

FAQs on new legislation introduced on 1st July 2014

1. What was the new legislation introduced?

The new legislation introduced from 1st July 2014 has:

- abolished high-level care and low-level care in Residential Care Facilities
- increased means testing amounts paid by new residents
- allowed residents to pay for any additional services provided
- allowed residents to pay for their accommodation by either a lump sum payment, a daily rental payment or a mix of the two

2. What if I entered before 1st July 2014?

Existing fee arrangements will be maintained for the remainder of your time in Residential Aged Care.

3. Will there be a new Aged Care Assessment I need to have completed?

Yes, the new form is called the Income and Assets Form and is available from the Department of Human Services website: www.humanservices.gov.au

4. Who has to pay for their accommodation?

All residents who are not entitled to be supported by the Government for their accommodation will have to pay a Refundable Accommodation deposits (RADs) or a Daily Accommodation Payments (DAPs). In some circumstances, residents will pay a combination of the two. If residents have assets below \$154,179, they will be either fully or partially supported by the Government.

5. What assets will I need to have before I am required to pay a RAD or DAP?

Anyone entering a Residential Facility that has assets above \$154,179, including their home, will have to pay for their accommodation in one form or another or a combination of the two.

6. What are the combination of fees payable under the new system?

As with the existing system there is a Daily Care Fee that all residents pay (which is 85% of the age pension), an Accommodation payment of a RAD or DAP to replace existing accommodation bonds and accommodation charges and a means tested fee to replace the existing income tested fee.

7. What if my assets are below \$154,179?

If your assets are below \$45,000, the Government will pay the Provider an Accommodation Supplement for your accommodation. If your assets are above \$45,000 but below \$154,179, the Government will pay a partial Supplement and you will be required to pay a DAC or a RAC or a combination of the two.

8. What will the value of my home be in the assets test if my partner still lives there?

Your house will not be included as an asset if your spouse still lives there. This is also the case where you have had a family member acting as a carer for you for at least 5 years and receives a Government support payment for this.

9. What is the Means Tested Care Fee?

The Means Tested Care Fee (MTCF) introduced, called a “care co-contribution”, replaces the current income tested fee as it includes both assets and income in the calculation. There is an annual limit of \$25,000 and a lifetime limit of \$60,000 that can be charged. Any means tested amounts paid for Home Care are offset against these limits.

10. How is the MTCF calculated?

The asset calculation is as follows:

- Nil up to \$45,000
- 17.5% from \$45,000 to \$154,179
- 1% pa from \$154,179 to \$372,538
- 2% pa on assets above \$372,538.

Note that RADs are included in the asset calculation.

However, the home is only included to a limit of \$154,179 no matter how much it is really worth. Refer to the Government's "myagedcare.gov.au" website for their fee calculator.

11. Who does this calculation?

Centrelink will make the calculation and it will be compulsory for you to provide the Government with both your assets and income statements for Centrelink to do the calculation.

12. How do I pay the means tested fee?

Centrelink will advise both you and the Aged Care Provider of the daily amount payable. It will then be deducted from the subsidies the Provider receives from the Government for your care and the Provider will be required to charge you that amount in advance each month.

13. What happens if the monthly payment is more than my income received each month?

The Provider can arrange for your Care Co-contribution to be offset against the portion of any lump sum paid but interest, at an agreed rate, will be charged on the amount not paid. You can require the Provider to offset the costs against the lump sum you have paid. It will then be deducted from the subsidies the Provider receives from the Government for your care and the Provider will be required to charge you that amount in advance each month.

14. What choices do I have for paying the Accommodation Payments?

Each Provider owning a residential aged care service must advertise the RAD and DAP applicable to each room in the Facility. You then are given a choice of paying a RAD (lump sum) or DAP (daily payment) or a combination of the two.

15. Where are these amounts advertised?

Every Aged Care Provider is required to advertise the RAD and DAP applicable to each room in their Facility on the Government's website called "My Aged Care" (www.myagedcare.gov.au). These amounts are now available on the Government's website.

16. How is the RAD and DAP determined and calculated?

The RAD has been determined by the Provider and the DAP has been calculated at a daily rate of interest set by the Government on the RAD. At present that rate is 6.69%.

