

DEPARTMENT OF SOCIAL SERVICES

INFORMATION BOOKLET ON FEES
FOR HOME CARE PACKAGES AND
RESIDENTIAL AGED CARE FOR PEOPLE
ENTERING CARE FROM 1 JULY 2014

CURRENT AS AT MAY 2014

Table of Contents

1. Purpose
2. Introduction
3. Some New Terminology
4. Home Care Packages
 - 4.1 What Are Home Care Packages?
 - 4.2 What do the changes mean for consumers?
 - 4.3 Annual and lifetime caps
 - 4.4 What if consumers can't afford to pay?
 - 4.5 Step by step examples
5. Residential Care
 - 5.1 What is residential care?
 - 5.2 What do the changes mean for residents?
 - 5.3 Annual and lifetime caps
 - 5.4 Types of fees payable by income and asset levels
 - 5.5 What if aged care residents can't afford to pay?
 - 5.6 Leaving and changing care
 - 5.7 What if people are already in an aged care home?
 - 5.8 Step by step examples

PURPOSE

This booklet provides information on the fee arrangements for Home Care Packages and Residential Aged Care for people entering care from 1 July 2014, including some examples of how fees will be calculated under the new arrangements.

The booklet does not cover services provided by the Home and Community Care (HACC) programme – which is different to the Home Care Packages programme.

Rates and amounts shown in this booklet were correct at the time of publishing May 2014. A schedule of fees and charges (updated regularly to reflect any changes in rates and thresholds) is at the [department website](#).

My Aged Care

The [My Aged Care website](#) at www.myagedcare.gov.au, provides information about aged care and aged care services. It includes information about fee arrangements for aged care.

The website enables searching for aged care homes and services in a particular region and details of an aged care home's published accommodation prices.

Or, to talk to someone about the new arrangements, or receive an estimate of fees call 1800 200 422.

Fact Sheets

Fact sheets about aged care can be downloaded from the [Department of Social Services website](#) and the [My Aged Care website](#).

These provide an overview of the fee arrangements, as well as some simple examples. They also have details about the new aged care arrangements that begin on 1 July 2014.

What if people are already in care on 1 July 2014

These changes will only apply to people entering aged care from 1 July 2014. If you are already in an aged care home, or receiving a home care package, they will continue under current arrangements.

The new arrangements and payment options will apply if people leave their residential aged care home, or home care package, for 28 days or more, then re-enter care.

Residents can also choose to opt in to the new arrangements if changing aged care homes.

If consumers are already receiving a Home Care Package, they will not be asked to pay the new fees while they continue to receive Home Care, even if they change to a new package at a different level.

If consumers leave Home Care and enter an aged care home, these new arrangements will apply and fees and charges that may be payable will depend on both income and assets.

2. Introduction

The Australian Government pays for the bulk of aged care services in Australia through subsidies paid to aged care providers.

Consumers may be asked to contribute to costs if they are financially able to do so. Help is available if people cannot afford to pay for care and accommodation costs. Consumers will never be denied access to care if they cannot afford to pay the fees.

The fees which you may be asked to pay are:

Home Care Packages

People receiving a home care package can be asked to pay:

- *A basic fee* – which all consumers receiving a home care package can be asked to pay.
- *An income tested care fee* – an extra contribution toward the cost of care that consumers people may need to pay, on top of basic fee – depending on assessable income. The Department of Human Services (Centrelink) will assess whether consumers need to pay this fee and how much.

These are explained in more detail on page 7.

Residential care

People moving into an aged care home can be asked to pay:

- *A basic fee* – paid by all people who receive residential care. For some people, this is the only fee they may need to pay.
- *A means tested care fee* - an extra contribution towards the cost of care that residents may need to pay, on top of the basic fee, depending on income and assets.
- *An accommodation payment* - a payment for accommodation in an aged care home. Some people will have their accommodation costs paid in full or in part by the Australian Government. Others will need to pay the accommodation price they negotiate with their aged care home.
- *Fees for extra or additional optional services* – an extra payment residents can be asked to pay if a higher standard of accommodation is chosen or additional services such as hairdressing, or pay TV in rooms is elected.

More information on these fees can be found on page 14.

3. Some new terminology

From 1 July 2014, people who move into an aged care home for the first time will hear some new terms about the ways accommodation costs can be paid.

Refundable Accommodation Deposit (RAD) – a lump sum payment for accommodation in an aged care home. This is the price of a room, in lump sum form, that residents have agreed with their aged care home to pay. Residents can pay their accommodation price in full by RAD or they can pay via combination of a smaller RAD and Daily Accommodation Payment (DAP) or they can pay in full by DAP.

If the residents and their aged care home agree, the resident can ask their provider to deduct certain amounts from the lump sum they already paid – for example for care fees. The RAD, minus any amounts deducted (as agreed), is refunded when the residents leaves the aged care home.

Daily Accommodation Payment (DAP) – the daily payment for accommodation in an aged care home. The aged care facility will work out the DAP based on a legislated formula that converts the RAD price to a DAP price. The resident makes this payment on a regular basis, up to a month in advance, similar to paying rent.

The DAP is not refunded when the resident leaves the aged care home or decides to pay a RAD.

The resident can choose to pay a combination of a RAD and a DAP for their accommodation costs.

Refundable Accommodation Contribution (RAC) – also a lump sum payment for accommodation in an aged care home, just like a RAD. The difference between a RAC and a RAD is that a RAC is the term used when a person who is receiving Australian Government assistance with their accommodation costs makes a ‘contribution’ towards their accommodation costs (with the Australian Government also making a contribution on their behalf).

RAD is the term used when the person making the lump sum payment is not eligible for Australian Government assistance and is meeting the full costs of their accommodation on their own. The RAC, minus any amounts deducted (as agreed) is refunded when the residents leaves the aged care home – just like a RAD.

Daily Accommodation Contribution (DAC) – the daily contribution for accommodation in an aged care home that residents would need to pay, if they also receive Australian Government assistance with their accommodation costs. Residents make this contribution on a regular basis, up to a month in advance, similar to contributing to rent.

The DAC is not refunded when the resident leaves the aged care home or decides to pay a RAC.

Residents can choose to pay a combination of a RAC and a DAC for their accommodation costs.

4. Home care packages

4.1 What are Home Care Packages?

These combine several services tailored to meet the specific care needs of consumers. They can:

- help you to stay at home
- give choice and flexibility in the way people are given care and support.

The types of services provided under a Home Care Package will depend on the specific needs of consumers and will be coordinated for them by their home care provider. 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 hand rails in the shower, and transport to help residents with the shopping, visit the doctor or attend social activities;
- **Clinical care** – such as nursing, and other health support such as physiotherapy (exercise, mobility, strength and balance) and podiatry (foot care).

There are four levels of Home Care Packages – designed to give the care you needed:

Level 1 supports people with basic care needs

Level 2 supports people with low-level care needs

Level 3 supports people with intermediate care needs

Level 4 supports people with high-level care needs

If people are thinking about getting a Home Care Package, the first step is for them to organise a free assessment with an Aged Care Assessment Team (ACAT).

Local ACATs can be found at the [My Aged Care website](#), then by clicking on 'Find a Service', then by clicking on 'Assessment'. Or you can call My Aged Care on 1800 200 422 for help with being assessed.

In Victoria an ACAT is referred to as an Aged Care Assessment Service (ACAS).

4.2 What do the changes mean for consumers?

If someone is already receiving a Home Care Package, nothing will change for them from 1 July 2014.

