

# Residential Aged Care Accommodation Financial Arrangements Summary

As at 1 October 2017

(Applying to residents admitted after 1st July 2014)

## Means-Testing

The fees and charges payable by residents admitted to residential aged care accommodation after 1 July 2014 are largely determined by an assessment of the resident's income and assets carried out by the government.

This means-testing process determines a resident's Means-Tested Amount.

This amount is then used to determine what contributions a resident is expected to make towards the cost of their accommodation and also the cost of their care.

## What Income is included?

Income included is generally the same as is used to assess a person's aged pension entitlement, plus the resident's actual aged pension amount.

This will include:

- Base aged pension (not supplements)
- Bank interest
- Investment income
- Rental income from any property
- Assessable superannuation income
- Foreign pension income
- Any other income

The government uses its set deeming rates to determine assessable income from investments, bank deposits etc. rather than the actual income earned on these investments.

## What Assets are Included?

Again, the assets included will be similar to those used to assess a person's pension entitlement but may also include the resident's home.

This will include:

- The person's home (see notes following)
- Household contents
- Car, caravan, boat
- Holiday home/shack
- Investment property
- Bank deposits
- Investments
- Any assessable superannuation

## How is the resident's home treated?

If the resident owns a home, it will be counted as an asset for this means testing process, **BUT** the amount assessed as an asset will be capped at **\$162,815**, rather than the actual real value of the home.

If the person owns a home, but someone else lives in the home and any of the following apply, then the home will not be counted as an asset.

- a partner or dependent child is living in the home
- a carer, who is eligible for a pension or income support payment, has lived in the home for at least two years
- a close relative, who is eligible for a pension or income support payment, has lived in the home for at least five years;

**\*\*Please note that a carer's allowance does not count as an income-support payment.**

**\*\*Please also see notes on page 10 relating to the value of the home.**

## Means Testing Process

The following method will be used by the government to arrive at a resident's Means-Tested Amount.

### Income Test

50% of any assessed income over \$26,328 p.a. =  
(NB: Amounts for couples \$25,860)

PLUS

### Assets Test

Assets below \$47,500 are not assessable

Assets valued at between \$47,500 and \$162,815      X 17.5%=\$

Assets valued at between \$162,815 and \$393,446      X 1.0% = \$

Assets valued at over \$393,446      X 2.0% = \$

Equals the Assets tested amount

Total is the resident's Means-Tested Amount

## What does the Means-Tested Amount determine?

The resident's Means-Tested Amount then determines what fees, contributions or payments the resident may have to pay. These various amounts are called:

1. **Base Daily Fees**
2. **Accommodation Contribution Payments**
3. **Means-Tested Care Fees**
4. **Accommodation Payments**

### 1. **Base Daily Fees**

This is a standard fee set by the government that all residents must pay as a standard, base contribution towards the cost of their care, regardless of the results of the means testing process.

The Base Daily Fee is set at 85% of the full single base aged pension, before supplements are added.

Currently, this base aged pension is \$814.00 per fortnight.

(various supplements totaling \$80.40 make up the full single aged pension payment of \$894.40 per fortnight)

**The current Base Daily Fee is:**

**Base pension of \$814.00 x 85% = \$691.90 per fortnight**

**This is \$49.42 day**

This fee is generally adjusted by the government every 6 months, on March 20 and September 20 in line with rises in the aged pension.

NB: When one partner of a couple moves to aged care accommodation, both partners become eligible for the single pension.

## **2. Accommodation Contribution Payment**

The Federal Government provides funding to assist with the cost of building and refurbishing aged care facilities. This funding is paid direct to facilities via accommodation supplements. Two levels of supplements are provided.

For older facilities that have not been refurbished  
**\$36.13** per day per resident. This equates to **\$13,187** per resident per year

For new or recently refurbished facilities  
**\$55.44** per day per resident. This equates to **\$20,236** per resident per year

If the resident has a **Means-Tested Amount** of up to \$20,180 they will be expected to pay a contribution towards this accommodation supplement.

The amount that a resident is expected to pay will depend on:

- a) their Means-Tested Amount, and
- b) the type of facility they live in (older or new/refurbished)

The government then pays the facility any balance of supplement.

The amount that a resident must pay is called a:

**Daily Accommodation Contribution (DAC)**

### **Payment Options**

Residents can elect to pay this Daily Accommodation Contribution or they can elect to pay a lump sum deposit to the facility in place of this daily payment.

This lump sum amount is fully refundable to the resident or their estate when they leave the aged care facility.

