

Working out the Cost

In this section you will find a summary of the types of fees and charges you may have to pay. Further information on current costs is available from the Department's website www.health.gov.au or from an ACAT member.

While the Australian Government helps you with the cost of your residential aged care, by providing funding to aged care homes, it also expects those who can afford it to contribute to the cost. Aged care homes may charge a number of fees and charges, though you may not have to pay all of them.

The Aged Care Information Line can assist you if you have trouble understanding how the fees and charges associated with residential aged care work.



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Before you make a final decision about moving into an aged care home, you may wish to check with your own financial advisers and legal representatives. Centrelink provides a free financial information service that may be helpful to you. To speak with a **Centrelink Financial Information Service Officer**, please telephone **13 23 00** (free call).

Department of Veterans' Affairs pensioners may also access this service free of charge.

What could I be charged?

Residents in aged care can be asked to make two types of payment.

- **Daily fees** contribute towards your daily living costs, such as nursing and personal care, meals, linen and laundry, as well as heating and cooling. These have two parts:
 - a **basic daily fee**, and
 - an additional **income tested fee** for residents who have a higher income.
- **Accommodation payments** contribute towards the cost of your accommodation in an aged care home. You only pay this if your assets exceed an amount set by the Australian Government. This is agreed with your aged care home when you move in and will be *either*:
 - an **accommodation bond**, if you are in low level care, or an extra service place (with low or high level care needs); **or**
 - an **accommodation charge**, if you are in high level care.

Only aged care homes that are certified by the Australian Government as meeting required standards of accommodation can charge accommodation payments.

Who pays a basic daily fee?

All residents (except Australian ex-prisoners of war, see page 20) are required to pay a basic daily fee.

What is an income tested fee?

The income tested fee is an amount you may be asked to pay in addition to your basic daily fee. The amount of income tested fee you may be asked to pay depends on the amount of assessable income you have above a certain level.



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You will **not** have to pay an income tested fee if you:

- are a full-rate means tested pensioner and you first entered permanent residential aged care before 20 March 2008 and had not had a break in care of more than 28 days;
- were a permanent resident of an Australian Government funded aged care home between 1 October 1997 and 28 February 1998;
- are receiving respite care;
- have dependent children;
- are an Australian ex-prisoner of war;
- leave the aged care home, providing you do not move to another aged care home, before the provider has been notified of the amount of income tested fee you should pay; or
- are receiving care at the lowest assessable level.

How is my income assessed?

When you move into an aged care home, either Centrelink or the Department of Veterans' Affairs will assess your income so that the Department of Health and Ageing can work out the amount of income tested fee you could be asked to pay.

If you are already receiving a pension or other income support payment from Centrelink or Veterans' Affairs, you have already provided your income information to them and you will not need to do this again. If you are a non-pensioner, you will be asked to provide details of your income to Centrelink to be assessed under the same income test rules that apply to the pension.

Centrelink or Veterans' Affairs will provide your income assessment to the Department of Health and Ageing who will then write to you to advise the maximum amount of income tested fees that you could be charged.

If you choose not to supply these to Centrelink or the Department of Veterans' Affairs, you may be asked to pay the lesser amount of either:

- the *maximum income tested fee*; or
- the full cost of the level of care you are receiving.

If you are a blind person receiving a pension, you must supply the same financial information to Centrelink or Department of Veterans' Affairs as other pensioners do. This may include details of your income.



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When do I start paying the income tested fee?

If you are charged an income tested fee, you can be asked to pay the fee from your date of entry to the aged care home (inclusive of pre-entry leave).

Should I pay any fees before I move in?

Other than charging a booking fee for people applying for a respite place, as discussed on **page 9**, aged care homes cannot require you to pay application fees, donations or administrative fees before you move in.

If an aged care home asks for such a payment, you should contact the State office of the Department of Health and Ageing or your local Aged Care Advocacy Service, who will help you resolve the matter.

What if I am an Australian Ex-Prisoner of War?

If you are an Australian **ex-prisoner of war**, the Department of Veterans' Affairs will pay your basic daily fee. You will not pay any income tested fees.

What if my income is derived from compensation?

If you need residential aged care because of an **accident or another event**, and you are entitled to compensation, the Government may not subsidise your residential care. When you move in, you should advise the home if you have a compensation claim that is pending or has been settled.