People who start receiving a Home Care Package from 1 July 2014 can be asked to pay a basic fee and an income tested care fee. Whether or not an income tested care fee applies depends on a person's assessable income.

A basic fee – information is on page 5.

An income tested care fee – information is on page 5.

4.3 Annual and lifetime caps

These are limits on the amount of income tested care fees:

- Full pensioners pay no income tested care fees. They can be asked to pay a basic fee.
- For part-pensioners, and people with equivalent incomes, income tested fees are capped at \$5,000 a year. These are people with income between \$24,731.20 and \$47,881.60. They can be asked to pay both a basic fee and an income tested care fee.
- Self-funded retirees have an income tested fee capped at \$10,000 a year. These are people whose income is higher than \$47,881.60. They can be asked to pay both a basic fee and an income tested care fee.

The annual caps are built into the calculation made by the Department of Human Services of the daily amount of income tested fees consumers can be asked to pay to ensure they don't exceed these caps. Although these thresholds are tied to the pension thresholds, the person does not have to be a pensioner for them to apply.

There is also a lifetime cap for income tested care fees. Consumers can only be asked to pay the income tested care fee up to a total of \$60,000.

Once this cap is reached consumers no longer need to pay any income tested fee. The Australian Government will pay this fee on their behalf.

The Department of Human Services (DHS) will let the consumer and their provider know when the consumer reached one of these caps. The caps only apply to income tested care fees (and means tested care fees in residential care). Consumers may still need to pay the relevant basic fee and any accommodation costs in residential care.

4.4 What if consumers can't afford to pay?

The Australian Government recognises that not everyone can afford to pay care fees.

If a person cannot afford to pay for aged care, they can still receive the care needed.

More information about applying for hardship assistance is on the [Department of Social Services website](#).

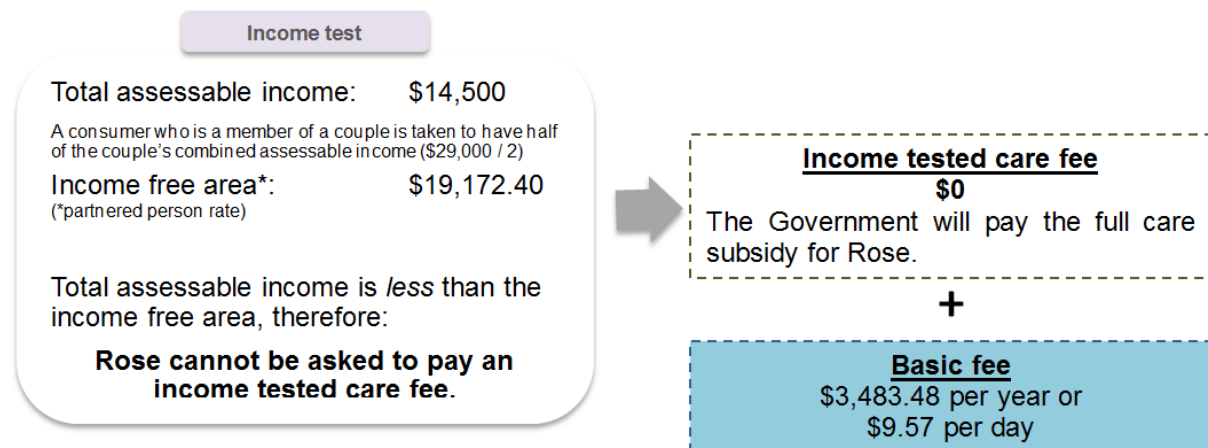
The follow are some examples of how fees will be calculated after 1 July 2014.

All rates and thresholds used in the following examples are current as at 20 March 2014

4.5 Step by step examples

Home care example 1 - Rose

Rose lives with her husband, Robert, and will start to receive home care from 1 November 2014. Rose and Robert have a combined annual income of \$29,000.



Assumptions

The income free area for a married person is \$19,172.40

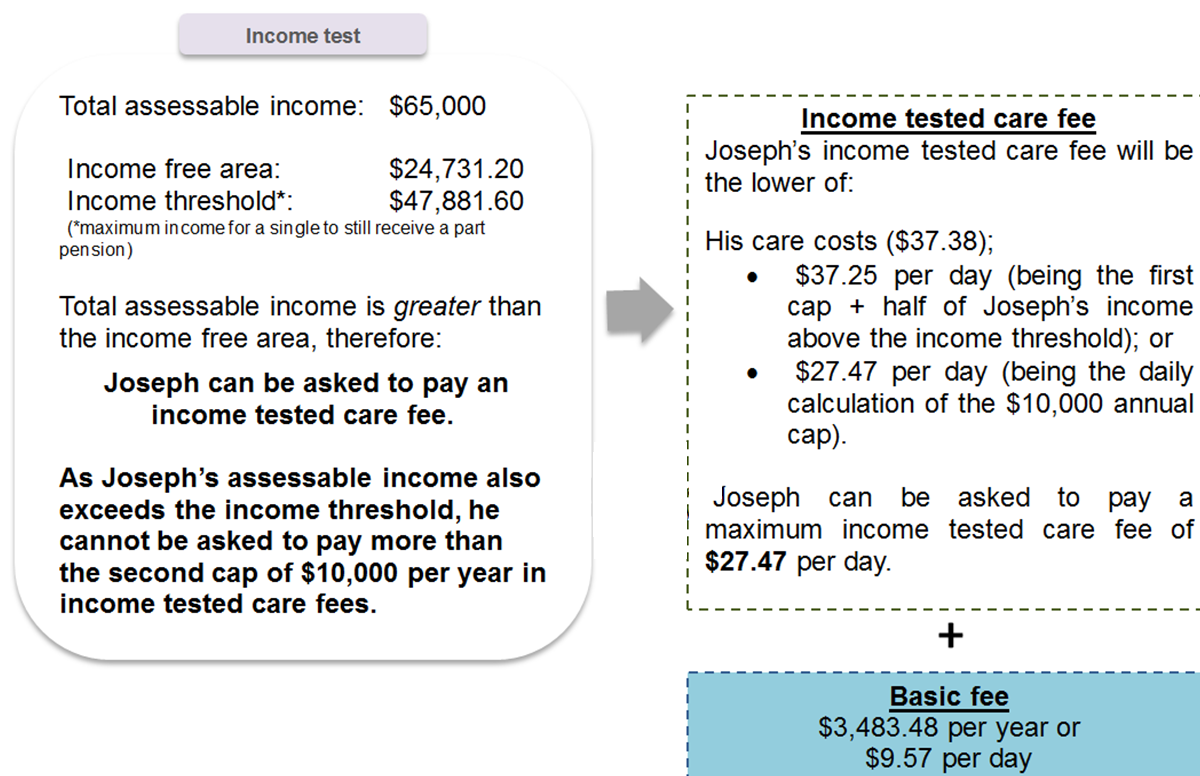
Rose's contribution to her care is calculated as follows:

- Step 1: A consumer who is a member of a couple is taken to have half of the couple's combined assessable income. Rose's total assessable income is $(\$29,000/2) = \$14,500$.
- Step 2 & 3: Rose's income free area is \$19,172.40 per annum, which is half of the income free area for a couple. As Rose's total assessable income does not exceed the income free area (ie $\$14,500 < \$19,172.40$), Rose cannot be asked to pay an income tested care fee. Rose can only be asked to pay the basic fee. The Australian Government will pay the rest of the cost of her care.

