Overview of aged care

Introduction

The Commonwealth Government regulates and partly funds residential aged care for people as they become older and are no longer able to live independently in their own home. There are two levels of residential aged care:

Low-care residential care (hostels), and

High-care residential care (nursing homes).

At both levels, the facility may be approved as an extra-service facility. This means they are providing high levels of service such as better standard of accommodation, choice of meals, glass of wine/beer with meals, podiatry services, newspapers etc. Details of services provided will be outlined in the Resident Agreement as well as fees for these services. High-care extra-service facilities are able to charge accommodation bonds as an entry fee instead of the normal accommodation charge that applies to low-care facilities.

In low-care (hostel) a person can independently manage with many of the activities of daily living and are reasonably mobile but need help with services such as meals and laundry. They may also need some level of help with personal care like dressing and bathing and constant supervision. High-care (nursing home) includes ongoing nursing care, as well as meals, laundry, cleaning and personal care. The essential difference between a hostel and a nursing home is that the latter provides more intensive nursing type services and additional personal services.

Before an individual can enter a government-subsidised aged care facility they must undergo an assessment and be approved for care by an Aged Care Assessment Team (ACAT) under Commonwealth legislation based on the applicant's state of health and ability to self-care. ACATs are a team of health care professionals that may be made up of doctors, nurses and social workers. They will usually conduct the assessment interviews in the person's home. The ACAT team will provide approval for either permanent and/or respite care and specify whether the person can access low-care or high-care.

Special residences

Special residences are retirement villages, granny flats, and sale/leaseback homes. Claimants for Centrelink benefits in these special residences who still maintain their former home will lose their exemption for that home, but their contribution ("entry contribution") towards that special residence will be exempt.

Entry Contribution

The total amount that a person is required to pay in order to secure accommodation in a retirement village is their entry contribution amount. Regardless of the terms used to describe the entry contribution (or the method of payment) when making an agreement to enter a special residence, it is considered an entry contribution if it is an amount that must be paid as a condition of entry to the retirement village. It will not include on-going costs.

Sale/leaseback arrangements

In respect to sale/leaseback arrangements, there will be two defined amounts - the initial payment amount and then the deferred payment amount. It is the second of these that is taken to be the entry contribution amount and will be exempt.

Note

If Centrelink believes an arrangement is undervalued they can determine their own value for the EC and if that means that the initial payment was artificially lower, then the difference between that amount and the Centrelink valuation of the initial payment will be deemed to be a deprived asset.

Aged care information line

A government information line on aged care is available for people who are looking for information on aged care services.

Contact details	General enquiries phone – 1800 200 422 Living Longer Living Better enquiries phone - 1800 900 554 Website www.agedcareaustralia.gov.au

Aged care framework

An approved and accredited aged care facility can apply for bed licenses on all or some of their beds. This entitles the facility to receive government subsidies for residents who occupy those beds. The subsidy level for each resident depends on the resident's classification using the Aged Care Funding Instrument (ACFI) which is conducted by the aged care facility.

To achieve accreditation, the facilities are assessed against 44 legislated standards covering:

- Management systems and staffing
- Physical environment and safety
- Health and personal care
- How care is delivered to enhance a resident's dignity and rights in a safe and comfortable living environment.

Accreditation is normally reviewed every three years. The period can be shorter if there are areas or recent history of non-compliance. New facilities only receive a one-year accreditation. In addition to accreditation, an aged care facility that wishes to charge entry fees (bonds or annual charges) must meet a building certification.

Residential aged care facilities

A residential aged care facility can either provide low level care (also known as a hostel) or high level care (also known as nursing homes). The level of care corresponds with the amount of assistance the resident needs. Low level care means the resident needs less intensive care. High level care means that the resident needs a greater level of medical supervision and/or assistance with daily living needs. For example, they need help dressing, bathing and feeding.

