



Fact sheet: Changes to aged care

New financial arrangements for residential and home care

From 1 July 2014, there will be changes to fee arrangements for residential aged care facilities and home care packages.

The Australian Government will continue to pay for the bulk of aged care in Australia, but if you have the capacity, you may be asked by your service provider to contribute to the cost of your care.

Home care

If a home care package is taken up on or after 1 July 2014, you may be asked to pay one or both of:

- a basic daily fee, equivalent to 17.5 per cent of the single basic Age Pension
- an income-tested care fee if your income is over \$24,731.20 (March 2014 single person rate).

The Department of Human Services (Centrelink) works out the income-tested care fee based on an assessment of your financial information, including the income deemed from your financial assets. The assessment does not include the value of your home.

Basic daily fee

Everyone taking up a home care package can be asked to pay the basic daily fee.

The maximum basic daily fee is 17.5 per cent of the single person rate of the basic Age Pension. This works out to be \$133.98 per person, per fortnight (from 20 March 2014 to 19 September 2014). This rate increases on 20 March and 20 September each year in line with changes to the Age Pension.

This applies to everyone receiving a home care package, even if you are a member of a couple.

Income-tested care fee

Depending on income, you may be asked by your service provider to contribute more to the cost of your care. This extra amount is known as an ‘income-tested care fee’.

You cannot be asked to pay an income-tested care fee if you have a yearly income below (March 2014 rates):

- \$24,731.20 (for an individual)
- \$24,263.20 (for an individual who is a member of a couple but now separated due to illness)
- \$38,344.80 (combined income for a couple living together).

Caps on care fees

To ensure the system is affordable, there is a limit to how much you have to pay in income-tested care fees:

- For part-pensioners, this is \$5,000 per year.
- For self-funded retirees, this is \$10,000 per year.

Once these limits have been reached, the Australian Government will pay your share of income-tested care fees to the provider.

There is also a \$60,000 lifetime limit on income-tested care fees. Once this cap has been reached, you will not have to pay any further income- or means-tested care fees during your lifetime.

Residential care

To ensure the sustainability of the aged care system and so all older people get the care they need, the Government has strengthened means testing arrangements for people entering residential care from 1 July 2014. It combines the current income and asset tests to ensure a consistent fees policy.

If you move into residential aged care from 1 July 2014, you can be asked to pay:

- **A basic fee:** paid by all people who receive residential care. For some people, this is the only fee you may need to pay. This is 85 per cent of the single person rate of the basic Age Pension.
- **A means-tested care fee:** an extra contribution towards the cost of care that you may need to pay on top of the basic fee, depending on your income and assets.
- **An accommodation payment:** a payment for accommodation in an aged care facility. You may have your accommodation costs paid in full or in part by the Australian Government. Other people will need to pay the accommodation price they negotiate with their aged care facility.
- **Fees for extra or additional optional services:** an extra payment you can be asked to pay if a higher standard of accommodation is chosen or an additional service, such as hairdressing or pay TV in rooms, is elected.

The treatment of the family home will not change. It will continue to be exempt from the aged care assets test if occupied by a spouse or other protected person.

An annual cap of \$25,000 will apply to a resident's means-tested contribution to their care costs, together with a lifetime cap of \$60,000.

Means-testing will be conducted by the Department of Human Services (Centrelink). Centrelink will advise on the means-tested care fees that will apply to you and the accommodation payment arrangements that will apply.

Where you are required to make a payment for accommodation, your payment options are:

- **A lump-sum payment** called a refundable accommodation deposit (RAD).
 - This will be returned in full to you or your estate when you leave, minus any amounts you and the aged care facility have agreed should be taken out of the deposit for your care.
- **A regular rental-type payment** called a daily accommodation payment (DAP).
 - This is calculated using a legislated formula and an interest rate.
 - The formula used to calculate a DAP is: $\text{equivalent daily payment} = [\text{refundable deposit} \times \text{maximum permissible interest rate}] / 365$.
 - These rental-type payments are not returned to you or your estate.
- **A combination of both.**
 - If you pay the accommodation price agreed with the aged care facility, you and the provider must agree on the accommodation price before you enter the aged care facility. The service provider will give you a copy of this agreement.

You have 28 days from the day you enter care to decide on your payment method. You must pay your accommodation costs by the rental-type payment method until you decide on your ongoing payment method.

Aged care facilities cannot refuse you a place, based on how you want to pay for your accommodation.

You cannot be asked to make rental-type payments more than one month in advance.

Important note

If you are already in residential care or home care, you will continue with your current financial arrangements unless you leave and re-enter after 28 days of unapproved leave. You can also choose to opt-in to the new financial arrangements if you move to a different aged care facility or different home care provider.

More information

If you're getting older and need information or help, or if you're caring for someone who does, contact My Aged Care. Call **1800 200 422** or visit **myagedcare.gov.au**

You can find out what you need to know to start planning and talking about aged care with your family and loved ones.

You can also find out about your choices, including home, community and residential aged care, and compare prices and services.

My Aged Care can help estimate the fees and charges you may have to pay towards your residential aged care or home care. A calculator is available on the website to help you estimate aged care costs.

Before you call My Aged Care, it is recommended you have your financial information ready, especially details of your various forms of income and assets.

The actual fees you will pay in aged care will depend on an assessment of your income and assets (where relevant) by Centrelink or the Department of Veterans' Affairs. If you do not complete this assessment either before or shortly after commencing care, you may be asked to pay the maximum fees and charges.