

HOME & RESIDENTIAL AGED CARE

E-BOOK



Home and residential aged care

Some retirees who need aged care may prefer to stay at home. Whilst others may need or prefer the assistance that a residential aged care facility can provide. This document provides information on the fees and charges that apply to those who first receive home care or residential aged care on or after 1 July 2014. It also provides a summary for those who move aged care facilities and choose to be assessed under the post 1 July 2014 rules.

To access a Home Care Package or enter residential aged care, the person requiring care 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.

Home care

Many people who need care are not aware that a variety of services are available for those who prefer to stay at home.

Home Care Packages provide Government subsidised services to assist people to remain in their home for as long as possible.

Services include:

- Personal care – such as help with showering or bathing, dressing, mobility, meal preparation and eating
- Support services – such as help with washing and ironing, house cleaning, gardening, basic home maintenance, home modifications related to care needs such as handrails in the shower, and transport to assist with shopping, visiting the doctor or attending social activities
- Clinical care – such as nursing, and other health support including physiotherapy (exercise, mobility, strength and balance) and podiatry (foot care).

Other services may also be provided such as aids and equipment to assist with mobility, communication or personal safety.

What types of packages are available?

There are four levels of Home Care Packages:

- Home Care Level 1 – to support people with basic care needs
- Home Care Level 2 – to support people with low level care needs
- Home Care Level 3 – to support people with intermediate care needs
- Home Care Level 4 – to support people with high care needs

ACAT approvals

You must be assessed by the Aged Care Assessment Team (ACAT) as having care needs at least equivalent to a level 1 – basic care needs package.

An ACAT approval for a particular level of home care also enables access to any level of home care package lower than the approved level.

What is a Home Care Agreement?

At the commencement of the package, the client (you) and the home care provider will enter into a Home Care Agreement. This sets out the basis on which services will be provided.

The home care provider can then claim a subsidy from the Government dependent on the level of home care package provided.

What is Consumer Directed Care (CDC)?

Consumer Directed Care, or self-directed care, allows older people and their carers to make choices about the types of care services they receive and the delivery of those services, including who delivers the services and when.

Clients receive an individualised budget and a monthly statement of income and expenditure to provide transparency about the level of funding and how the funds are spent.

Accessing Home Care packages

Home care information is available through the My Aged Care website at www.myagedcare.gov.au or the national contact centre on 1800 200 422.

Home Care packages are allocated to clients through 'My Aged Care'. Once a package is allocated, you will be able to choose who provides your Home Care services and it will be easier to change providers if you move or are unhappy with the service.

Home Care fees

Clients who start receiving a home care package on or after 1 July 2014 will pay a basic daily care fee and an 'income tested fee' administered by the Department of Human Services.

An income tested fee is payable where the client's assessable income exceeds the income free area. The amount of income tested fee payable cannot exceed the actual cost of care.

Assessable income is calculated under the Centrelink / DVA rules and includes the amount of Age or Service Pension payable (less minimum pension and energy supplements).

The income tested fee is calculated as 50% of assessable income over the income free area of \$27,736.80 (singles) or \$21,502.00 (member of a couple, living together) or \$27,216.80 (member of a couple, living separately).

The income tested fee is capped at:

- \$5,617.47 p.a. for part-pensioners
- \$11,234.96 p.a. for self-funded retirees
- Lifetime cap of \$67,409.85

The lifetime cap applies to means tested fees across home care and residential aged care. For example, if Paul paid \$40,000 in income tested fees for home care and then moved to a residential aged care facility, he would only have to pay a further \$27,409.85 in means tested care fees to reach the \$67,409.85 lifetime cap (note the lifetime cap is subject to indexation).

The basic daily care fee is payable in addition to the income tested fee and is dependent on the level of care:

- Level 1: \$9.63 per day
- Level 2: \$10.19 per day
- Level 3: \$10.48 per day
- Level 4: \$10.75 per day.

Residential Aged Care

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.

How much does aged care cost?

While the Australian Government provides the majority of 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 rules.

One of the key changes is that all aged care facilities are 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 aged care facilities 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 are assessed to have 'low means' and cannot be asked to pay the advertised 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 be asked to make a contribution towards the accommodation 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 = income tested amount + asset tested 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 \$171,535.20. This applies separately to both members of a couple. 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 two years (eligible to receive income support), or a close relative who has resided in the home for five years (eligible to receive 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 of \$51.63 is equivalent to 85% of the maximum (basic rate) 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 \$28,087.41 per annum or \$67,409.85 over your lifetime.

Note: If you enter aged care on or after 1 January 2016, rent from your former home is included in the means tested fee calculation. For those that entered aged care before 1 January 2016, any income derived from renting is exempted from the means tested fee calculation where you pay at least a portion of your accommodation payment as Daily Accommodation Payments (DAP) or Daily Accommodation Contributions (DAC).

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 additional 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 set by the government.

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

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 entered care prior to 1 January 2017, are renting your former home and paying a Daily Accommodation Payment or Daily Accommodation Contribution, the value of your former home is exempt from the Age Pension assets test and rental income is exempt from the income test.

If you enter care from 1 January 2017, however, your former home becomes an assessable asset after 2 years (unless occupied by your spouse) and rental income is assessable for Age Pension income test purposes.

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, managing any changes to your pension payments and ensuring you have sufficient income to support your lifestyle and care needs.

Speak to us for more information

If you would like to know more about asset classes and the fundamentals of investing, contact Shannon Smit at Smart Business Solutions Financial Planning for more detailed information on the best approach for your situation

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