Aged care facilities must provide a range of basic services, which include:

- Meals
- On-call staff for assistance
- Cleaning services and general laundry
- Bedding
- Basic accommodation-related services – e.g furnishings, and
- Maintenance of buildings and grounds

Aged care facilities can also offer other services at an additional cost on a user pays basis, for example, they could offer a hairdressing service.

Alternatively, the facility may be classified as an 'extra service place'. These facilities offer additional service or a higher standard of meals, accommodation and services as part of the package and charge an extra service fee for this package. High care extra service places charge an accommodation bond rather than an accommodation charge.

Steps when moving into aged care

The step list below provides an outline of the steps a person needs to follow to move into government subsidised aged care. Planning ahead is important as some steps may take time to complete. For example, a waiting period may apply to be assessed by ACAT.

Step 1 - ACAT approval

To be eligible for the government subsidies in residential aged care (including respite care) the person must receive approval from an ACAT team.

An ACAT team comprises doctors, social workers and other health professionals who can provide a thorough assessment of care needs. The assessment includes consideration of restorative, physical, medical, psychological, cultural and social aspects of their care needs. Assessments can be organised through the local doctor or by contacting ACAT.

There may be a waiting list for the assessment to be conducted. A total of 201,609 completed assessments were recorded in 2008/09 by just over 100 teams.

Step 2 – Finding an aged care facility

The person needs to choose an aged care facility (at the appropriate level of care) and put their name on the waiting list. This can be done before the ACAT approval but the facility is unlikely to offer a place until the assessment has been completed and approval granted. A person can apply for more than one facility and may be required to complete Part A of the Residential Agreement Application form to secure their place on the waiting list.

Waiting lists

Most facilities have a waiting list as there are only limited places available in aged care homes. New residents need to wait until an existing resident moves out, perhaps to go to the next level of care, or dies or new places are opened.

The ACAT team provides a pack for the five steps to entry to aged care and can also be accessed from the Department of Health and Ageing website. This includes an application form to apply for a place in an aged care facility. The person may also be required to send the *Request for Assets Assessment* form to Centrelink which is then subsequently sent to the aged care facility.

The waiting period to obtain a place can be quite long. The table below shows the proportion of people entering aged care within a specified period after an ACAT assessment for 2009/10.

	2 days or less	7 days or less	1 month or less	3 months or less	6 months or less
High care	10.8%	24.9%	50.9%	76.4%	92.3%
Low care	5.2%	12.0%	32.0%	63.3%	91.0%
All residents	**8.3%**	**19.0%**	**42.3%**	**70.4%**	**91.7%**

Source: *Report on the Operation of the Aged Care Act: 1 July 2009 to 30 June 2010*, Department of Health and Ageing.

Tip

These figures do not represent the waiting time to get into the facility of choice. When looking for a facility it is wise to ask about the waiting list length and expected timeframes as this may help to decide which facility to choose.

Step 3 – Structure finances

We can help you by reviewing your income and assets prior to entry to a facility with the aim of reducing the impact of fees and charges. The following aspects need to be considered:

- Daily fees and accommodation payments (bond/charge)
- Sell or keep former home
- Invest in other assets
- Centrelink homeowner status
- Calculate total income (including Age Pension)

- Calculate daily fees

Residents in aged care facilities are required to pay entry fees to secure a place in the facility. Entry fees are payable in addition to ongoing daily care fees.

Step 4 - Move into a facility

Once a place in an aged care facility has been offered and accepted, the person has seven days to move into the facility and needs to complete Part B of the Residential Agreement Application Form and provide it to the aged care facility (if not done so already). There are several administrative tasks involved with moving into a facility including:

Arrange for the payment of fees and Government subsidies. These are payable from the date of acceptance.

Notify Centrelink of the change in finances (if you receive benefits). In preparing to move, consider what personal furnishings, if any, can be brought and any personal assistance required

Notify a change of address to all relevant organisations and persons.

If desired, complete an Appointment of a Nominee form to nominate someone to deal on the resident's behalf with the Department of Health and Ageing.