17. What if I move from a room with a high RAD to a room with a lower RAD?

Each room in a Facility has to have a RAD and equivalent DAP price applicable to it. If you move from a room with a high RAD to a room with a lower RAD, the Provider must refund the difference to you. Similarly, if you move to a room with a higher RAD and DAP, you will need to pay the extra as a further lump sum or higher DAP.

18. What happens if I move from an existing Residential Facility to another Facility after 1st July?

If you were a resident prior to July 1st the Grandfathering rules will apply to you and you will continue to pay the same fees and charges as you did before 1st July in the previous Facility.

19. If a resident, who was admitted pre 1st July, transfers to another room in the same service (without being discharged for more than 28 days), can they elect to move to the new system and pay the RAD/ DAP applicable to the new room and then become subject to the new MTCF rules?

No. This person cannot elect to be covered by the new system. This resident is considered to be a continuing care recipient as defined by Clause 1 of schedule 1 of the Aged Care (Living Longer Living Better) Act. A resident can only elect to either be covered by the new arrangements or stay with the old arrangements when they move to another service (and move within 28 days of leaving the first service).

20. If a pre 1st July resident from another service elects to transfer and move to the new system (without being discharged for more than 28 days) and pay the RAD or DAP applicable to that room, will they then also become subject to the new MTCF rules?

Yes – if this person opts into the new system, they will be subject to all the new system rules. They'll have to opt-in before they move to the new service and, once they have opted in, they cannot elect to return to their previous fee arrangements. The option must be in writing and they must have been given a copy of the DSS advice "*New Arrangements for Aged Care – from 1 July 2014*".

21. Can I pay a higher RAD than advertised for the room I move into?

No, you can only pay the amount advertised. No higher amount can be charged. If a higher amount is charged, the Provider will be liable to have sanctions imposed against it.

22. How do I decide whether I should pay a RAD or a DAP?

The Provider should be able to assist you with an arrangement that suits you and the Provider. You should also speak to a Financial Planner to receive advice appropriate to your circumstances.

23. Can you give me an example of a "suitable" arrangement?

As an example, if you have your home, valued at \$600,000, savings and shares of \$100,000 and an income of the pension plus another \$5,000 per year, it may suit you to pay \$100,000 as a RAD (assume the RAD is \$400,000) and the balance as a DAP of \$54.98 per day from renting your home. Or you may decide to sell your home and pay the full RAD of \$400,000. This amount is repayable in full when you leave the Facility unless you have accrued any of the care co-contribution against it (mentioned in points 5 to 8 above). A financial planner can advise you on the effect of the arrangements on your pension (if applicable) and net cash cost.

24. How do I know I have made the best decision for me?

There is a cooling off period of 28 days after you enter an Aged Care facility within which you can advise that you want to change the arrangement you had made.

25. Do I have to sell my home to make the RAD payment?

No, you can pay part of the RAD or pay all of the payment as a DAP. However, most Providers will require some part of the RAD to be paid as a lump sum unless you can provide satisfactory evidence of your ability to pay the DAP on a monthly basis. Remember, the Government is deducting this amount from the care subsidies paid to the Provider for your care so the Provider has to be sure you will meet your commitments to cover those payments.

26. What are the additional services that can be provided and how are they charged?

All residents pay a Daily Care Fee which covers the cost of many services and costs provided to you by the Aged Care Provider. However, there may be other services you would like provided that the Provider is not required to provide. You can ask the Provider to provide any additional service you require at a price the Provider deems reasonable for the service. In many cases, Providers will have a list of additional benefits they can offer and you can select all or any of those benefits, if you wish to.

27. Can I change those additional benefits once I have agreed to have them provided?

Yes, you can opt in and out of having additional benefits provided on a day by day basis.

29. Will Extra Service places remain after 1st July 2014?

Yes, Facilities that currently provide extra services to residents on a schedule approved by the Government will continue to provide those services to existing residents and to new residents.

30. Can I receive Extra services in any room in the Facility?

Yes, from 1st July, Providers will be able to provide extra services to any room in the Facility.

31. Can a low care resident move into, or be admitted to an extra services wing?

Yes, from 1st July high and low care status will no longer exist, so a Provider can admit any resident type into any designated wing including an extra services wing. Any resident moving into an extra service wing will be required to pay the extra service fees applicable.



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