have to pay the advertised accommodation payment. You may however make a contribution towards the cost of your care known as an accommodation contribution.

Your means tested amount is determined by the value of your income and assets – added together.

What is included in the means tested amount?

Means tested amount = $\frac{\text{income tested amount}}{\text{amount}} + \frac{\text{asset tested amount}}{\text{amount}}$

Income tested amount

The income tested amount uses total assessable income measures. Total assessable income includes ordinary income (as assessed by Centrelink/DVA) plus:

- age pension
- service pension
- income support supplements
- other income support payments
- any other assessable income, such as certain compensation payments, gifts and foreign pensions.

Asset tested amount

The asset tested amount includes assets as assessed by Centrelink and includes any property or item of value that you or your partner have an interest in within Australia and overseas. It can also include assets that you have gifted (above the allowable threshold) within the last five years.

Assessable assets also include:

- **Former home:** The assessable asset value of the former home is included and capped at \$152,000¹. The former home is only exempted where a protected person resides in the home such as a partner, carer who has resided in the home for 2 years (receiving income support) or a close relative who has resided in the home for 5 years (receiving income support).
- **Refundable Accommodation Deposit (RAD):** the amount paid as a lump sum accommodation bond is included in the assessable asset calculation.

Ongoing fees

Basic daily care fees

All aged care residents pay a basic daily care fee. The basic daily care fee is equivalent to 85% of the maximum single age pension.

Means tested fees

The means tested fee is another ongoing daily fee, charged in addition to the basic daily care fee. The amount you will pay is calculated based on your means tested amount. The means tested fee is capped at \$25,000 per annum or \$60,000 over your lifetime.

Note: If you are renting your home to tenants and paying at least a portion of your accommodation payment as Daily Accommodation Payments (DAP), any income derived from renting is exempted from the means tested fee calculation.

Extra services

Some aged care facilities are approved by the government to provide extra services across the whole facility or in a designated part of the facility. In addition to designated extra service facilities, some standard aged care facilities offer extra services on an opt-in basis.

Extra services mean that the facility will provide you with a higher standard of accommodation and services, which you will pay for in the form of a daily extra service fee. Extra services may include a choice of meals, wine or massages. Accommodation and services vary from one facility to another, so you will need to check with the provider for details of services and extra service fees.

Daily Accommodation Payments

If a resident does not pay the accommodation payment in full, interest will be charged on the amount of the bond that is outstanding. These are referred to as Daily Accommodation Payments (DAP). These payments are not refunded to the resident when they leave, nor do they reduce the outstanding amount of the bond. The rate of interest charged is capped by the government.

What effect will paying aged care fees have on my Age Pension?

Most pensioners will continue to receive the same amount of Age Pension when they enter an aged care facility. Married pensioners may each receive a higher rate of pension, under the government's 'separated due to ill health' provision, if one or both members of the couple are in aged care.

If you are renting your home to tenants, and paying a Daily Accommodation Payment (DAP), the value of your home and any income derived from renting it will not affect your rate of pension.

Are any tax offsets available?

Special tax offsets may be claimed by the resident or even the person who financially supports the resident in aged care. For example, under the net medical expenses tax offset you may be able to claim a tax offset for payment of ongoing aged care fees. The dependant tax offset may also be claimed by a person supporting an aged care resident.

Getting the right financial advice

Residential aged care is a complex area. Getting the right professional financial advice can make all the difference in ensuring your assets and income are structured effectively, minimising any changes to your pension payments and ensuring you have sufficient income to support your lifestyle and care needs for a comfortable stay.

¹ as at 1 July 2013.

SPEAK TO US FOR MORE INFORMATION

If you would like to know more about residential aged care, talk to your Financial Adviser. They can give you more detailed information on the best approach for your situation.

IMPORTANT INFORMATION

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