If desired, appoint an Attorney to manage personal and financial affairs.

Resident agreement

The manager of the aged care facility should then offer a resident agreement. This sets out the care and services that can be expected and will be provided. The resident should read the agreement carefully and then sign within 21 days, if satisfied.

The agreement will include details of:

- The name of the aged care facility
- The levels of care that the aged care facility can provide and any limitations to those levels
- The policies and practices that are used to set your fees and charges
- The level of daily care fee payable
- If applicable, the type of extra services agreed upon and the fee for these services

- The circumstances in which the resident may be asked to leave the aged care facility and how the aged care facility will help to obtain alternative and appropriate accommodation
- How the aged care facility will deal with any complaints
- The resident's responsibilities in the aged care facility
- The aged care facility's responsibilities to the resident, and
- Any other matters agreed between the resident and the aged care facility's manager within the rules of the *Aged Care Act 1997*.

If the resident pays an accommodation bond or accommodation charge, they will also need to enter an accommodation bond or accommodation charge agreement. This can be included as part of the Resident Agreement or be a separate agreement.

Resident charters

The Aged Care Act has embedded a *Charter of Residents' Rights and Responsibilities* and a copy should be provided with the resident agreement, as well as being displayed in the aged care facility.

The Charter details the rights and responsibilities of all residents, including personal, civil, legal and consumer rights. The Charter also outlines residents' responsibilities in relation to other residents, staff, and the residential aged care service community as a whole.

Checklist to review aged care facilities

The following checklist is to assist you on aspects to consider when applying for an aged care facility:

Check the following details:	Notes
Is the facility accredited	
Waiting list length	
Services provided by the facility (type and quality) • Access to private phone • Meal arrangements • Grounds and surrounding area • Private or shared bathrooms • Privacy provisions (especially in shared rooms) • Flexibility in daily routine • Provision for married couples (if required) • Standard of accommodation and cleanliness	
Location of facility • Convenient for family and friends • Access to local services and transport	
Social aspects	

• Social activities available • Visitation rights and rules • Residency rules and rights	
Care services • Training and qualifications of staff • Number of care staff on duty and number of residents • Ability to meet dietary and/or health care preferences • Visits by health professionals and family doctor • Access to **next level of care** with the same provider • Attitude of staff	
Financial aspects • Charges for accommodation bond (if required) • Financial stability of the provider • Review copy of prudential statement showing they have met obligation to repay bonds • Costs for the care • Additional fee services and costs	

Low-care aged care (formerly hostels)

Note

This section has rate sensitive data that changes every 20 March, 1 July and 20 September in line with movements in the age pension and Consumer Price Index.

People who are elderly, ill or frail may need to move into residential aged care. This can either be low-care or high-care depending on the needs of the resident and the assessment made by an Aged Care Assessment Team (ACAT). The level of care reflects the amount of assistance needed, with low-care meaning residents need less intensive care - ie. they are likely to be able to feed and wash themselves with limited supervision.

Fees and charges (low-care)

There are four categories of fees and charges for a government-subsidised low-care residential aged care facility.

1. Basic daily care fee

All residents will pay a basic daily care fee as a contribution towards the daily costs of care. The fee payable depends on the category that the resident falls into (ie. standard, phased, protected or non-standard). The same fee is payable regardless of whether the person moves into low-care or high-care.

The maximum fee is set by the government and the facility cannot charge more than this amount. However, in some cases (such as higher bond negotiations) a facility may agree to reduce the fee. A reduced fee could also be approved by the government in hardship circumstances.

Residents who enter on or after 20 September 2009 pay a basic daily care fee at either the:

- Standard resident rate
- Phased resident rate

The phased resident rate applies to people who enter care on or after 20 September 2009 who are part-pensioners with assessable private income above $404.00 per fortnight for a single person or self-funded. Each time indexation applies, this rate will increase by more than the standard rate. As of 20 March 2013, the two rates are now the same.

