

Aged Care Reform Means Testing

September 2014 version

What has changed overall?

The *Living Longer Living Better* (LLLB) reforms to be delivered over five years from July 2012 to June 2017 are outlined at: <http://www.livinglongerlivingbetter.gov.au/> Commencing 1 July 2014, the new aged care means testing and accommodation payment arrangements aim to deliver fairer, equitable and transparent assessment of consumers' eligibility to pay for services, care and accommodation.

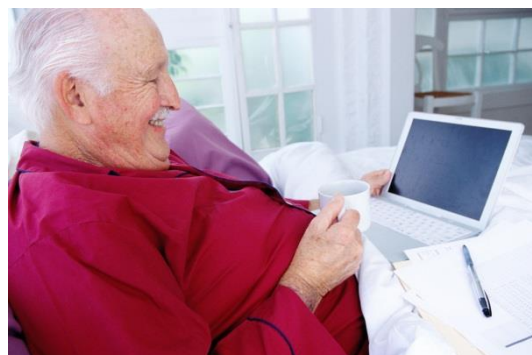
Who does this impact?

The arrangements will apply from 1 July 2014 for all new recipients of aged care services. Existing aged care clients are able to continue under their current arrangements. **You can contact the Aged Care Gateway on 1800 200 422 to confirm information relating to aged care services.**

National Seniors involvement

National Seniors has provided comment on the new means testing and accommodation payment arrangements. In response to a survey, National Seniors' members agreed that older Australians:

- should contribute to their care, in line with their financial capacity.
- should have a lifetime limit on care costs.
- family home should be excluded from any aged care means test.



What are the key changes?

- Means testing for aged care is based on **income for home care** and on **combined income and assets for residential care**. Centrelink assesses income and assets, similar to assessment for the aged care pension.
- All new residents of aged care facilities will be assessed for their eligibility to pay an accommodation payment now the distinction between low and high care is removed.
- Providers will no longer be able to deduct retention amounts from lump sum accommodation payments.

Safety Nets

- The Australian Government sets maximum daily fees, care fees and accommodation payment levels, adjusted quarterly. The full Commonwealth subsidies will be paid for consumers who fall below the minimum income and/or asset thresholds. (<\$25,118.60 and <\$45,500 assets.)
- Consumers who fall within minimum and maximum thresholds will pay partial fees.
- Consumers cannot be asked to pay more than the value of their care. Annual and lifetime caps will apply to the amount paid for care.
- Hardship provisions will be extended to clients of Home Care services.
- The family home is assessed at \$155,823.20 which frees the Commonwealth from paying the equivalent daily accommodation supplement \$29.05. The home is exempt if a supported family member is resident.
- A new Aged Care Pricing Commissioner commences operations July 2014.
- The Aged Care Financing Authority will be established as a statutory committee and will closely monitor and advise on fees and charges including accommodation payments.

Means tested fees and charges information and Worked examples are available at:

<http://www.myagedcare.gov.au/financial-and-legal>

http://www.dss.gov.au/sites/default/files/documents/05_2014/info_booklet_roadshow.pdf

**For more information call
1300 76 50 50 or visit nationalseniors.com.au**

National Seniors
Australia

Changes to Accommodation Payments

Providers must publish accommodation payment levels on the internet and in all relevant documents from May 2014. Accommodation payments are set at three levels against agreed criteria. Residents choose a payment method within 28 days of entry to residential care - a lump sum Refundable Accommodation Deposit (RAD) or an equivalent Daily Accommodation Payment (DAP) or a combination of both¹.

Accommodation Payment Levels

1. Prices up to the level of the maximum Government accommodation supplement of \$53.04 per day or lump sum equivalent (~\$286,380 prior to September 2014 values).
2. Prices >Level 1 \$286,380 to a maximum DAP of \$104.67 or equivalent RAD of \$550,000.
3. Prices above the Level 2 threshold of \$550,000 must be justified against agreed criteria and approved individually by the Pricing Commissioner.

Priority of payment

Contributions for aged care fees, charges and accommodation are made in a specific order.

Home Care (July 2014 values)

1. Basic Fee paid by all equivalent to 17.5% Basic Aged Pension. (\$3,540.50 per year or \$9.70 per day).
2. Care fee may be paid dependent on recipients' income means test and their assessed need.

The care fee is 50% of income above \$25,118.60 up to the full cost of care or the annual cap.

The annual caps for care are \$5,069.84 for part-pensioners (income below \$48,583.60 single) and \$10,139.68 for self-funded retirees (for incomes > \$48,583.60 single). The life time cap for all care is \$60,838.12.

Residential Aged Care (July 2014 values)

1. Basic Fee paid by all equivalent to 85% Basic Aged Pension. (\$17,210 per year or \$47.15 per day). Residents are fully Commonwealth supported if their income is <\$25,118.60 and assets <\$45,500.
2. Accommodation charge to the maximum of the Commonwealth supplement, within Level 1 dependent on means test.
3. Care Fee - may be paid dependent on the recipients' level of assessed need and means test. The annual cap for care is \$25,349.21. The life time cap for all care is \$60,838.12.
4. Further accommodation payments (DAP or RAD) may be charged at level 2 or 3 if the resident's combined income and assets are above maximum thresholds.
5. Residents may purchase agreed extra services or additional one-off amenities.

Further Protections

National Seniors lobbied for monitoring of the impact of the means testing arrangements on part-funded and self-funded retirees. The new Act requires the Aged Care Funding Authority to provide the Minister with advice on the impact of these reforms on aged care providers and residents as follows:

- Annually in its annual report to Government due by 31 May each year;
- At the end of each month in the first six months of the implementation of the reforms commencing on 31 July 2014 and ending on 31 December 2014, and then at the end of each quarter during 2015.

¹ the equivalence of the RAP and the DAP are determined by applying the maximum permissible interest rate as defined in Aged Care legislation to the RAP.