



Australian Government

Department of Social Services



myagedcare

Reforming the aged care system

Changes to residential care

Information for older Australians

Our aged care system is world class, and the Australian Government currently spends more than \$14 billion a year on aged care. Over 1.1 million people receive some form of aged care services each year, with three quarters of them receiving their services at home.

People are living longer thanks to better health and better health care. This means that fundamental changes are needed to ensure the system is sustainable, affordable, encourages businesses to invest and grow, and above all, offers choice and puts control back into the hands of consumers.

Over the next few years there will be changes to how aged care services are paid for and delivered so we have a sustainable system now and into the future.

This fact sheet is for people entering residential care on or after 1 July 2014.

From 1 July 2014, there will be changes to fee arrangements for aged care homes. The Australian Government pays for the bulk of aged care in Australia, but as with all aged care services, you may be asked by your service provider to contribute to the cost of your care.

There will be better transparency

You will be able to view accommodation costs and a description of each facility on www.myagedcare.gov.au. From 1 July 2014, a calculator will also be available on the My Aged Care website to help you estimate your aged care costs.

If you can afford to, you will be asked to contribute to the costs of your care

A means test, combining both income and assets, will replace the current income only test used to determine your care fees. This means test will be conducted by the Department of Human Services (Centrelink).

You may have to pay an accommodation payment

Some people will have their accommodation costs met in full or part by the Australian Government, while others will need to pay the accommodation price agreed with the aged

care home. Centrelink will advise which applies to you based on an assessment of your income and assets.

You will have greater choice and flexibility for how you pay for accommodation

You can choose to pay a:

- **lump-sum payment** called a refundable accommodation deposit (RAD) which will be returned in full to you or your estate when you leave, minus any amounts that you and the aged care home have agreed should be taken out of your deposit for your care.
- **regular rental-type payment** called a daily accommodation payment (DAP), which is calculated by the home by converting the lump sum amount relevant to you using a legislated formula and an interest rate, or
- **combination of both.**

If you are paying the accommodation price agreed with the aged care home, you and the provider must agree on the accommodation price **before** you enter the aged care home and they will give you a copy of this agreement.

If you are required to pay an accommodation contribution or an accommodation payment, you will have **28 days** from the day you entered care to decide on your payment method.

Aged care homes cannot refuse you a place based on how you want to pay for your accommodation. You cannot be asked to make daily payments more than one month in advance.

You must pay your accommodation costs by the rental-type payment method, until you decide on your ongoing payment method.

People already in residential care will continue with their current financial arrangements unless they leave and re-enter after 28 days. You can also choose to opt in to the new financial arrangements if you change aged care homes.

Changes to fees for aged care homes

You may be wondering how much it will cost under the new fee arrangements.

You can call My Aged Care on **1800 200 422** to help you estimate the fees and charges you may have to pay towards your residential aged care. Before you call you should have your financial information ready, especially details of your various forms of income and assets.

There are strong protections in place to ensure that care is affordable for everyone. The Australian Government regulates the maximum costs you may have to pay. You will never be denied the care that you need because you cannot afford to pay.

Basic fee

This covers living costs such as meals, power and laundry. For some people this is the only fee they are required to pay.

The basic fee is set at 85% of the single person rate of the basic age pension. This works out at \$46.50 a day (from 20 March to 19 September 2014). This figure is the same for singles and members of a couple.

Means-tested care fee

This is an additional contribution towards the cost of care that some people may be required to pay. Centrelink will work out if you are required to pay this fee based on an assessment of your income and assets, and will advise you of the amount.

There are **annual and lifetime caps** that apply to the means-tested care fee. Once these caps are reached, you cannot be asked to pay any more means-tested care fees.

There is an **annual limit** on the maximum amount you can be asked to pay in means tested care fees. This annual limit is **\$25,000**. Once you reach this, the Australian Government will pay the rest of your means tested care fees to the provider.

There is a **lifetime cap** on income tested care fees (in home care) and means tested care fees (in residential care) of **\$60,000**. Once you have reached this cap you will not have to pay any further income or means tested care fees during your lifetime

Centrelink will let you and your provider know when you have reached the annual or lifetime caps. The lifetime cap only applies to income tested care fees (and means tested care fees in residential care). You may still need to pay the relevant basic fee and any accommodation costs in residential care.

Your family home will continue to be exempt from any means testing if your spouse or dependent adult child (referred to as a protected person) is living in the home. Your home will be included in the means test if a protected person does not live there; but its value will be **capped at a maximum of \$154,500**.

Any income-tested care fees you have paid since 1 July 2014 in a Home Care Package prior to moving into an aged care home will also contribute to your annual and lifetime caps.

Fees for extra or additional optional services

Additional fees may apply if you choose a higher standard of accommodation or additional services. These vary from home to home. Your aged care provider can give you details of these services, such as hairdressing or pay TV, and the fees that apply.

From 1 July 2014, aged care homes with dedicated extra service places are required to publish their extra service fees on the My Aged Care website, their own website and in other relevant materials they provide to prospective residents.

Financial advice

You may want to consult with a financial adviser about your finances. There are various government services and resources that can help you obtain appropriate financial advice. It's a good idea to do some research to see what options work best for you.

Further information

For further information about aged care services visit [My Aged Care](http://www.myagedcare.gov.au) (www.myagedcare.gov.au) or call **1800 200 422**.