The standard rate is set at 85% of the annual single basic age pension (not including supplements) and is indexed on 20 September and 20 March. The indexed rates apply to all residents – existing and new.

Residents who entered aged care before 20 September 2009 and are either part-pensioners with assessable private income above a threshold or self-funded are called protected residents. They will pay a lower daily care rate for the duration of their residency.

Residents who entered aged care before 20 March 2008 and are self-funded or pensioners who paid a high level bond or who chose not to disclose their financial circumstances, pay the non-standard resident fee.

2. Income-tested daily care fee (ITF)

Residents with higher levels of assessable income may pay an ITF in addition to the basic daily care fee. For every dollar that the resident pays as an ITF the government reduces the subsidy it pays to the facility by a dollar. This means, the ITF does not increase the income to the aged care facility but rather just sets the balance of how the cost of care is split between the government and the resident.

Residents who receive a full means-tested pension from Centrelink/DVA will not pay an ITF. It is only paid by residents who have assessable income (private income assessed under normal Centrelink/DVA income test rules plus any Centrelink/DVA income support received less the minimum pension supplement amount) above the relevant threshold.

The government sets a maximium for the ITF ($70.74 per day from **20 March 2013**) but the fee paid by any resident cannot exceed the subsidy that the government would otherwise pay towards that resident's cost of care.

3. Extra-service fee

Residents who accept an extra-service place will be charged an additional extra-service daily fee by the facility. The facility needs government approval to be classified as extra-service and the fee relates to extra services such as a higher standard of accommodation, choice of meals, glass of wine/beer with meals, newspapers etc. Details of services are outlined in the Resident Agreement.

4. Accommodation bond

If the resident's assets exceed $43,000 (from **20 March 2013**), the aged care facility can charge an accommodation bond upon entry. The facility can set the amount of bond based on commercial and market factors but the resident must be left with at least $43,000 in assessable assets after paying the bond.

The facility can deduct and keep a "retention amount" each month for the first 60 months (five years). The retention amount is fixed for a resident at the applicable rate when they enter the facility. For entry between **1 July 2012** and **30 June 2013**, the retention amount is set at $323.00 per month. The balance of the bond is refunded to the resident or estate upon departure. Bonds of less than $38,760 will have a lower retention amount.

The bond can be paid as a lump sum or as regular periodic payments (or combination). The resident is liable to pay interest on any bond outstanding. The maximum interest rate is set by the government each quarter based on market interest rates. The current rate is 7.24% (for entry from 1 January 2013 to 31 March 2013). It will reduce to 6.95% for entry between 1 April 2013 and 30 June 2013.

Accommodation bond - thresholds and charges

People moving into a low-care facility (or high-care extra-service) must be left with at least $43,000 in assessable assets after paying the accommodation bond (entry fee). This threshold applies for residents entering from **20 March 2013:**

Asset cut-off level to be classified as:

Fully supported resident	$43,000
Partially supported resident	$112,243.20

Assessment of assets

The rules for calculating assessable assets for determining the amount of bond payable are the same rules that apply for the Centrelink/DVA assets test (including gifting rules) with the following exceptions:

- complying income streams purchased before 20 September 2009 are 100% exempt (Centrelink may only apply a 50% exemption for some)
- the former home is an assessable asset unless the resident's spouse or other eligible person* still lives there, and
- superannuation that is unrestricted non-preserved (ie. accessible) is assessed even under age pension age.

**An eligible person is a dependant child, carer who has lived in the house for at least 2 years and qualifies to receive Centrelink/DVA income support or a close family member who has lived in the house for at least 5 years and qualifies to receive Centrelink/DVA income support.*

Bond retention amounts

The aged care facility can deduct a retention amount from the bond for each of the first 60 months (five years). The amount that can be deducted is fixed as the applicable rate at entry.