This deposit is called a:

**Refundable Accommodation Contribution (RAC)**

Residents can also elect to pay part as a lump sum deposit and the remainder as a daily payment.

**Combination of a RAC and a DAC**

**Example:**

The resident's Means-Tested Amount works out to be \$6,000.

The daily accommodation contribution (DAC) that they must pay will be:  
\$6,000 divided by 365 days = **\$16.44** per day.

They can pay this as:

- (i) A Daily Accommodation Contribution (DAC) of \$16.44 per day**
- (ii) A fully Refundable Accommodation Contribution (RAC) of \$105,274.**  
(This option is not available on current interest rates)
- (iii) A deposit (RAC) of say \$50,000 plus a daily payment (DAC) of \$8.63 day**

This resident would also pay the Base Daily Fee of \$49.42 day.

Another option available to this resident is to have the daily payment of \$8.63 withdrawn from (paid out of) the deposit amount.

i.e. the deposit of \$50,000 would be reducing by \$8.63 per day

### 3. Means-Tested Care Fees

The Federal Government provides funds to aged care facilities to cover the cost of care provided to residents.

If a resident has a Means-Tested Amount of more than a certain amount, they will also have to pay an additional contribution towards the cost of their care.

This is called a Means-Tested Care Fee.

If a resident has a Means-Tested Amount of:

More than \$20,180

they will have to pay the amount over this figure as a Means-Tested Care Fee.

#### Example:

A resident's Means-Tested Amount is \$30,000.

Their Means-Tested Care Fee will be:

Their Means-Tested Amount	\$30,000
Less	<u>\$20,180</u>
Their Means-Tested Care Fee is	\$9,820

They will pay this as a daily fee payment of \$26.90

This is in addition to their Base Daily Fee of \$49.42

## **CAPPING RULES**

In order to limit the amount a resident has to pay as Means-Tested Care Fees, the government has both annual and lifetime caps in place.

These caps are:

### **Annual Cap \$26,567**

Once a resident has paid Means-Tested Care Fees of \$26,381 in any year, their payments cease until their next anniversary date.

The fee then restarts on their anniversary date.

### **Lifetime Cap \$63,760**

Once a resident has paid \$63,760 during their whole time in aged care, their payments then cease permanently.

These caps only apply to Means-Tested Care Fees, not any other fees or payments the resident makes.

## 4. Accommodation Payments

If a resident has a Means-Tested Amount of:

**More than \$20,180**

in addition to paying Means-Tested Care Fees (as detailed above), they will also have to pay the full cost of their accommodation by way of a refundable deposit paid to the facility.

For these residents, the aged care facility will not receive any accommodation supplement funding from the government, so the resident will have to pay the full cost of their accommodation.

The amount payable by the resident is established in negotiation with the aged care facility and will generally be in line with the **Accommodation Prices** set by the facility.

### **Accommodation Prices**

Each facility must set and publicise the maximum accommodation price (deposit) payable for the facility and each room, or type of room, in that facility.

This accommodation price is the lump sum refundable deposit that a resident can be expected to pay. This price is called the:

### **Refundable Accommodation Deposit – (RAD)**

The maximum Refundable Accommodation Deposits (RAD's) set by aged care facilities varies depending on the facility and the type of rooms in the facility.

The maximum RAD payable for Southern Cross Care (Tas) Inc. aged care facilities ranges between: **\$190,000 and \$550,000 (this is fairly typical of most organisations)**

**NB:**

**These are the maximum RAD amounts.**

**The amount paid by each resident will be subject to negotiation.**



## PAYMENT OPTIONS

Residents who are asked to pay these Accommodation Payments can elect to pay as:

1. a lump sum deposit payment called a  
**Refundable Accommodation Deposit (RAD)**

**OR**

2. a daily fee, called a  
**Daily Accommodation Payment (DAP)**

**OR**

3. a combination of both, i.e.  
**Part Refundable Accommodation Deposit (RAD)**  
**and**  
**Part Daily Accommodation Payment (DAP)**

When calculating the Daily Accommodation Payment (DAP) payable in place of a Refundable Accommodation Deposit (RAD), an interest rate, set by the government, is used. This interest rate is currently 5.70% per annum. (as from 1 October 2017)

## **Examples of RADs and corresponding optional DAPs**

### Deposit - RAD

\$190,000  
\$250,000  
\$295,000  
\$345,000  
\$395,000  
\$450,000  
\$495,000  
\$550,000