Note: The basic fee is calculated at 17.5 per cent of the of the basic age pension (\$3,483 per year as at March 2014 rates). The basic fee is payable irrespective of a person's means.

Home care example 2 - Joseph

Joseph lives alone. He will begin to receive Home Care from 29 September 2014. The cost of his Home Care Package (basic subsidy plus any supplements) is \$37.38 per day. His annual assessable income is \$65,000.



Assumptions

The income free area for a single person is \$24,731.20

The income threshold for a single is \$47,881.60

The first cap is \$13.74 (being the daily calculation of a \$5,000 annual cap)

The second cap is \$27.47 (being the daily calculation of a \$10,000 annual cap)

Joseph's contribution to his care is calculated as follows:

Step 1: Joseph's total assessable income is \$65,000 per annum.

Step 2: Joseph's total assessable income free area is \$24,731.20 per annum.

Step 3: As Joseph's income is more than the income free area, Joseph can be asked to pay an income tested care fee and the amount the Government pays for his care will be reduced accordingly.

Step 4: Note that Joseph's total assessable income exceeds the income threshold (ie \$65,000 > \$47,881.60), so the second cap of \$10,000 per year in income tested care fees will apply.

Step 5: This step calculates Joseph's income tested care fee. It will be the lower of:

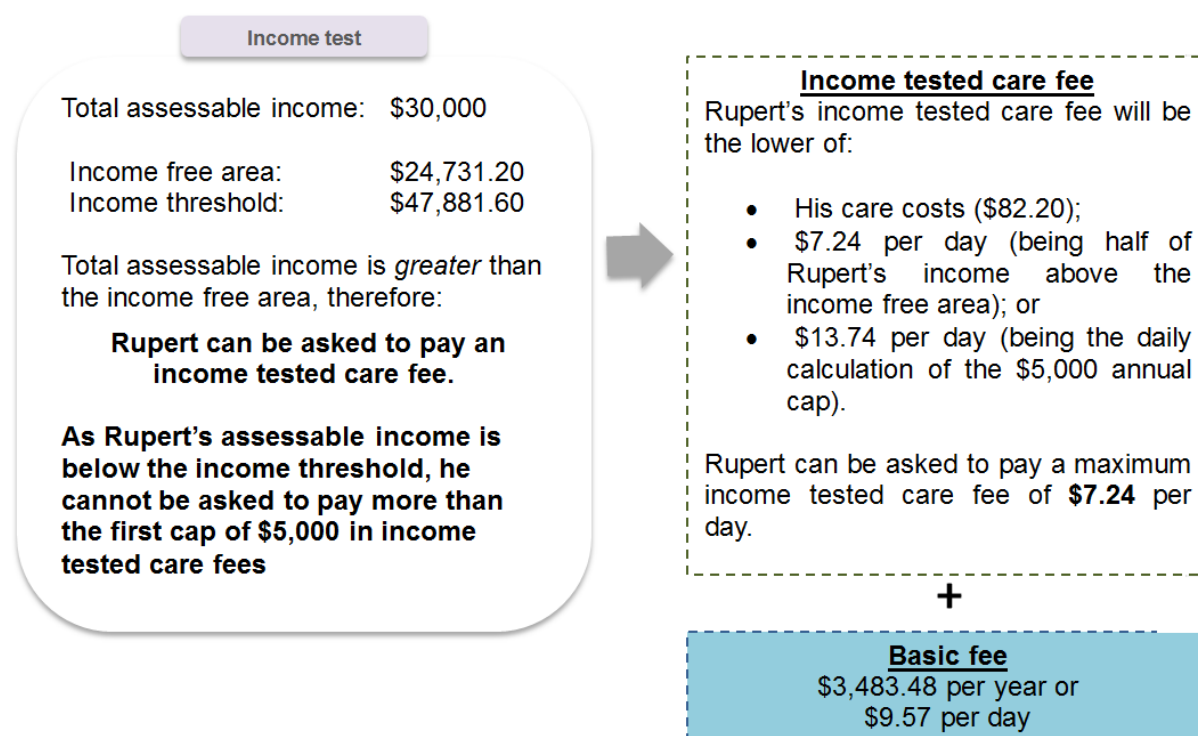
- the basic subsidy plus primary supplements, that is \$37.38 per day
- or
- the first cap plus half of Joseph's income above the threshold (worked out on a per day basis). That is, $\$13.74 + 0.5 \times [(\$65,000 - \$47,881.60)/364] = \37.25 per day
- or
- \$27.47 per day (the second cap).

The lowest of these three amounts is the second cap, so the maximum Joseph can be asked to pay in income tested care fees is \$27.47 per day. Joseph's provider can also charge him the basic fee. This is calculated at 17.5 per cent of the basic age pension (\$3,483 per year as at March 2014 rates).

The Australian Government will pay \$9.91 per day, which is the difference between Joseph's actual care costs and Joseph's contribution/

Home care example 3 - Rupert

Rupert lives with his daughter and will start to receive home care from 13 December 2014. The cost of his Home Care Package (basic subsidy plus any supplements) is \$82.20 per day, on top of the basic fee. His annual assessable income is \$30,000.



Assumptions

The income free area for a single person is \$24,731.20

The income threshold for a single is \$47,881.60

The first cap is \$13.74 (being the daily calculation of a \$5,000 annual cap)

The second cap is \$27.47 (being the daily calculation of a \$10,000 annual cap)

Rupert's contribution to his care is calculated as follows:

Step 1: Rupert's total assessable income is \$30,000 per annum.

Step 2: Rupert's total assessable income free area is \$24,731.20 per annum.

Step 3: As Rupert's income is more than the income free area, Rupert can be asked to pay an income tested care fee and there will be a care subsidy reduction.

Step 4: Note that Rupert's total assessable income exceeds the income free area (ie $\$30,000 > \$24,731.20$) but not the income threshold (ie $\$30,000 < \$47,881.60$), so the first cap of \$5,000 per year in income tested care fees will apply. The income tested care fee is equal to the lower of:

- the basic subsidy plus primary supplements, that is \$82.20 per day

or

- half of Rupert's income above the income free area (worked out on a per day basis). That is, $0.5 \times [(\$30,000 - \$24,731.20)/364] = \$7.24$ per day

or

- \$13.74 per day (the first cap).

The lowest of these three amounts is half of Rupert's income above the income free area (expressed as a daily amount), so the maximum Rupert can be asked to pay in income tested care fees is \$7.24 per day. Rupert's provider can also charge him the basic fee. This is calculated at 17.5% of the basic age pension (\$3,483 per year as at March 2014 rates)

The Government will pay \$74.96 per day, which is the difference between Rupert's actual care costs and Rupert's contribution.

5. Residential Care

5.1 What is residential care?

Aged care homes are owned and run by organisations approved by the Australian Government. The aged care system in Australia aims to make sure that all older people can receive support and quality care when they need it.

Staff at aged care homes can help with: day-to-day tasks (such as cleaning, cooking, laundry); personal care (such as dressing, grooming, going to the toilet); or 24 hour nursing care (such as wound care or catheter care).

If people are thinking about moving into an aged care home the first step is for them to organise a free assessment with an Aged Care Assessment Team (ACAT). Local ACATs can be found at the [My Aged Care website](#), then click on 'Find a Service' then by clicking on 'Assessment'. Or people can call My Aged Care on 1800 200 422 for help in locating an ACAT.

