A guide to aged care

2022/23

While moving into aged care can be an emotional and uncertain time, this guide helps you understand the key issues and decisions.

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Get the care you need

Careful planning and the right advice can help you get the care you need without a lot of the stress.

Australia's aged care system is designed to support the elderly, either in their own home or a residential aged care facility.

Moving into residential aged care can be an uncertain and overwhelming experience for you and your family. On top of the personal and emotional challenges, there are a number of important considerations and decisions such as:

- which facility is suitable for you
- what fees will you need to pay and how should you fund them
- what should you do with your family home, and
- what impact will the move into care have on social security benefits.

In this guide, we outline the key steps to entering aged care and explain the fees that may apply. We also address some of the key issues you will need to consider and highlight where you can find more information.

Aged care is, however, a complex area that requires a solid understanding of how the rules interact with the broader tax and social security system. We therefore suggest you talk to a financial adviser with expertise in this area.

A financial adviser can help you to:

- manage costs
- review entitlements to social security benefits
- choose suitable investments, and
- plan for the distribution of your estate.

A financial adviser can help you maximise your financial position and take a lot of stress out of what can be an emotional transition point in your life.

Note: Private facilities operate outside of the Government legislated fee system and rules outlined in this booklet. For more information on fees payable in a private facility, you should consult each individual facility directly and review each facility's accommodation agreement.

Steps to entering aged care

There are generally five steps to follow if you think you may need aged care.

Step 1 – Get your care needs assessed

Before you can move into a residential aged care facility, you need to have your lifestyle and health needs assessed by an Aged Care Assessment Team (ACAT) member. These are usually doctors, nurses and social workers who specialise in aged care.

This assessment is free and can be done at home, a health centre or hospital. The ACAT member will ask you a series of questions about your health, mobility and any help that you currently receive at home. This information helps ACAT to determine whether you require full time residential aged care or another type of care. This could include:

- home care, where you can continue to live in your own home and receive assistance with domestic duties, personal care or nursing care, or
- respite care, where you move into an aged care facility for a temporary time period.

ACAT approvals for permanent residential aged care are valid indefinitely, unless they are granted for a specific timeframe. A new assessment will be required if any specified timeframe expires.

Step 2 – Find an aged care home

ACAT can provide you with a list of aged care homes in your area. Local Government Departments or third party placement companies may also be able to assist in locating an appropriate facility for you or your relative.

To find your nearest ACAT, or to search for a care facility in your local area, you could phone **1800 200 422**, or visit the Government's My Aged Care website at **myagedcare.gov.au**.

All facilities are different, so you should visit a few to determine which are most appropriate for your personal and lifestyle needs. Not all facilities will have vacancies, but you could ask whether you can be placed on a waitlist.

If you anticipate moving into care, you may be able to fill out an application form in advance. The facility may then contact you when a room becomes available.

Step 3 – Work out the costs

While some aged care costs are generally at least partly funded by the Government you may need to pay a number of fees, some of which are determined by your income and assets. The fees that you may be asked to pay include:

- **basic daily fee**
- **means-tested fee**
- **extra services fee**, and
- **accommodation payment**.

These fees are explained in **Understanding the different fees** on pages 7 and 8.

Steps to entering aged care

Step 4 – Apply for your place

An application form needs to be completed for the care facility you have chosen. Many facilities have their own forms, so it is best to contact individual care facilities to understand their requirements.

You will also be asked if you want to provide details on your income and assets. You are not legally required to disclose this information to the facility.

If required, you may provide this information to Centrelink directly to have your fees calculated. If you choose not to provide the information required, you won't be eligible for any Government subsidies and will need to pay your full cost of care.

If you do choose to provide your financial information, you need to complete an assessment form. The form you need to fill in will depend on your specific circumstances.

For example, if you're already receiving a payment from Centrelink or DVA and you own your own home, you may be able to complete a simplified form.

If you receive an income support payment and don't own your own home, you may not need to complete a form at all (however, in all cases, it is important to ensure your income and asset information is up to date with Centrelink/DVA). This information is used by Centrelink or the Department of Veterans' Affairs (DVA) to determine the fees payable.

There is no requirement to disclose your financial information, to the aged care facility and you can send this completed form directly back to Centrelink/DVA.

After the assessment has been completed, the Department will notify your aged care facility of the outcome, and what fees they may collect from you. Your personal information will not be passed on to the facility.

Note: For more information on the assessment process, you can call Services Australia on **1800 227 475**. If you're a DVA customer, please call **133 254**.