### Daily Payment – DAP

\$29.67 day  
\$39.04 day  
\$46.07 day  
\$53.88 day  
\$61.68 day  
\$70.27 day  
\$77.30 day  
\$85.89 day

## **Example of part deposit (RAD) and part daily payment (DAP)**

Resident negotiates a RAD of \$450,000

They decide to pay a deposit (RAD) of \$300,000 and to pay the balance as a daily payment DAP

They would have a daily payment of:

$\$150,000 \times 5.70\% = \$8,550$  per year which equals \$23.42 per day

## **Having Daily Payments (DAP) taken out of your deposit (RAD)**

Where a resident is paying their accommodation payment via a combination of a deposit (RAD) and a daily payment (DAP) they can elect to have the daily payment deducted from (paid out of) the deposit held for them.

Where a resident is also paying a Means-Tested Care Fee they can also elect to have this fee paid out of their deposit.

Residents could also, if they wished, have their base daily fees paid out of their deposit. There is significant flexibility available under the new regulations.

## **Valuation of the Resident's Home**

As mentioned earlier, the value of the resident's home is capped at \$162,815 for Means-testing purposes.

However, the full value of the home is used when calculating the maximum Refundable Accommodation Contribution (RAC) or maximum Refundable Accommodation Deposit (RAD) that a resident can pay.

After paying a RAC or RAD the resident must be left with at least \$47,500 in remaining assets.

This needs to be considered when a resident is deciding how they wish to pay their accommodation payment. It may mean that they will need to opt for a part deposit and part daily payment arrangement.

## SUMMARY – 3 BROAD CATEGORIES OF RESIDENTS

### **Resident with low income and low assets**

If means testing shows that the resident has:

**Assets of less than \$47,500 and  
Income of less than \$26,328 per year**

This will mean that the resident does not have a Means-Tested Amount

**Resident pays only:**

**Base Daily Fee - \$49.42 day**

### **Resident with modest assets and lower income, OR Lower assets and higher income.**

If means testing shows that the resident has a Means-Tested Amount of:

**Between Nil and \$20,180**

**Resident pays:**

**Base Daily Fee - \$49.42 day**

**PLUS**

**Accommodation Contribution Payment**

The amount of this payment will depend on their Means-Tested Amount and the type of facility they live in – i.e. either a new or refurbished facility or an older facility.

### **Resident with higher assets and/or higher income**

If means testing shows that the resident's Means-Tested Amount is:

**More than \$20,180**

**Resident pays:**

**Base Daily Fee \$49.42 day**

**PLUS**

**Means-Tested Care Fee**

**PLUS an**

**Accommodation Payment**

(established in negotiation with the home)

## **Financial Planning and negotiation**

It is important that prospective residents and their representatives arrange for personal discussions with aged care providers prior to admission if this is at all possible.

The new financial arrangements are very complex and the commitments applying to each resident will vary.

To arrange for an individual meeting to discuss your personal circumstances please contact one of our Residential Enquiries Officers.

Southern Cross Care (Tas) Inc. also recommends that residents may wish to seek independent financial advice.

### **CONTACT DETAILS**

Southern Tasmania

Telephone: 6214 9714 or 0417 578 053

Fax: 6278 9177

Email: [ResidentialEnquiries@scctas.org.au](mailto:ResidentialEnquiries@scctas.org.au)

Northern and North-West Tasmania

Telephone: 6343 0240 or 0409 546 838

Fax: 6343 3420

Email: [ResidentialEnquiries@scctas.org.au](mailto:ResidentialEnquiries@scctas.org.au)

**The information contained in this document is for guide purposes only.**

**Full details on financial arrangements for this accommodation can be discussed with one of our Residential Enquiries Officers or by contacting the Aged Care Information Line on 1800 200 422 or at [www.MyAgedCare.com.au](http://www.MyAgedCare.com.au)**

## SUMMARY OF FEES AND PAYMENTS - ESTIMATES

RESIDENT'S NAME:

	PER DAY	FORTNIGHT
BASE DAILY FEE	<input type="text"/>	<input type="text"/>
MEANS-TESTED CARE FEE	<input type="text"/>	<input type="text"/>
DAILY ACCOMMODATION CONTRIBUTION (DAC)	<input type="text"/>	<input type="text"/>
<u>TOTAL</u>	<input type="text"/>	<input type="text"/>

REFUNDABLE ACCOMMODATION DEPOSIT

Alternative DAILY ACCOMMODATION PAYMENT

(These figures are estimates only subject to confirmation)

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