If your claim is still pending, the Government will pay a subsidy on your behalf that will be recovered once your claim is settled. From the date of your settlement, in addition to your resident fees and charges you will need to pay the Australian Government subsidy applicable to your level of care, until the amount determined for your future care has been expended. At this point, the Australian Government subsidy will be fully reinstated.

If your claim was settled before you moved in, you will need to pay the Government subsidy applicable to your level of care from the date you moved in, in addition to your resident fees and charges, until the amount determined for your care costs has been expended. At this point, the Australian Government subsidy will be fully reinstated.



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What effect will paying aged care fees have on my pension?

Most pensioners will continue to receive the same amount of pension when they enter an aged care home. Pensioners who are members of a couple may each receive a higher rate of pension, under the Government's special 'separated due to ill health' provision, if one or both partners are in aged care.

If you were receiving rent assistance before you moved into care, this will most likely stop after you move into an aged care home. Instead, a supplement will be paid directly to the aged care home from the Department of Health and Ageing.

If you are receiving a Centrelink remote area allowance in addition to your pension, your residential aged care home is entitled to charge you a portion of your allowance.

If you own a home, it will not be counted as an asset for pension purposes for up to two years after you enter the aged care home. Your family home will continue to be excluded from the pension assets test if your spouse or partner continues to live there after you move into an aged care home.

If you are renting your home to tenants, and paying an accommodation charge for high-level care, the value of your home and any income derived from renting it will not affect your rate of pension.

If you pay a lump sum accommodation bond, it will not be counted as an asset for pension purposes. In addition, if you pay any part of an accommodation bond by periodic payments and you are renting out your former home, the value of your home and any rental income you earn will not affect your rate of pension for as long as you are required to make a periodic payment.

What is an accommodation bond?

If the total value of your assets is over a certain threshold, and you enter low level care, you may be asked to pay an accommodation bond. For more information, see page 24.

You can also be asked to pay an accommodation bond if you enter aged care in an extra service place, irrespective of whether you have low level or high level care needs.

Accommodation bonds are like an interest free loan to the aged care home and by law must be used by the home to improve building standards and the quality and range of aged care services provided.



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Both you and your aged care home must agree upon the amount of bond payable when you move in. You will need to enter into an accommodation bond agreement within 21 days after entering an aged care home. The Government does not fix the amount of an accommodation bond. However, you cannot be charged an accommodation bond that would leave you with less than a set level of assets.

You can pay your accommodation bond as:

- a lump sum;
- regular periodic payments (eg fortnightly or monthly); or
- a combination of lump sum and periodic payments.

New residents have up to six months to pay an accommodation bond as a lump sum. However, you will need to agree to an amount when you move in and you may be charged interest on the bond amount from the time you enter the aged care home.

The aged care home is allowed to deduct monthly amounts from the bond, called **retention amounts**, to use toward maintaining and improving your accommodation. This may include such things as purchasing new furnishings, improving gardens, building renovations and so on.

This monthly retention amount is agreed with you when you move into the aged care home. However, the Australian Government sets a maximum amount that the aged care home can retain.

Retention amounts can only be deducted for a period of up to five years. The bond balance will be refunded when you leave the aged care home.

The aged care home also keeps the interest received on the bond while you live in the aged care home.

If you have paid a bond and your needs change from low level care to high level care, and you remain in the same aged care home, the bond arrangements you entered into will simply continue. If you move to another aged care home to receive high level care, you pay an accommodation charge or, with the agreement of the new aged care home involved, you can transfer your accommodation bond balance.

If you give at least 14 days notice of departing the service, your bond balance must be repaid within 14 days of giving that notice. If you notify your provider of your departure more than 14 days before you leave, they must refund your bond balance on the day you leave. If you give no notice of your departure, your bond balance must be repaid within 14 days after leaving the service. In the case of death your bond balance must be repaid 14 days after the provider is shown probate or letters of administration.



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If the provider does not refund your bond balance on the day you leave, you are entitled to interest payments on your bond balance until it is refunded.

In the event your provider is unable to refund your bond because it is bankrupt or insolvent, the Government will repay your bond balance entitlement, including any interest that has accrued on the bond balance.

What is an accommodation charge?