In Victoria an ACAT is referred to as an Aged Care Assessment Service (ACAS).

5.2 What do the changes mean for me?

If people move into an aged care home from 1 July 2014 you can be asked to pay a basic fee, a means tested care fee based on assets and income, an accommodation payment, and/or fees for extra or additional (optional) services.

- *A basic fee* – paid by all people who receive residential care. For some people, this is the only fee they may need to pay.
- *A means tested care fee* - an extra contribution towards the cost of care that residents may need to pay, on top of the basic fee, depending on income and assets.
- *An accommodation payment* - a payment for accommodation in an aged care home. Some people will have their accommodation costs paid in full, or in part, by the Australian Government. Others will need to pay the accommodation price they negotiate with their aged care home.
- *Fees for extra or additional optional services* – an extra payment residents can be asked to pay if a higher standard of accommodation is chosen or get additional services such as hairdressing or pay TV in rooms is elected.

5.3 Annual and Lifetime Caps

Annual and lifetime caps have been set to limit how much a person will need to pay in means tested care fees.

The annual cap is \$25,000. Once a resident reaches the annual cap, they will no longer have to pay any means tested care fee until the next anniversary of the date they first entered the aged. The Australian Government will pay for means tested care fees until the next anniversary.

The Department of Human Services (DHS) will let you and your provider know when the annual cap has been reached.

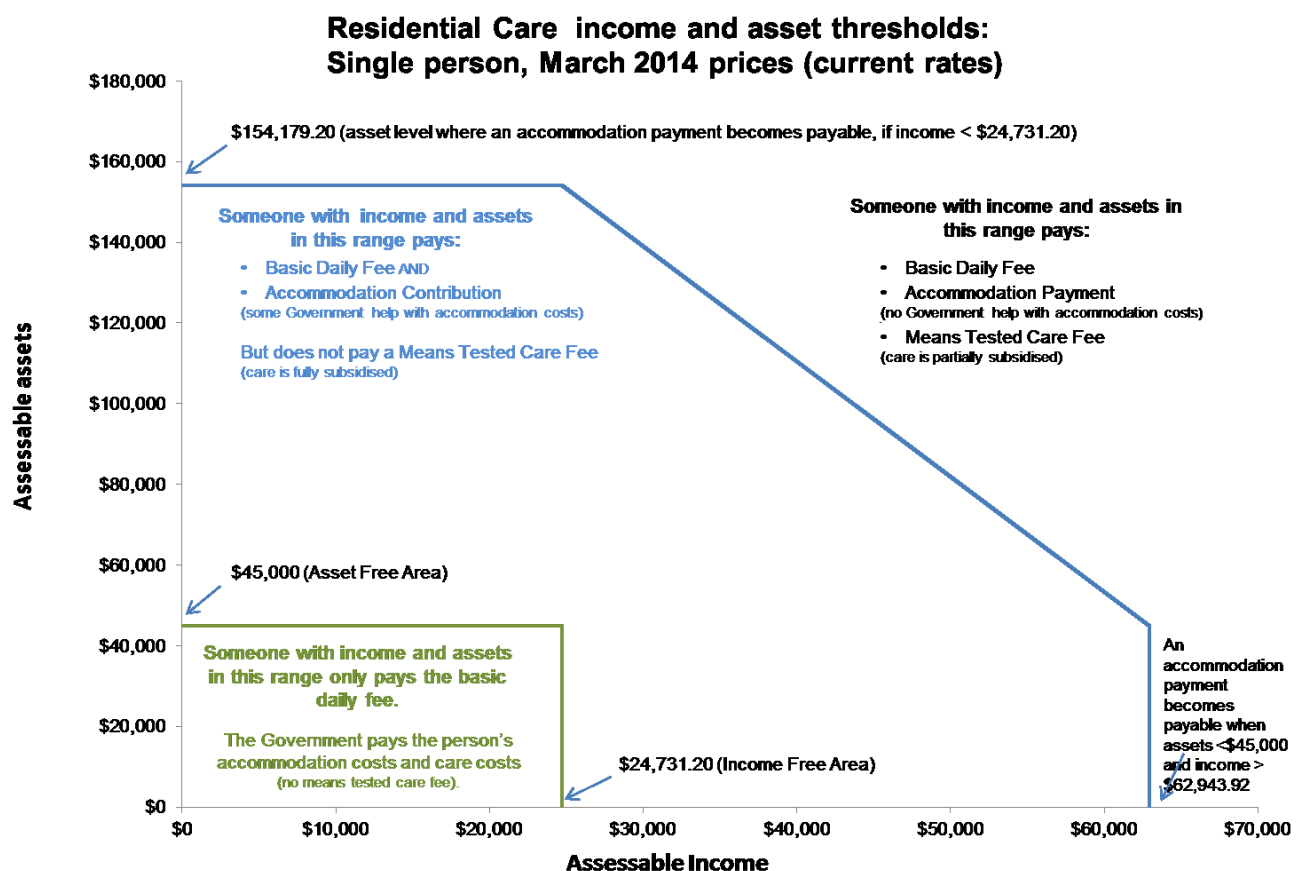
The lifetime cap is \$60,000. Once a resident reaches the lifetime cap they will no longer have to pay any means tested care fees. The Government will pay for your care costs.

If a resident was paying an income tested care fee for a Home Care Package before they moved into an aged care home, the amount they have paid in income tested care fees will count towards their lifetime cap.

The caps only apply to means tested care fees in residential care and any income tested care fees in home care paid. Residents may still need to pay the basic fee and any accommodation costs.

5.4 Types of fees payable by income and asset levels

The diagram below gives an overview of the types of fees payable at different income and asset levels for a single person moving into an aged care home from 1 July 2014.



5.5 What if aged care residents can't afford to pay?

The Australian Government recognises that not everyone can afford to pay accommodation and care fees.

If residents can't afford to pay there are hardship provisions in place to ensure that they still receive the accommodation and care needed. For more information about applying for hardship assistance visit the [Department of Social Services website](http://www.dss.gov.au) www.dss.gov.au.

5.6 Leave and changing care

When residents move into an aged care home you can still go on a holiday or visit family and friends. You have 52 nights of what is known as approved 'social leave' each financial year.

While on social leave, the Government will continue to pay any subsidies to the aged care home. If residents are away for longer than the approved 52 nights, the Australian Government will no longer pay subsidies to the aged care home and the resident may be asked to make up the costs of their home. If you need to go to hospital, the time away won't count towards their social leave.

If residents leave their aged care home or move between homes, with a break of more than 28 days out of care (not on social or hospital leave), they will be treated as if entering care for the first time. This means residents will need to agree to new arrangements with their aged care home.

5.7 What if I'm already in an aged care home?

If people are already in an aged care home on 30 June 2014, these changes will not apply. They will continue to receive the same care from 1 July 2014 as they do now and under the same fee arrangements.

If residents were in care on 30 June 2014 and decide to transfer to a new aged care home from 1 July 2014, they will have the option of being assessed under the new arrangements or staying on their current arrangements.

If residents decide to move from one facility to another and they have paid an accommodation bond, the bond may carry over to the new facility if the new facility agrees.

The new financial arrangements will apply to you if:

- residents leave your aged care home for more than 28 days and then re-enter an aged care home
- or
- residents change the type of care they receive, such as leaving a Home Care Package and moving into an aged care home.