For residents entering care:	For bonds of at least:	Maximum monthly retention:
1 July 2012 - 30 June 2013	$38,760	$323.00
1 July 2011 – 30 June 2012	$38,160	$318.00
1 July 2010 - 30 June 2011	$36,900	$307.50
1 July 2009 - 30 June 2010	$35,880	$299.00
1 July 2008 - 30 June 2009	$35,040	$292.00
1 July 2007 - 30 June 2008	$33,600	$280.00
1 July 2006 - 30 June 2007	$32,820	$273.50
1 July 2005 - 30 June 2006	$31,860	$265.50
1 July 2004 - 30 June 2005	$31,140	$259.50
1 July 2003 - 30 June 2004	$30,540	$254.50
1 July 2002 - 30 June 2003	$29,520	$246.00
1 July 2001 - 30 June 2002	$28,680	$239.00
1 July 2000 - 30 June 2001	$27,060	$225.50
1 July 1999 - 30 June 2000	$26,320	$220.00

For residents entering care:	For bonds of at least:	Maximum monthly retention:
1 October 1997 - 30 June 1999	$26,000	$215.00

Interest rates for accommodation bonds

The bond is agreed when a person enters aged care. They need to sign a resident and bond agreement agreeing to the amount when they accept the offer of a bed.

However, it may take the resident a period of time to reorganise finances to pay the bond as a lump sum or they may choose to never pay the lump sum and instead pay periodic payments. The resident cannot be forced to pay the lump sum bond within the first six months. Payment of the lump sum is at the resident's discretion.

From the date of entry until the date the agreed bond is paid, interest is payable by the resident to the facility. The government sets the maximum rate based on market rates that approximate what the facilities would need to borrow at. This rate is reviewed each quarter but is fixed for each resident as the applicable rate at the time they entered the facility. This rate may be negotiated to a lower rate with the facility.

If the bond is outstanding, the retention amount may also be payable by the resident on a monthly basis in addition to the interest charge.

Rates for periodic payment - accommodation bonds

The current and historical rates for the interest on unpaid bonds is shown in the table below. The latest rate applies to new residents while the older rates may apply to existing residents.

Date of entry to aged care	Rate pa
1 April - 30 June 2013	**6.95%**
1 January - 31 March 2013	7.24%
1 October - 31 December 2012	7.62%
1 July - 30 September 2012	7.66%
1 April - 30 June 2012	8.37%
1 January 2012 - 31 March 2012	8.62%
1 October - 31 December 2011	8.86%
1 July - 30 September 2011	9.00%
1 April - 30 June 2011	8.92%
1 January - 31 March 2011	9.02%
1 October - 31 December 2010	8.74%
1 July - 30 September 2010	8.80%
1 April - 30 June 2010	8.16%
1 January - 31 March 2010	7.95%

Daily care fees - basic and income tested

Basic daily care fee

All residents will pay a basic daily care fee as a contribution towards the daily costs of care. The fee payable depends on the category that the resident falls into (ie. standard, phased, protected or non-standard).

The maximum fee is set by the Government and facilities cannot charge more than this amount. However, in some cases (such as higher bond negotiations) a facility may agree to reduce the fee. A reduced fee could also be approved by the government in hardship circumstances.

The same fee is payable regardless of whether the person moves into low-care or high-care. The fee is indexed every 20 March and 20 September and the higher fee applies to all existing and new residents.

Resident^	**Basic daily care fee (per day)** **(20 March 2013 onwards)**
Standard resident	$44.54
Protected resident	$40.61
Phased resident	$44.54
Non-standard resident	$50.57

^ Defined below.

These rates are set at 85% of the basic single rate of age pension (not including supplements). A one-off increase was made to the daily care rates to lift the percentage from 84% of the single pension to 85%. This was adjusted in response to the carbon tax compensation measures so that the Clean Energy compensation payments are shared between the resident and the aged care facility.

If a resident does not receive a pension from Centrelink/DVA or the Commonwealth Seniors Health Card they will not receive the Clean Energy bonuses. Instead, the aged care facility can receive a 50 cents per day supplement from the Government and reduce the fees for the resident by this amount.