If your assets are over a certain threshold, and you enter high level care, you may be asked to pay an accommodation charge. For more information, see page 24. The accommodation charge is an amount paid daily in addition to the basic daily fee and any income tested fee.

As with bond amounts, the accommodation charge is used by aged care homes to maintain and improve your accommodation.

The amount you pay as an accommodation charge must be agreed between yourself and the aged care home when you move in. However, the Australian Government sets the maximum figure you can be asked to pay. This is calculated on a sliding scale, depending on the value of your assets. In addition, you cannot be asked to pay an accommodation charge that would leave you with less than a set level of assets.

You have up to 21 days after entering a home to enter into an accommodation charge agreement.

How do I agree on the amount of accommodation bond or charge?

The Australian Government requires that all residents are left with a minimum amount of assets after they pay their accommodation bond or charge. This amount is indexed on 20 March and 20 September each year, and can be found on the Department's website at www.health.gov.au.

Accommodation bond or accommodation charge agreements may be included as part of a **resident agreement**.

Resident agreements are discussed in more detail in *Step 5: Moving and Settling In*.

Your bond or charge agreement should clearly state the amount you have agreed to pay, and the method by which you will pay. For instance, you may agree to pay all or part of your bond by periodic payment. If you pay all or part of the bond as a lump sum, the agreement will also need to specify the monthly retention amount.



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Do I have to have an assets assessment in order to enter aged care?

It is **not** compulsory for everyone entering aged care to undergo an assets assessment. If you choose not to have an assets assessment, you can expect to be asked to pay an accommodation bond (to be negotiated between you and the home), or the maximum amount of accommodation charge, as applicable.

The purpose of an assets assessment is to determine whether you may be eligible to pay an accommodation bond or an accommodation charge, or if the aged care home is eligible to receive an Australian Government subsidy on your behalf. The Government currently subsidises the accommodation costs of residents, either partially or fully, if their assets are below the upper assets threshold. Information on the threshold can be obtained by phoning the Aged Care Information Line on 1800 500 853 (free call) or from the Department's website at www.health.gov.au.

An assets assessment also helps to clarify the maximum amount of accommodation bond or charge that you could be asked to pay.

Centrelink and the Department of Veterans' Affairs undertake assets assessments for new residents entering aged care.

How are my assets assessed?

Assets assessments are undertaken prior to entry, wherever possible. In this way, new residents will have financial certainty, which will help them to make appropriate choices relating to their aged care.

If you choose to have an assets assessment, you will need to complete the separate form 'Request for an Assets Assessment' and submit it to Centrelink or the Department of Veterans' Affairs.

Ask your ACAT member for a form or call the Aged Care Information Line.

How are my assets treated if I have a spouse or partner?

If you have a spouse or de facto partner, you are considered to own half of your combined assets, no matter which of you holds title to the assets. Even if you don't own an asset, it may be considered as yours for assessment purposes if it belongs to your spouse or partner.



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If you live with your spouse/partner or are separated from him or her for medical reasons, you will be asked to provide details of all assets owned by both of you.

How is the family home treated in the assets assessment?

The value of your family home is specifically excluded from your assets assessment if:

- you have a spouse, partner or dependent child still living in the family home; **or**
- a close family member has lived in the family home for at least five years, and is eligible for an income support payment (eg the aged pension, service pension, carer payment, or newstart allowance); or
- a carer has lived in the family home for at least two years and is eligible for an income support payment.

The home is excluded from the assets assessment if one of the above situations applies at the date you move into the aged care home, or the date on which Centrelink or Veterans' Affairs make a determination on the value of your assets, whichever date occurs first.

A home on a family farm is excluded from the assets assessment in this way, but the paddocks surrounding the home and home paddock of the farm are still counted as part of your assets.

There are special provisions relating to the intergenerational transfer of sugar cane farms for pension entitlements. For more information, please telephone your local Centrelink office or **Centrelink general enquiries on 13 23 00**.



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What if I can't afford to pay?

The Australian Government has made arrangements to help residents of aged care homes who may experience difficulty in paying for their care. Hardship provisions exist to help residents who have genuine difficulty paying daily fees and/or accommodation payments.

Please refer to further information on page 6 of this book.

How do I apply for a residential aged care place?

The next section of this booklet will take you through the process of applying for either a *permanent* or *respite* place in a residential aged care home.



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