If residents are already in an aged care home, on 30 June 2014, and they need to go into hospital for more than 28 days – nothing will change if this is approved leave. When they return to their aged care home they will still be on their current arrangements.

All existing high and low levels of permanent residential care places will become general residential care places on 1 July 2014. This will not change the amount residents are already paying for their care and their provider will not be able to charge them more.

All people moving into an aged care home must be offered a resident agreement with their provider. This agreement covers things like services, fees, and rights and responsibilities. It is a legal agreement between the resident and their aged care home.

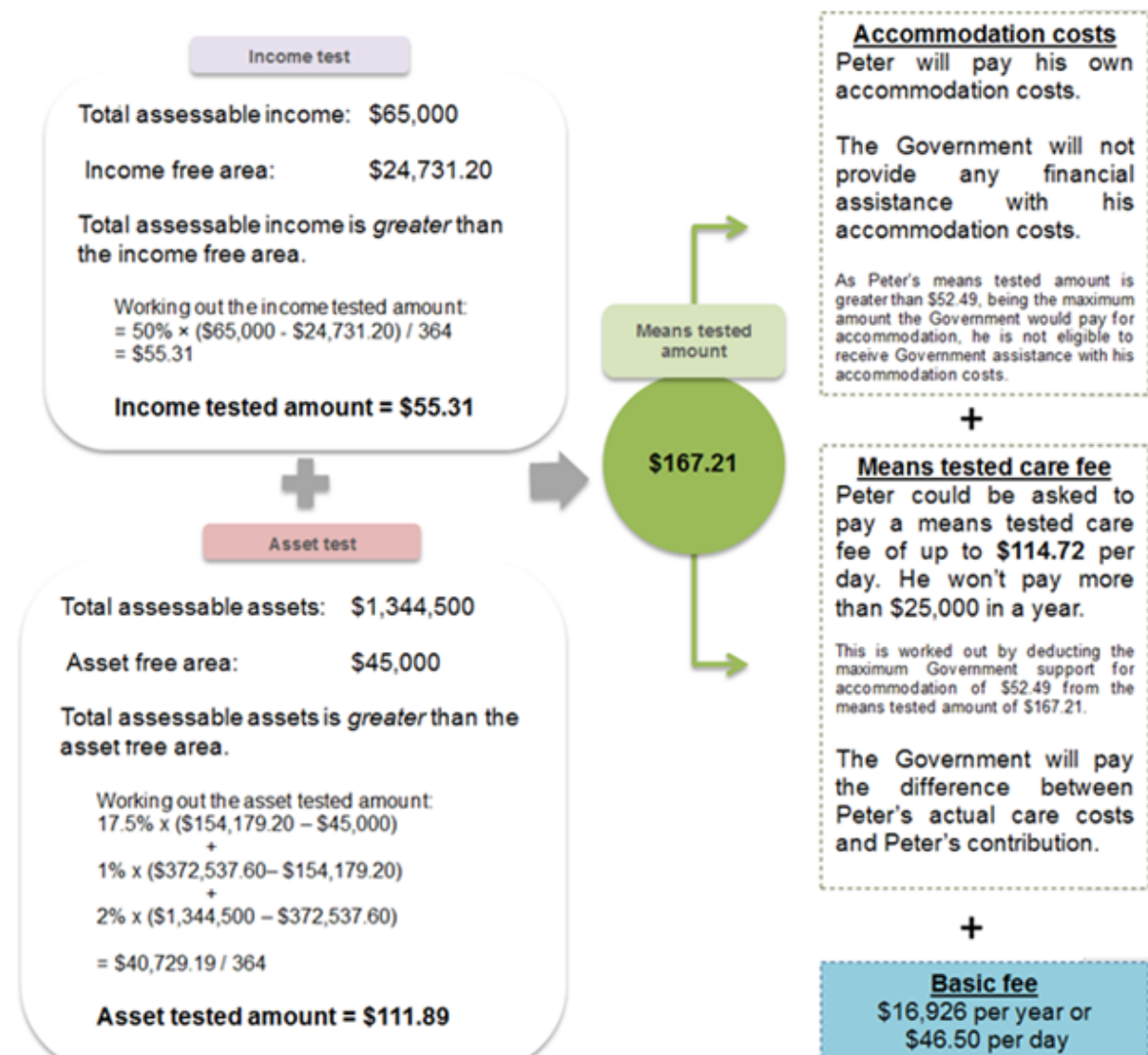
The following are some examples of how fees will be calculated after 1 July 2014.

All rates and thresholds used in the following examples were current at 20 March 2014.

5.8 Step-by-step examples

Residential care example 1 - Peter

Peter is entering a residential care facility on 10 July 2014. Peter's assets are \$1,344,500, which includes the capped value of Peter's former principal residence (\$154,179 at March 2014 rates). Peter's annual assessable income is \$65,000.



Assumptions

The income free area is \$24,731.20

The asset free area is \$45,000

The first asset threshold is \$154,179.20

The second asset threshold is \$372,537.60

The maximum accommodation supplement is \$52.49 per day

The annual cap is \$25,000

The value of the principal residence is capped at \$154,179. The principal residence is not considered an asset if occupied by a protected person, which includes, for example, a spouse.

Peter's contribution to his care is calculated as follows:**Working out the income tested amount**

Step 1: Peter's total assessable income is \$65,000 per annum.

Step 2: The income free area is \$24,731.20 per annum.

Step 3: Peter's total assessable income is above the income free area (ie \$65,000 > \$24,731.20). The excess is the difference between the two = \$40,268.80.

Step 4: The income tested amount is 50 per cent of this excess calculated on a daily basis.
 $= 0.5 \times \$40,268.80 / 364$
 $= \$20,134.40 / 364$
 $= \$55.31$ (rounded to the nearest cent).

Working out the asset tested amount

Step 5: Peter's assets are valued at \$1,344,500.

Step 6: Peter's assets exceed the asset free area which is \$45,000.

Steps 7 to 9: As Peter's assets exceed the second asset threshold (ie. \$1,344,500 > \$372,538), the asset tested amount is as follows:

$$\begin{aligned} &= 0.175 \times (\$154,179 - \$45,000) \\ &= \$19,106.33 \\ &+ \\ &= 0.01 \times (\$372,538 - \$154,179) \\ &= \$2,183.59 \\ &+ \\ &= 0.02 \times (\$1,344,500 - \$372,538) \\ &= \$19,439.24 \end{aligned}$$

Asset tested amount = \$40,729.16

Step 10: Peter's daily asset tested amount is $(\$40,729.16 / 364) = \111.89 .

Step 11: Peter's daily means tested amount is his income tested amount (\$55.31) plus his asset tested amount (\$111.89), which is \$167.21.

Calculating means tested care fee, if any

Step 12: The maximum accommodation supplement (\$52.49) is subtracted from the means tested amount (\$167.21). This equals \$114.72. As this amount is greater than zero, Peter could be asked to pay a means tested care fee of up to \$114.72 per day to contribute to his care costs.

The Government will pay the difference between Peter's actual care costs (subsidy and primary supplements) and Peter's contribution, if required.

However, Peter will pay no more than the amount the Government would pay for his care (subsidy and primary supplements). Furthermore the annual and lifetime caps will mean that Peter will pay no more than \$25,000 in means tested care fees in a year, or \$60,000 in his lifetime.

Peter's Accommodation Payment

As Peter's means tested amount is greater than the maximum accommodation supplement, he may be asked to pay an accommodation payment.