You can also access the forms on the **Services Australia** website or the **My Aged care website**.

Step 5 – Move in

Just before you move in you will be provided with an Accommodation Agreement. This is a legal document which sets out:

- the terms of your residency
- your rights and responsibilities, and
- the rights and responsibilities of the aged care facility.

You should discuss this agreement with your family and consider seeking legal advice. You are required to sign the agreement within an appropriate period of time, which is generally within 28 days of entering care, but it may be extended in certain circumstances.

Understanding different fees

There are four fees that may be payable when residing in a Government subsidised aged care facility.

Aged care facility fees

The following fees apply to Government approved and subsidised residential care facilities which are governed by the relevant legislation. Fees applicable for private aged care facilities are not governed by legislation and are not subsidised by the Government. It is recommended you speak to individual private aged care facilities to understand their pricing structure.

Basic daily fee

The basic daily fee is a contribution towards daily living costs, such as nursing, personal care and meals. Generally, all aged care residents are required to pay this amount.

The fee is currently $54.69[1]. It is set at 85% of the full basic single rate of Age Pension (regardless of whether you receive the full or part pension) and may be indexed periodically.

Means-tested fee

A means-tested fee may be payable in addition to the basic daily fee. This fee is determined by a formula that takes into account your income and assets.

Your income and assets are generally assessed under the rules that apply for Centrelink and the Department of Veterans' Affairs (DVA) purposes, with some exceptions. In addition, your income for means-tested fee purposes will generally include income that you receive from social security (subject to limited exceptions).

Your means-tested fee is determined at the time you enter care and is reassessed periodically throughout your stay. It is possible that your means-tested fee may increase or decrease if your circumstances change.

The total means-tested fee you pay in a twelve-month period[2] is capped at $29,399.40[3]. If you reach this annual cap, you will still need to continue paying your other aged care fees, however, the Government will pay your means-tested fee for the remainder of the twelve-month period[2].

A lifetime cap of $70,558.66[3] also applies. Once you reach the lifetime cap, you will not need to pay any further means-tested fees, but you still need to pay other aged care fees, such as the basic daily fee.

If you have limited financial means (as determined by the formula), you will not have to pay the means-tested fee and the cost will be covered by the Government.

1 Applies from 20 March 2022 to 19 September 2022 and is subject to indexation. Residents in certain remote areas may be asked to pay an additional amount.

2 This twelve-month period is based on the date you entered the care facility and runs until the anniversary of the date you entered the care facility.

3 Applies from 20 March 2022 to 19 September 2022 and is subject to indexation. Only income-tested fees for home care packages and means-tested fees for residential aged care count towards the annual and lifetime caps.

Accommodation fees	Ongoing care fees		
Accommodation payment	**Basic daily fee**	**Means-tested fee**	**Extra services fee**
• Payable as a lump sum OR equivalent daily payment OR any combination of both (method of payment determined by resident) • You may be eligible for Government assistance in paying this fee	• Generally payable by all residents for all days in care • 85% of full Basic Single Age Pension (regardless of what your actual Age Pension entitlement is)	• Payable based on a formula that takes into account your income and assets • Subject to change if circumstances change • Annual and lifetime caps apply	• Payable if you select a position with extra services • Additional daily amount, set by facility

Understanding different fees

Accommodation payment

An accommodation payment is a contribution towards the cost of accommodation. This cost may be met in part or in full by the Government, depending on your income and assets.

If you are required to pay an accommodation payment, you have three choices. You can pay:

- a 'refundable accommodation deposit' (RAD[4])
- a 'daily accommodation payment' (DAP[4]), or
- a combination of a RAD and DAP.

Refundable Accommodation Deposit

Although your accommodation agreement will provide you with examples of how you can pay this fee, and different options for a combination approach, you can choose to pay any combination of a lump sum RAD or DAP that you wish.

The only requirement is that after payment of an initial RAD, you must be left with a minimum level of assets, which is currently $52,500[5]. Any shortfall that you're unable to pay as a lump sum needs to be paid as an equivalent daily payment, which is calculated based on a formula (see 'Daily accommodation payment' below).

The RAD is a lump sum payment that is refunded when you leave the facility, after allowing for the deduction of any agreed amounts. Care facilities are permitted to charge a maximum RAD of up to $550,000. While the amount can be lower, a higher amount can be charged only if approved by the Aged Care Pricing Commissioner.

Daily Accommodation Payment

The DAP is a daily payment you will be required to pay if you have not paid the RAD in full. It is effectively 'interest' on any 'unpaid' RAD and is calculated using an interest rate called the 'maximum permissible interest rate', which is generally revised quarterly. As at 1 July 2022, this rate is 5%. Any DAP that you pay is not refunded at the end of your stay.

