

# Changes to Aged Care & Impact for New Residents

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From the 1<sup>st</sup> July 2014, there will be significant changes to the aged care industry.

Today, we will talk to you about the changes occurring, and the possible financial implications for new residents.

This new landscape includes home care packages and changes to residential aged care

# New Changes

## **Entry Fees for residential age care**

### **Refundable Accommodation Deposit (RAD)**

This is the new term for an accommodation bond. This is an upfront payment to enter into a residential facility. It remains exempt from Centrelink's means testing.

Or

### **Daily Accommodation Payment (DAP)**

A daily fee payable on any outstanding RAD not paid.

\*Residents will have 28 to decide on their preferred payment method from the above (please note a combination of both may be used.)

\*\*The payment of an accommodation payment will be determined by the calculations of a Means Tested Fee (asset / income calculation)

# New Changes

- More choice to client about where they can receive care – in the home or in residential aged care.
- No longer ‘high care’ or ‘low care’ assessments. Now will just be assessed as requiring residential aged care.
- Choice of how to pay the entry fee (ie. as a RAD, DAP or combination of both) will be left up to resident.
- Family home will continue to be exempt if a relevant person remains living in the home

# Accommodation Payments

- Most facilities will only be able to charge a maximum Refundable Accommodation Deposit of \$550,000. Please note this is the maximum a resident can pay. Facilities are able to accept a lower RAD if agreed too.

**Any facilities wanting to charge over \$550,000, must get approval by the Government's financing commission.**

- The maximum Daily Accommodation Payment allowable is \$99.31 per day (this is based on a RAD of \$550,000)
- The RAD & DAP for each facility must be published on the Government's new "My Aged Care" website and also on the facilities website.
- They must give examples of using each form of payment.

# Low-Means Residents

- Residents with assets under \$154,000 assets may be classified as “low-means residents” and facilities will continue to receive government funding for these residents.
- This has increased from \$113,784 under the current rules

## IN SUMMARY:

	Low Means Resident	All Other Residents
Accommodation Payment	If MTF is less than \$52.84, this will be the accommodation payment (resident must be left with \$45,000 in assets)	If MTF is greater than \$52.84, resident must pay the published accommodation payment (DAP or RAD)
Means Tested Fee	N/A	✓
Daily Care Fee	✓	✓

# New Ongoing Fees

Daily Care Fee of \$46.50 per day / \$16,972 p.a (indexed 20 March and 20 September)

+

Means Tested Fee of up \$25,000 p.a (capped) (indexed quarterly)

+

Daily Accommodation Payment (if no RAD paid)

# Means Tested Fee

- Similar to current Income Tested Fee (ITF), but rather than calculation based solely around resident's assessable income (Centrelink definition), it will be based on BOTH a resident's assessed income and assets.
- Limit of \$60,000 lifetime cap across all sectors (i.e. Both home care and residential care)
- Capped at \$25,000 p.a., but with no daily limit
- In simple terms, fee payable will be more than current ITF

**\*\*Please Note, this fee can be deducted from any upfront RAD paid to the care facility. This can help residents with cashflow management.\*\***

# Means Tested Fee

Assessable assets include

- \$144,500 (part value of the house)
- Financial investments
- RAD paid
- Account based pensions balances

# Means Tested Fee Formula

**50% of income over the free threshold of \$22,701**

**+**

**17.5% of the value of assets between \$40,500 &  
\$144,500**

**+**

**1% of the value of assets between \$144,500 & \$353,500**

**+**

**2% of the value of assets above \$353,500**

# Means Tested Fee

## EXAMPLE:

Joan is a single homeowner. Her house is worth \$450,000, and she also has \$500,000 of money spread across cash and term deposits. She has been asked for a RAD of \$300,000 and it has been paid out of her cash, leaving \$200,000 to be included in the MTF calculations.

Income: Age Pension + Deemed income = \$27,970

50% of income over threshold of \$22,701

$$\$27,970 - \$22,701 * 50\% = \$2,634$$

# Means Tested Fee

Assets: RAD (\$300,000) + \$144,500 of value house + \$200,000 cash  
= \$644,500

17.5% of value of assets between \$40,500 & \$144,500 = \$18,200

2% of value of assets between \$144,500 & \$353,500 = \$4,180

1% of value of assets over \$353,500 = \$2,910

MTF = \$2,634 + \$18,200 + \$4,180 + \$2,910

= \$27,924 / 365 = \$76.50 per day.

\$76.50 - \$52.84 = \$23.66 per day MTF

**\*\*\$52.84 is the current Means Tested Fee  
Threshold\*\***

# Total Fees

## Upfront

Joan's costs will be RAD of \$300,000 (paid upfront)

## Ongoing

Daily care fee of \$46.50 pd / \$16,972 p.a

Means Tested Fee of \$23.66 pd / \$8,636 p.a (this will be payable for 6.94 years until Joan has paid her lifetime limit of \$60k

Total Ongoing fees of \$25,608 p.a

\*\*If Prior to 30<sup>th</sup> June 2014 entry, Income Tested Fee would be \$2.76 p/d. (\$974 p.a)

# How Moneyplan Can Help

Moneyplan can assist in helping adult children successfully confront the common financial challenges faced by a parent entering care.

These include:

- Coming to grips with the complexity of the system
  - Understanding and meeting the aged care costs
  - Making decisions regarding the home or property
- Achieving the most appropriate financial structure for assets
  - Making informed financial decisions under pressure and
    - Working through the estate planning issues

# How Moneyplan Can Help

This assistance can reduce your stress and allow you to make clear and informed decisions regarding a parent transition to permanent aged care. More importantly it can help you focus on a parent's emotional wellbeing.

QUESTIONS??