Maximum daily income-tested fee (ITF)

Daily income tested fees are determined using social security income test rules.

Tip

Income test-friendly investments, such as funeral investments, can reduce the amount of income available for means testing, and accordingly, may reduce daily income-tested fees.

Residents with higher levels of income may also pay an ITF in addition to the basic daily care fee. For every dollar that the resident pays as an ITF the Government reduces the subsidy it pays to the facility by a dollar. The fee does not increase the income to the aged care facility but rather just sets the balance of how the cost of care is split between the government and the resident.

Residents who receive a full means-tested pension from Centrelink/DVA will not pay an ITF. It is only paid by residents who have assessed income (private income assessed under normal Centrelink/DVA income test rules plus any Centrelink/DVA income support received less the minimum pension supplement amount) above the relevant threshold

The Government sets a maximium for the ITF but the fee for any resident cannot exceed the subsidy that the government would pay towards that resident's cost of care. The resident's fee is reassessed each quarter based on changes to their financial circumstances (as advised to Centrelink/DVA) and threshold changes. The same fee is payable regardless of whether the person is in low-care or high-care.

Self-funded retirees can choose to submit details of their income and assets to Centrelink to have the amount of the fee payable assessed or if they do not wish to do this they will pay the maximum fee.

Maximum daily income-tested fee (from **20 March 2013**)	$70.74 per day

Thresholds for calculating income-tested fee

The income-tested fee is payable if the resident's assessable income (private income assessed using Centrelink/DVA income test rules plus Centrelink/DVA income support received less the minimum pension supplement) exceeds the thresholds below.

Situation	Single	Couple (each)
New residents (entered from 20/9/2009)		
- Standard residents	$914.10 pf	$896.10 pf
- Phased residents	$914.10 pf	$896.10 pf
Residents entered before 20/9/2009		
- Protected residents	$785.30 pf	$767.30 pf
- Non-standard residents	$914.10 pf	$896.10 pf
Formula to calculate income-tested fee (per day)	$\frac{(\text{Assessable income} - \text{Applicable threshold}) \times (5/12)}{14}$	

Definitions of residents

The rules for age pensions changed on 20 September 2009 and flowed through to aged care fees. This created four categories of residents. New residents are classified as either standard or phased residents. These gradually merging into the one category from 20 March 2013.

Residents already in aged care may fall into one of the four categories and you should check details for the individual resident.

Resident	Definition
Standard resident	All residents who do not fall into another category.
Protected resident	Residents who entered care before 20 September 2009 who at the time of entry were either: Part-pensioners with private income above threshold*, or

Resident	Definition
	Self-funded
Phased resident	Residents who entered care after 19 September 2009, who at the time of entry were either: Part-pensioners with private income above threshold*, or Self-funded
Non-standard resident	Residents who entered care prior to 20 March 2008 who at the time of entry were: Pensioners who agreed to pay a bond of $171,500 or more, or Chose not to disclose financial information to Centrelink

* Threshold is $404.00 pf for single person or $386.00 pf for a member of a couple (each)

Impact on Centrelink/DVA pensions (low-care)

The move to aged care will change the resident's financial situation and could impact the age pension payable due to changes under the income and/or assets tests. Centrelink/DVA need to be notified of the move.

Assets test:

If the former home is kept, the resident will remain a homeowner and the home is an exempt asset for the first two years from the date of entering the aged care facility. If the person was a member of a couple and the spouse remained in the home the two years starts from the date the spouse passes away or moves out.

The exemption period can be extended indefinitely (ie beyond the two years) if:

- the resident's spouse and/or dependant child still lives there, or
- the home is rented and all or some of the accommodation bond was paid as a periodic interest payments instead of fully as a lump sum.

If the former home is sold, the resident immediately becomes a non-homeowner and the net sale proceeds are an assessable asset depending on how the proceeds are used or invested.