The amount of accommodation payment will be negotiated between Peter and the aged care provider, up to the published price for the room. The maximum price that a provider can publish/charge is \$550,000, unless the provider has first received approval from the Aged Care Pricing Commissioner.

If Peter agrees with the aged care provider a price of \$500,000 lump sum or \$90.82 per day daily payment for his room and enters the aged care home on 10 July 2014, he will have until 7 August 2014 to choose how to pay.

Peter can choose to either:

- (i) pay the entire \$500,000 as a lump sum (which the provider would hold while Peter is in residential care, and then refund the balance when he leaves)

or

- (ii) pay the current equivalent daily payment of \$90.82 per day (instead of the lump sum, which is not refunded)

or

- (iii) pay a combination of both refundable deposit and daily payments (the balance of the portion paid as a refundable deposit would be refunded when Peter leaves).

Peter chooses to pay by a combination of \$300,000 lump sum and the remaining amount as daily payments (which would equate to \$36.33 per day using the legislated formula). The

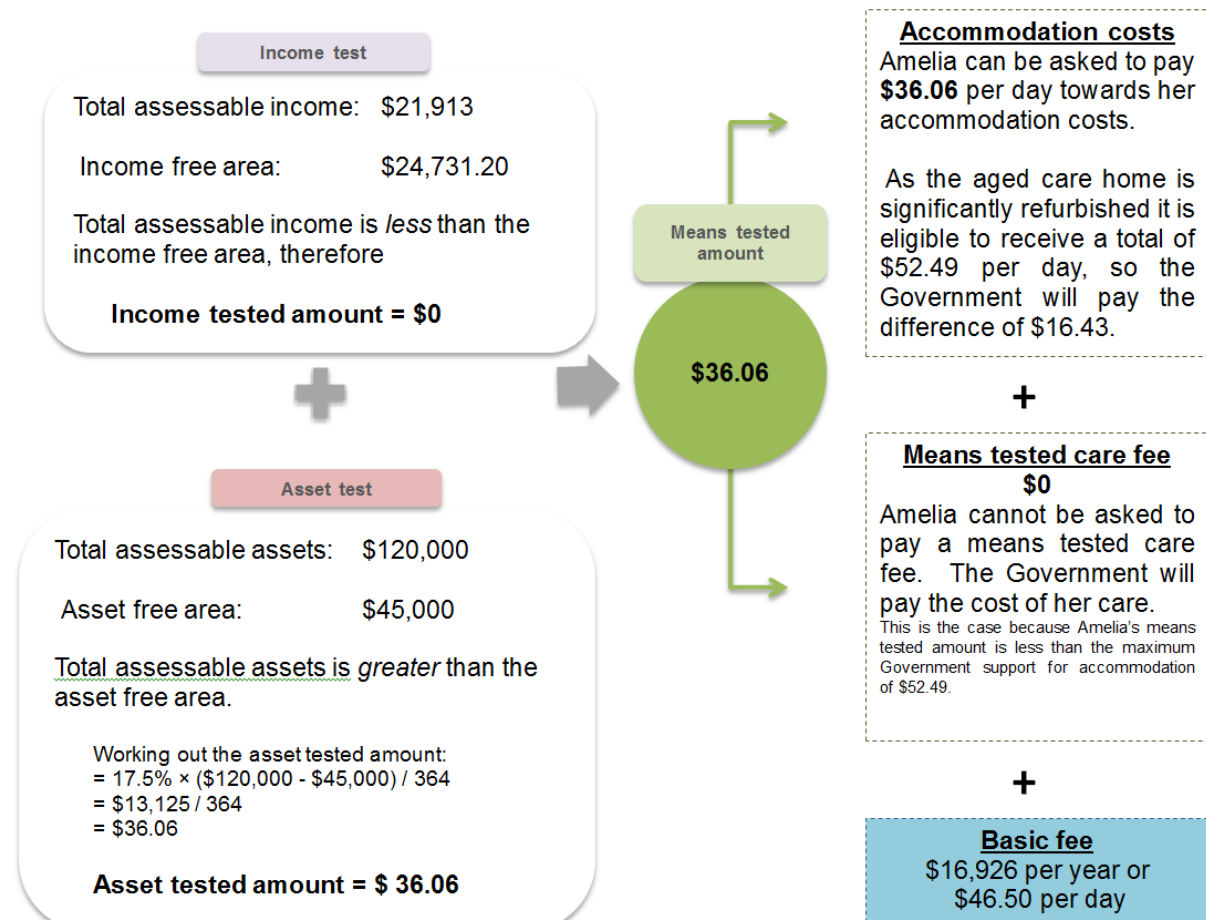
daily payments are paid instead of the remaining price (i.e. \$200,000) and are not refundable.

When Peter leaves the aged care home, the \$300,000 refundable deposit will be refunded (as long as he did not agree for any amounts to be deducted from his refundable deposit, in which case it would be the balance that would be refunded).

Note: Peter's provider can also charge him the basic fee. This is calculated at 85% of the basic age pension (\$16,926 per year as at March 2014 rates). The basic fee is payable irrespective of a person's means.

Residential care example 2 - Amelia

Amelia is entering a residential care facility on 4 July 2014, which has been significantly refurbished and can therefore receive the highest amount of accommodation supplement from the Government. Amelia receives the full age pension and has assets valued at \$120,000.



Assumptions

The income free area is \$24,731.20

The asset free area is \$45,000

The first asset threshold is \$154,179

The second asset threshold is \$372,538

The maximum accommodation supplement is \$52.49 per day

The annual cap is \$25,000

Amelia's contribution to her care is calculated as follows:

Working out the income tested amount

Step 1: Amelia's total assessable income is \$21,913 per annum.

Step 2 and 3: The income free area is \$24,731.20 per annum.

Amelia's total assessable income is less than the income free area (ie \$21,913 < \$24,731.20) therefore the income tested amount is zero.

Working out the asset tested amount

Step 5: Amelia's assets are valued at \$120,000.

Steps 6 and 7: Amelia's assets exceed the asset free area (\$45,000), but do not exceed the first asset threshold. This step calculates the asset tested amount:

$$0.175 \times (\$120,000 - \$45,000) = \$13,125$$

$$\text{Asset tested amount} = \$13,125.$$

Steps 8 to 9: Do not apply as assets are not greater than the first asset threshold.

Step 10: Amelia's daily asset tested amount is $(\$13,125/364) = \36.06 .

Step 11: Amelia's means tested amount is her income tested amount (zero) plus her asset tested amount (\$36.06).

Calculating means tested care fee, if any

Step 12: The maximum accommodation supplement (\$52.49) is subtracted from the means tested amount (\$36.06). This equals -\$16.43.

As this amount is negative, Amelia cannot be asked to pay a means tested care fee. The Government will pay the cost of her care (subsidy and primary supplements).

Calculating the accommodation contribution:

Based on her means, Amelia will be eligible for Government assistance with her accommodation costs. However, as Amelia's means tested amount is greater than zero, she can be asked to make a contribution – an 'accommodation contribution' towards her accommodation costs. She cannot be asked to contribute more than her means tested amount or the maximum accommodation supplement for her facility, whichever is lower. As her facility has been significantly refurbished, the maximum accommodation supplement for the facility is \$52.49 per day.

Amelia has the choice to pay her accommodation contribution by a lump sum refundable deposit, rental-style daily payment, or a combination of lump sum and daily payment.

