

# Social Security – Aged Care

As you grow older, you may find that you need more help with day-to-day tasks or health care. Sometimes, the best way to receive help and support can be by living in an aged care home or arranging for home care services while you stay in your own home.

## Benefits

Aged care services are heavily regulated and in many cases subsidised by government to ensure that care is accessible to all Australians. The government will subsidise the cost of care and you will also pay a portion of costs based on your assessable income and assets (if applicable).

- Residential aged care can provide the support you need as you age and reduce the burden and stress on your family. If moving to an accredited service, the government will subsidise costs to help make the care affordable. The fees you will be asked to pay for residential care are based on your assets and income to help make care affordable.
- Home Care can help you to stay in your own home for longer. Department of Human Services use an income assessment to work out if you can get government subsidised Home Care.
- Your family home is exempt under the assets test while a spouse is still living there.
- If your spouse (if applicable) is not moving to an aged care facility with you, your Age Pension entitlement will increase given that the Department of Human Services /DVA now classifies you as being an illness separated couple.

## How it works

The first step to moving into a government subsidised aged care service is that you need to have approval from an Aged Care Assessment Team (ACAT). In Victoria these are called an Aged Care Assessment Service (ACAS).

## ACAT assessment

These are teams of health professionals, such as doctors, nurses or social workers, who will conduct an assessment of your needs to determine whether you are approved for residential aged care or home care packages.

## Home Care

If you have been assessed and received an approval letter from your Aged Care Assessment Team prior to 27 February 2017, you can find a service provider with an available home care package and enter into a Home Care Agreement.

If you are assessed as eligible for a home care package after 27 February 2017 you will:

- receive a letter of approval from My Aged Care that sets out the level of home care package you are approved to receive
- be placed in a national priority queue for home care packages

There may be a waiting period between the time you are approved for care and the time you are assigned a home care package.

## Costs for Home Care Packages

Your service provider may ask you to pay:

- a basic daily fee of up to 17.5% of the single basic Age Pension

**Important:** This document contains general information about the benefits, costs and risks associated with certain product classes and strategies. It has been prepared without taking into account your objectives, financial situation or needs. Because of this you should, before acting on any advice in this document, consider whether it is appropriate to your personal circumstances.

- an income-tested care fee if your income is over a certain amount.

You can only be asked to pay an income-tested care fee if your yearly income is above a certain threshold. Current thresholds can be found on the Department of Health website at [www.health.gov.au](http://www.health.gov.au).

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

## Residential Care

Once approved for residential care, you can apply for a residential care place. The service provider will charge fees to cover the cost of accommodation as well as daily care and living expenses. Charges may also be applied for other additional services. These fees include:

- Accommodation payment – payment for the room and access to amenities
- Basic daily fee – a contribution towards the daily cost of care
- Means-tested fee – an additional contribution towards the cost of care based on affordability
- Additional service fees – generally on a user pays basis where the resident requests or agrees to additional services.

The government sets rules for how these fees can be charged and the amounts. In some cases, service providers may charge additional fees (such as capital refurbishment fees) so it is important to ask the service provider for a full schedule of fees before signing a Resident Agreement. The fees should all be specified in your agreement.

## Basic daily care fee

Every resident is asked to pay a basic daily fee. This is a contribution towards the cost of living expenses such as meals, cleaning, laundry, heating and cooling.

This fee is set at 85% of the annual single basic age pension and will increase each March and September in line with changes to the age pension rate.

## Means-tested fee

The government subsidises the cost of care, but residents who have income and assets over a certain level will be asked to pay an additional means-tested fee to help cover the costs of care. This reduces how much the government pays as a subsidy.

This fee is capped at an annual amount and is also capped over a lifetime.

The fee payable is calculated by the Department of Human Services (DHS) based on a combined assessment of income and assets. Income and assets are assessed using mostly the same rules as used by the Department of Human Services to calculate pension entitlements, subject to some important exceptions.

When moving into care you can choose to fill out the Combined Income and Assets Assessment form so that DHS can calculate your fee. If you do not fill in this form, you will need to pay the full cost of your care, up to the annual maximum fee. Advice can help you to determine if you need to fill in this form and the implications of not doing so.

## Accommodation payment

If you move into permanent residential care you need to pay for your accommodation. This price is set by the service provider based on factors such as location, quality of accommodation and demand. It is published on the [myagedcare.com.au](http://myagedcare.com.au) website as well as the service's own website.

If you have income and assets below certain thresholds you may be able to apply for admission as a 'low-means resident'. If approved, the government will subsidise your accommodation as well as your care and your contribution towards accommodation is determined by a formula based on your financial capacity. The accommodation payment can be charged as a lump sum (refundable accommodation deposit – RAD) or a daily fee (daily accommodation payment – DAP). The service provider will provide both amounts to you and after you move into care you can choose which option you wish to pay. You can also choose a combination of a RAD and a DAP.

There are many strategies and options for how you pay this fee so advice is important to determine the implications and best strategy for you.

The RAD is a refundable deposit. The balance is repaid to you or your estate when you leave. The service provider can only deduct amounts if you have fees unpaid or you have asked them to deduct fees from the RAD instead of paying the fees from your cash flow. If you pay a RAD to an approved provider, repayment of the RAD is guaranteed by the government.

## Risks and Consequences

- The calculation of fees can be complex and decisions you make in relation to your former home and or investments can impact not only your cash flow but also your Age Pension entitlements and aged care fees payable. It is important to seek advice to compare options so you can make an informed decision.
- The accommodation costs can vary widely. You may wish to shop around and compare services in your desired location and compare the costs and what you receive for your money to determine if you can afford a place in that service.
- Rental income derived from your family home is assessed as income for the purpose of calculating your social security entitlement and aged care fees. If you're an existing care resident and entered care prior to 1 January 2017 or 1 January 2016, you may be entitled to assessment under special rules, depending on your date of entry.
- If you rent out your home while in residential care and are absent from your home for more than six years, or if you have previously used this home as a rental property, you may have to pay capital gains tax.
- If leave your home vacant, your home is exempt under the assets test for two years from the date you enter the aged care facility, during which time you are considered a homeowner. After you have been absent for two years, your home will be counted, and Department of Human Services will consider you to be a non-homeowner.
- If you pay your accommodation costs as a lump sum, either in part or in full, you can only withdraw the lump sum, and commence paying daily payments, at the discretion of the facility.
- If you draw any fees from your RAD/RAC, the facility may ask you to top up the lump sum, or commence paying additional daily payments. This will also impact the lump sum refund you receive when you cease care at the facility. You should confirm these arrangements directly with the facility.
- If you move into an aged care facility you will not be eligible for rental assistance.
- You are required to notify the Department of Human Services/Department of Veteran Affairs within 14 days about any change to your situation that may affect your entitlement.
- The government may change legislation in the future.

Version: 1.02

**Important:** This document contains general information about the benefits, costs and risks associated with certain product classes and strategies. It has been prepared without taking into account your objectives, financial situation or needs. Because of this you should, before acting on any advice in this document, consider whether it is appropriate to your personal circumstances.