The accommodation bond is an exempt asset.

Income test:

The accommodation bond is not a financial asset and no income is deemed from it.

If the former home is rented and all or some of the accommodation bond was paid as periodic interest payments (instead of fully as a lump sum) the rental income is not assessable income. However, if the full accommodation bond was paid as a lump sum the net taxable rental income is assessable and will be included in the Centrelink/DVA income test.

Maximum pension payment:

The maximum pension is the single rate of pension regardless of whether the resident is single or a member of a couple (illness-separated couple). Means testing is still applied using the couple thresholds and reduction rates, but the higher rate of pension will increase the cut-off thresholds.

Taxation implications

Medical expense tax offset

The medical expense offset can reduce tax for people with high medical expenses.

A person who has out of pocket medical expenses (ie eligible expenses paid less any refunds from Medicare or a private health insurer) above the relevant threshold for the financial year can claim a tax offset in their tax return. The tax offset applies to the amount of expenses over the relevant threshold.

From 1 July 2012, there are proposed changes to the net medical expenses tax offset which mean the offset only applies at a higher level of medical expenses, with a lower rate of offset. The threshold is based on the Medicare Levy Surcharge (MLS) income threshold. However, this change is not law yet.

	ATI^ less than MLS threshold*	ATI^ over MLS threshold*
Expense threshold	$2,120 (indexed)	$5,000
Offset rate	20%	10%

^ Adjusted taxable income (ATI) is taxable income plus reportable fringe benefits, reportable super contributions, net investment losses and exempt foreign income.

* MLS threshold for 2012/13 is $84,000 for a single person and $168,000 for a couple combined.

There is no upper limit on the offset.

For residents in aged care facilities, most of the payments to a residential aged care facility (**not a retirement village**) will count as eligible medical expenses. These include:

- Basic daily care fee
- Income-tested daily care fee
- Bond retention amount
- Periodic payments of bond
- Accommodation charge (high-level care)
- Extra-service fees
- Lump sum payments of accommodation bonds, and interest on reverse mortgages to fund an accommodation bond do not qualify for the tax offset.

Rental income from former home

If the former home is rented, the rental income received is taxable income under normal property investment rules, even if it is exempt income for Centrelink/DVA purposes.

CGT implications on the former home

If the former home of the aged care resident is sold within 6 years of the resident leaving the home, there is generally no CGT payable. For further information please contact us.

High-care aged care (formerly nursing homes)

Note

This section has rate sensitive data that changes every 20 March, 1 July and 20 September in line with changes to the age pension and Consumer Price Index. Always check the latest update details to ensure you have the current data.

People who are elderly, ill or frail may need to move into residential aged care. This can either be low-care or high-care depending on the needs of the resident and the assessment made by an Aged Care Assessment Team (ACAT).

The level of care reflects the amount of assistance needed, with high-level care meaning residents need more intensive care - ie. they may not be highly mobile and need constant nursing care.

Fees and charges (high care)

There are four categories of fees and charges for a government-subsidised high-care residential aged care facility.

1. Basic daily care fee

All residents will pay a basic daily care fee as a contribution towards the daily costs of care. The fee payable depends on the category that the resident falls into (ie. standard, phased, protected or non-standard). The same fee is payable regardless of whether the person moves into low-care or high-care.

The maximum fee is set by the government and the facility cannot charge more than this amount. However, in some cases (such as higher bond negotiations) a facility may agree to reduce the fee. A reduced fee could also be approved by the government in hardship circumstances.

Residents who enter on or after 20 September 2009 pay a basic daily care fee at either the:

- Standard resident rate
- Phased resident rate

The phased resident rate applies to people who enter care on or after 20 September 2009 who are part-pensioners with assessable private income above $404.00 per fortnight for a single person or self-funded. Each time indexation applies, this rate will increase by more than the standard rate. As of 20 March 2013, the two rates are the same.