If Amelia elected to pay her accommodation contribution as a daily amount, she would be required to pay \$36.06 per day (her means tested amount). The Government will pay the difference of \$16.43, so that the aged care home receives a total of \$52.49 per day.

Alternatively, if Amelia decided to pay partly by lump sum of \$70,000 by drawing down on the savings in her bank account, and partly by daily payment, the additional daily contribution required would be calculated as follows:

Step 13. First, calculate the daily equivalent. Note: the maximum permissible interest rate is 6.63% in April 2014 rates.

Equivalent daily amount = (refundable contribution × interest rate)/365

Equivalent daily amount = (\$70,000 × 6.63%)/365

Equivalent daily amount = \$4,641/365

Equivalent daily amount = \$12.72

Step 14. To calculate Amelia's daily accommodation contribution on top of the lump sum:

Subtract the amount at Step 13 from Amelia's means tested amount.

Daily amount = \$36.06 – \$12.72

Daily amount = \$23.34

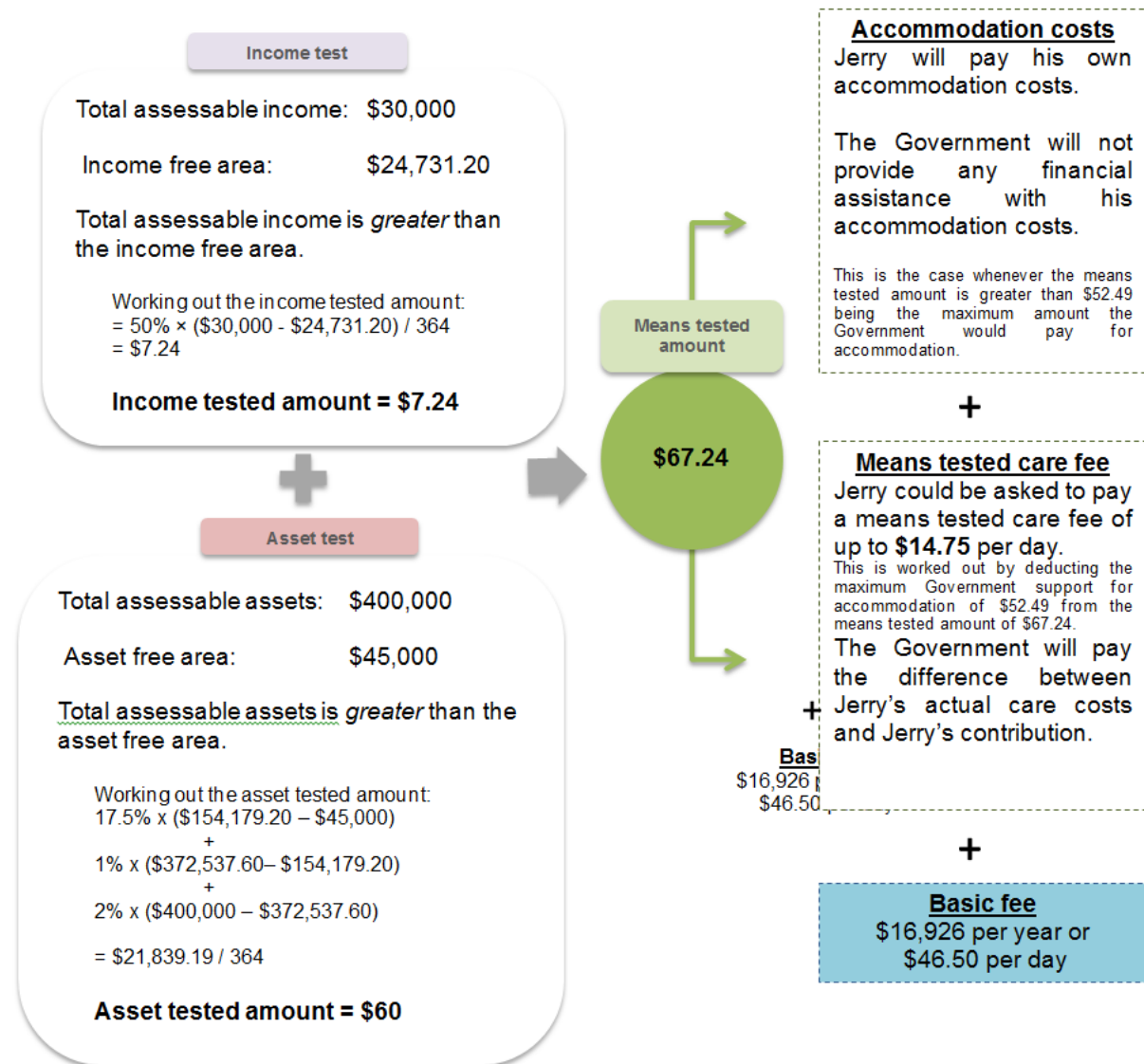
In addition to the lump sum amount (\$70,000), Amelia would need to pay an additional \$23.34 per day.

When Amelia leaves the aged care home, the \$70,000 refundable deposit will be refunded (as long as she did not agree for any amounts to be deducted from her refundable deposit, in which case it would be the balance that would be refunded).

Note: Amelia's provider can also charge her the basic fee. This is calculated at 85 per cent of the basic age pension (\$16,926 per year as at March 2014 rates). The basic fee is payable irrespective of a person's means.

Residential care example 3 - Jerry

Jerry is entering a residential care facility on 4 July 2014. Jerry's assets are \$400,000, which includes the capped value of Jerry's former principal residence (\$154,179.20 at March 2014). Jerry's annual assessable income is \$30,000.



Assumptions

The income free area is \$24,731.20

The asset free area is \$45,000

The first asset threshold is \$154,179.20

The second asset threshold is \$372,537.60

The maximum accommodation supplement is \$52.49 per day

The annual cap is \$25,000

The value of the principal residence is capped at \$154,179.20. The principal residence is not considered an asset if occupied by a protected person, which includes, for example, a spouse.

Jerry's contribution to his care is calculated as follows:**Working out the income tested amount**

Step 1: Jerry's total assessable income is \$30,000 per annum.

Step 2: The income free area is \$24,731.20 per annum.

Step 3: Jerry's total assessable income is above the income free area (ie \$30,000 > \$24,731.20). The excess is the difference between the two = \$5,268.80.

Step 4: The income tested amount is 50 per cent of this excess calculated on a daily basis.
 $= 0.5 \times \$5,268.80 / 364$
 $= \$2,634.40 / 364$
 $= \$7.24$ (rounded to the nearest cent).

Working out the asset tested amount

Step 5: Jerry's assets are valued at \$400,000

Step 6: Jerry's assets exceed the asset free area which is \$45,000.

Steps 7 to 9: As Jerry's assets exceed the second asset threshold (ie. \$400,000 > \$372,537.60), the asset tested amount is as follows:
 $= 0.175 \times (\$154,179 - \$45,000)$
 $= \$19,106.33$
 $+$
 $= 0.01 \times (\$372,537.60 - \$154,179.20)$
 $= \$2,183.59$
 $+$
 $= 0.02 \times (\$400,000 - \$372,537.60)$
 $= \$549.24$

Asset tested amount = \$21,839.16

Step 10: Jerry's daily asset tested amount is $(\$21,839.19 / 364) = \60

Step 11: Jerry's daily means tested amount is his income tested amount (\$7.24) plus his asset tested amount (\$60), which is \$67.24.

