

3 Working out the costs

Importantly for you and your family's peace of mind is that you fully understand the costs of residential aged care as well as the fees and charges you may incur along the way. There are also a number of extra services and benefits that you may be eligible for. In this section we outline these for you.

The upfront entry cost will depend principally on three things:

- the type of care you are looking for – high, low, dementia or respite care
- how much you (or your family member going into aged care) have in 'assessable' assets

Accommodation charges and bonds

There are two types of upfront payments you can expect to pay depending on the type of care you require:

- an **accommodation charge** for high care
- an **accommodation bond** for high care extra service
- an **accommodation bond** for low care

High care accommodation charge

If your assets are over a certain amount you may be asked to pay an accommodation charge which is in addition to your basic daily fee and any income tested fee.

High care accommodation charges

Based on figures as at 20 September 2010 this is how an accommodation charge is calculated for standard high care accommodation. The maximum amount anyone is required to pay (as specified by the Government) is \$10,482.80 per year. If your assets are below \$38,500 there is no accommodation charge, if assets are between \$38,500 and \$98,237.60 there is a pro-rata rate and if assets are over \$98,237.60 the maximum amount would be charged.

The amount is fixed on entry and will not rise whilst at the facility – new rises only apply to new residents.

The accommodation charge is used by aged care homes to maintain and improve your accommodation. See box for example.

Low care accommodation bonds

Accommodation bonds are paid by people requiring low care accommodation whose assets exceed a certain amount. The Australian Government requires that all aged care residents are left with a minimum amount of assets after their accommodation bond is paid. This amount is indexed and reviewed each year on 20 March

and 20 September. For more information about this please go to the Department's website at www.health.gov.au.

Accommodation bonds are like an interest free loan to the aged care home and the level you pay will be agreed between you and your home prior to entry. By law the funds must be used to improve building standards and the quality and range of services provided. From the bond a monthly amount is deducted. This is called the

The most important thing for your peace of mind is that you fully understand the costs of residential aged care

Low care accommodation bonds

In 2009 aged care accommodation bonds averaged \$213,000 nationally but are commonly between \$350,000 and \$450,000 for facilities in the big cities. At the top end, they can be around \$1 million for a resort-style room in a prestige Sydney location.

For some people though it is advantageous to pay a high bond. For example paying a higher bond might lead to better social security benefits as a result of lower assessable assets outside of the aged care facility. Because the bond is exempt from the Centrelink assets test, it won't negatively affect the pension or income-tested fee. This strategy could even increase the pension but it is important to seek financial advice before signing an agreement with the aged care home.

But remember the bond is government-guaranteed and refundable, less a retention amount taken out monthly for the first five years only. The retention amount in 2010 was \$307.50 a month, or \$18,450 in total before it cuts out at five years. Again, this is fixed on the date of entry.

retention amount. This is agreed with you at the outset and the Australian Government sets a maximum amount that the aged care home can retain. Monthly amounts can only be deducted for a period of up to five years. The remainder of the bond will be refunded to you on your departure from the home.

High care extra services

Extra Service offers additional lifestyle extras and hotel like services including higher standards of accommodation and meals, wine with meals and increased services and entertainment. Extra services vary from residence to residence

Daily fees

As well as an upfront payment you will also be asked to pay daily fees which contribute towards your daily living costs such as nursing and personal care, meals, linen and laundry and heating and cooling. Daily fees are comprised of two parts:

- basic daily fee
- an additional **income tested fee** for residents with a higher income (which can be offset by



paying a higher bond to the aged care home.)

Daily fees will vary depending on the person's assets and income and more information can be obtained from Centrelink.

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 including that of your partner and spouse so that the Department of Health and Ageing can work out the amount of income tested fee you could be asked to pay.

Once you have been assessed you will be asked to pay the fee from your date of entry into the home.

Assets and partners or spouses

You are considered to own half your assets with your spouse or partner regardless of who holds the title to the assets. As part of your asset assessment you will be asked to provide details of all assets owned by both of you.

The family home, however, is excluded from your assets assessment if:

- you have a spouse, partner or dependent child still living in the family home at the time of the assessment or at the time of the residents entry into care (whichever date is earlier)
- a close family member has lived in the family home for at least five years and is eligible for an income support payment
- a carer has lived in the family home for at least two years and is eligible for an income support payment.

Aged care fees and my pension

Your pension will not be affected when you enter an aged care home. If you are part of a couple receiving a pension you may be entitled to a higher rate of pension if you have been separated

for care reasons.

For more information on Your Pension and Aged Care contact your local Centrelink or Department of Health and Ageing.

How do I pay my accommodation bond?

You can pay your bond in one of three ways:

- a lump sum
- regular periodic payments or
- a combination of the above

What happens to my bond if I leave my aged care home?

Your bond is refundable to you when you leave your home within the following timeframes:

- if you give at least 14 days notice of leaving the facility your bond should be repaid within that period
- if you notify your provider more than 14 days before you leave your bond should be refunded on the day you leave
- if you give no notice of your departure your bond must be repaid within 14 days after your leaving date.

You may be asked to pay an income tested fee if you have access to assets above a certain level

- in the case of death the bond must be refunded 14 days after the provider is shown probate or letters of administration.

What happens to my bond if my level of care changes?

If you move from low level to high level care within the same home your bond arrangements simply continue. If you move to a new home from low level to high level care you will pay an accommodation charge or, with the agreement of the new aged care home involved, you can transfer your accommodation bond balance.

What if I can't afford to pay my aged care home payments?

The Australian Government has made arrangements to help residents of aged care homes who may experience difficulty in paying for their care. Please contact the Aged Care Information Line on 1800 500 853 for more information.

Your costs checklist

Here is a checklist to ensure you fully understand the cost implications of any aged care homes you might be considering to ensure they are suitable to your financial situation.

Costs checklist



Do you understand the costs and agreements associated with care?

How much does the home charge for an accommodation bond?

Can you see a copy of the home's latest prudential statements showing that they have met their obligations to repay accommodation bond balances?

Are the fees reasonable, and what do they cover?

If the home has extra services, are they ones that you would like to use, and can you afford any fee increases that might occur?

What services attract additional charges?