The standard rate is set at 85% of the annual single basic age pension (not including supplements) and is indexed on 20 September and 20 March. The indexed rates apply to all residents – existing and new.

Residents who entered aged care before 20 September 2009 and are either part-pensioners with assessable private income above a threshold or self-funded are called protected residents. They will pay a lower daily care rate for the duration of their residency.

Residents who entered aged care before 20 March 2008 and are self-funded or pensioners who paid a high level bond or who chose not to disclose their financial circumstances, pay the non-standard resident fee.

2. Income-tested daily care fee (ITF)

Residents with higher levels of assessable income may pay an ITF in addition to the basic daily care fee. For every dollar that the resident pays as an ITF the government reduces the subsidy it pays to the facility by a dollar. This means, the ITF does not increase the income to the aged care facility but rather just sets the balance of how the cost of care is split between the government and the resident.

Residents who receive a full means-tested pension from Centrelink/DVA will not pay an ITF. It is only paid by residents who have assessable income (private income assessed under normal Centrelink/DVA income test rules plus any Centrelink/DVA income support received less the minimum pension supplement amount) above the relevant threshold.

The government sets a maximium for the ITF ($70.74 per day from **20 March 2013**) but the fee paid by any resident cannot exceed the subsidy that the government would otherwise pay towards that resident's cost of care.

3. Extra-service fee

Residents who accept an extra-service place will be charged an additional extra-service daily fee by the facility. The facility needs government approval to be classified as extra-service and the fee relates to extra services such as a higher standard of accommodation, choice of meals, glass of wine/beer with meals, newspapers etc. Details of services are outlined in the Resident Agreement.

4. Accommodation charge

If the resident's assets exceed $43,000 (from **20 March 2013**) at the time of entry, the aged care facility can charge a daily accommodation charge. This is payable in addition to the daily care fees (basic and ITF) and extra-service fees (if applicable). If the person accepts an extra-service high-care place they may be asked to pay an accommodation bond instead of an accommodation charge (not both). Refer to the discussion on bonds in the low-care section.

The accommodation charge is payable every day* that the resident lives in the facility at a rate up to $33.29 per day (from **20 March 2013**). If assets are less than $112,243.20 at the time of entry, a lower rate may be payable. The charge payable is fixed from the date of entry at the applicable rate.

* Note: residents who entered care before 1 July 2004 only pay the charge for the first five years.

Reform of aged care

After an eight month wait, the Government has released its view on reforms for the aged care sector in a paper titled *Living Longer Living Better*.

http://www.health.gov.au/internet/main/publishing.nsf/Content/ageing-aged-care-review-measures-living.htm

http://www.livinglongerlivingbetter.gov.au/

This follows the Productivity Commission report released in August 2011. Many of the Productivity Commission proposals have been adopted, with some of the more unpalatable measures such as changes to the means testing of homes and the removal of Centrelink exemptions on bonds being rejected.

The *Living Longer Living Better* paper proposes major changes to the funding and structure of aged care. Retirees will gain access to a wider choice of services both at home and in residential care facilities. Distinctions between low and high care will be removed and the fee structures will be more aligned. But part-pensioners and self-funded retirees may end up paying higher fees.

Extra funding may be provided to aged care providers and facilities in some circumstances but they will need to improve efficiencies and become more competitive, particularly as the ability to negotiate high bonds may be diminished. Regulations on setting bond levels and the conversion into regular periodic payments are set to increase.

Some of the major changes proposed by the government include:

- Increased options to help retirees receive care in their own homes
- Increased means testing of care fees and lifetime caps
- Bond levels will need to be approved and retention amounts will not apply
- Removal of distinction between low care and high care and changes to service packages
- Initiatives to increase the aged care workforce and care delivery improvements
- Support for consumers and research.

Out of all the changes, one thing is clear – the importance of financial planning is heightened. Retirees and their families will need advice to help navigate through a difficult and confusing system. They should plan ahead to ensure they can afford the desired level of care and to take advantage of any strategic opportunities still remaining.