Step 12: The maximum accommodation supplement (\$52.49) is subtracted from the means tested amount (\$67.24). This equals \$14.75. As this amount is greater than zero, Jerry could be asked to pay a means tested care fee of up to \$14.75 per day to contribute to his care costs. The Government will pay the difference between Jerry's actual care costs (subsidy and primary supplements) and Jerry's contribution, if required.

However, Jerry will pay no more than the amount the Government would pay for his care (subsidy and primary supplements).

Accommodation Payment

As Jerry's means tested amount is greater than the maximum accommodation supplement, he may be asked to pay an accommodation payment.

The amount of accommodation payment will be negotiated between Jerry and the aged care provider, up to the published price for the room. The maximum price that a provider can publish/charge is \$550,000, unless the provider has first received approval from the Aged Care Pricing Commissioner.

If Jerry agrees with the aged care provider a price of \$250,000 lump sum or \$45.41 per day daily payment for his room:

Jerry can choose to either:

- (i) pay the entire \$250,000 as a lump sum (which the provider would hold while Jerry is in residential care, and then refund the balance when he leaves)

or

- (ii) pay the current equivalent daily payment of \$45.41 per day (instead of the lump sum, which is not refunded)

or

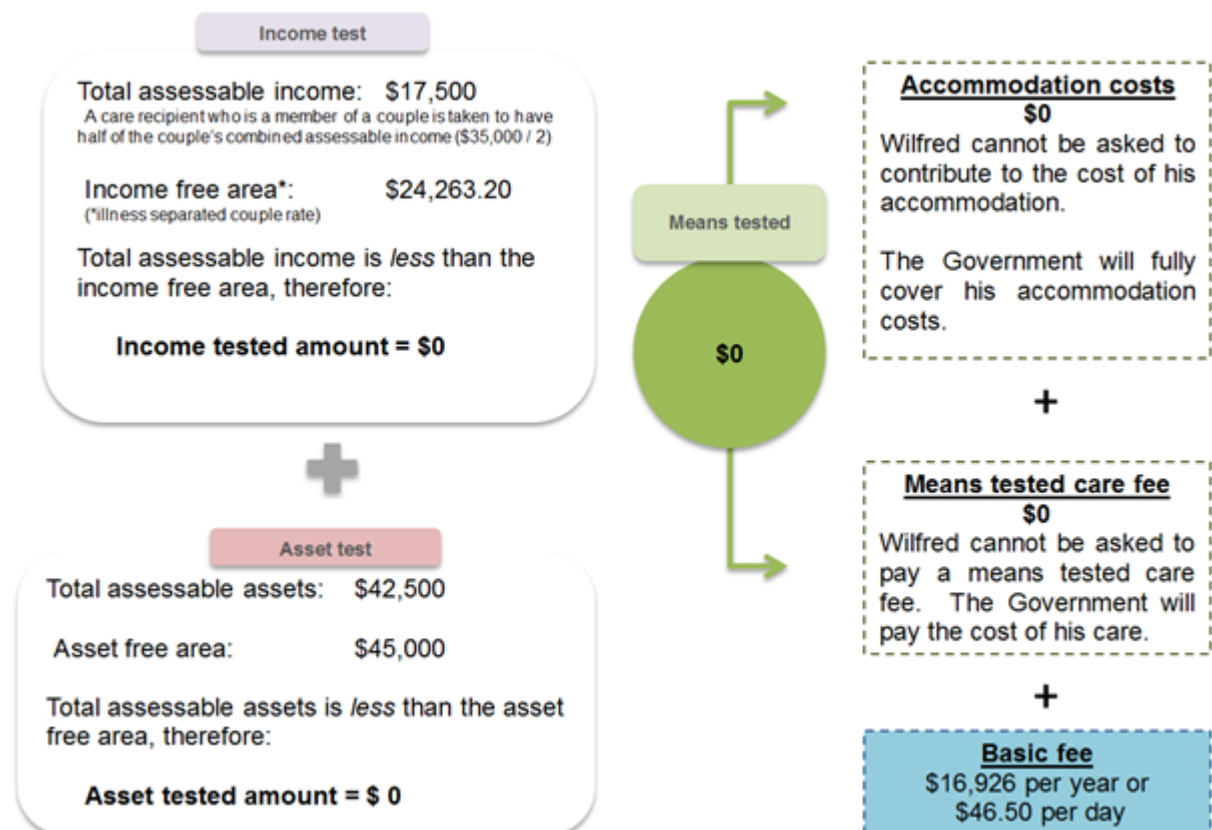
- (iii) pay a combination of both refundable deposit and daily payments (the balance of the portion paid as a refundable deposit would be refunded when Jerry leaves).

Jerry chooses to pay the lump sum of \$250,000. When Jerry leaves the aged care home, the \$250,000 refundable deposit will be refunded (as long as he did not agree for any amounts to be deducted from his refundable deposit, in which case it would be the balance that would be refunded).

Note: Jerry's provider can also charge him the basic fee. This is calculated at 85 per cent of the basic age pension (\$16,926 per year as at March 2014 rates). The basic fee is payable irrespective of a person's means.

Residential care example 4 - Wilfred

Wilfred is married to Gertrude but will need to enter a residential care facility on 10 December 2014. Gertrude will continue to live in the family home when Wilfred enters care. Wilfred and Gertrude have a combined annual income of \$35,000 and combined assets of \$85,000 (excluding the value of the family home as it will be occupied by Gertrude, a protected person).



Assumptions

The income free area is \$24,263.20

The asset free area is \$45,000

The first asset threshold is \$154,179.20

The second asset threshold is \$372,537.60

The maximum accommodation supplement is \$52.49 per day

The annual cap is \$25,000

The value of the principal residence is capped at \$154,179.20. The principal residence is not considered an asset if occupied by a protected person, which includes, for example, a spouse.

Wilfred's contribution to his care is calculated as follows:**Working out the income tested amount**

Step 1: A care recipient who is a member of a couple is taken to have half of the couple's combined assessable income. Wilfred's total assessable income is $(\$35,000/2)$ \$17,500 per annum.

Step 2 and 3: The income free area for an illness separated couple is \$24,263.20 per annum.

Wilfred's total assessable income is less than the income free area (ie $\$17,500 < \$24,263.20$) therefore the income tested amount is zero.

Working out the asset tested amount

Step 5: A care recipient who is a member of a couple is taken to have half of the couple's combined assessable assets. Wilfred's total assessable assets are valued at $(\$85,000/2)$ \$42,500.

Steps 6: Wilfred's assets do not exceed the asset free area (\$45,000), so his asset tested amount is zero.

Steps 7 to 10: Do not apply as assets are less than the asset free area.

Step 11: Wilfred's means tested amount is his income tested amount (zero) plus his asset tested amount (zero). Wilfred's means tested amount is zero.

Calculating means tested care fee, if any

Step 12: The maximum accommodation supplement (\$52.49) is subtracted from the means tested amount (\$0). This equals -\$52.49

As this amount is negative, Wilfred cannot be asked to pay a means tested care fee. The Government will pay the cost of his care (subsidy and primary supplements).

Calculating the accommodation contribution:

As Wilfred's means tested amount is zero, he cannot be asked to make a contribution to his accommodation costs. The Government will pay the accommodation supplement on behalf of Wilfred, up to the maximum amount payable to the aged care home.

Note: Wilfred's provider can charge him the basic fee. This is calculated at 85 per cent of the basic age pension (\$16,926 per year as at March 2014 rates). The basic fee is payable irrespective of a person's means.