Each facility must publish the RAD and DAP for each room. You cannot pay a RAD or DAP greater than what is published for a given room. These amounts can be found on the Government's 'My Aged Care' website at **myagedcare.gov.au**.

If you have limited financial means, you may still be asked to make a contribution towards the cost of your accommodation and the Government will cover part of the cost. The contribution you are required to make is determined by a formula that takes into account your income and assets, similar to the way the means-tested fee is calculated.

If your assessable income and assets are below the Government set thresholds, your accommodation payment will be fully subsidised by the Government.

While you or your family may be concerned about paying accommodation costs as a lump sum, the Government has legislation in place to repay lump sum amounts when you leave the care facility if the care facility is insolvent or bankrupt.

Extra services fee

An extra services fee is charged by the facility for any additional services provided or a higher standard of accommodation. Examples include pay TV, a larger room, additional leisure activities and extra therapies (eg massages). It does not mean you will receive a higher level of care, as all aged care residents must be afforded the same high level of care.

The fee is determined by the facility and is included in the accommodation agreement. There is no standard amount and it can vary between facilities. Some facilities charge a flat fee, while others offer a suite of services and the fee you pay depends on the services you choose.

If you choose not to accept an extra services package, this doesn't mean that you will not have access to ancillary services such as hairdressing, telephone and local outings. You should speak with the facility to confirm which services will be available, either as part of your entitlements, or on a 'pay as you go' basis.

The extra services fee is not subsidised by the Government and the full amount is payable by you in addition to the basic daily fee, means-tested fee and accommodation payment.

[4] If the Government contributes towards your accommodation payment, these amounts are referred to as a 'refundable accommodation contribution' (RAC) or 'daily accommodation contribution' (DAC).

[5] Threshold applies from 20 March 2022 to 19 September 2022 and may be indexed in the future.

Your family home

When you move into aged care, some important decisions may need to be made regarding your family home.

Your home and the means-tested fee

Your home will not be assessed when Centrelink/DVA determines any **means-tested** fee you are required to pay if certain eligible people continue to live there. These include:

- your partner
- an immediate family member who has lived in your home for five continuous years immediately before you move into care and is receiving a Government income support payment[1], or
- a carer who has lived in your home for two continuous years immediately before you move into care and is receiving a Government income support payment[1].

If you retain your home after you move into care and it won't be occupied by one of the people listed above, a capped amount of $178,839.20[2] will be included in your assessable assets. Also, if your home is rented out, any rent received (less allowable deductions for social security purposes) will be assessed as income[3].

If you sell your home, the value of any investments you make with the sale proceeds will be included in your assessable assets. Furthermore, income from these investments will generally be assessed using the social security means test rules, regardless of whether you are currently receiving any Government income support.

The table below summarises the assessment of the family home for the means-tested fee in a range of scenarios.

1 Examples of income support payments are Age Pension, Disability Support Pension, JobSeeker and Carers Payment, but doesn't include Carer Allowance.

2 Threshold applies from 20 March 2022 to 19 September 2022 and may be indexed in the future.

3 Different rules may apply if you entered care prior to 1 January 2016.

Scenario	Means-tested fee	
	Asset value assessed	**Income assessed**
Home occupied by partner or other eligible person	Exempt	Not applicable if no rental income
Home vacant	Assessment is capped at $178,839.20[2]	Not applicable as no income
Home rented	Assessment is capped at $178,839.20[2]	Rental income less allowable deductions is assessed (using social security rules)[3]
Home sold and proceeds invested	Full value of investments are assessed, generally based on the social security means testing rules	Income is assessed, generally using social security rules

Your family home

Other key issues

Some other key issues to consider regarding your family home are summarised in the following table.

Issue	Detail
Do you have to sell your home?	A common misconception is that you have to sell the family home to pay the **accommodation payment** as a lump sum. An aged care facility cannot require you to sell your family home and must offer you the choice of paying the accommodation payment as a lump sum, daily payment or a combination of both. If your family home is your main asset and you haven't got sufficient funds available to either pay the lump sum or meet the ongoing daily fees, it is important to get advice to determine what options you have to fund the cost of your care. The sooner you can start planning for a potential future care need, the better.
Renting your home	Renting your home could provide an additional source of income to help you pay your aged care costs. However: • significant costs may need to be incurred when preparing your home to be rented, and • a family member or other trusted person may need to be available and willing to deal with real estate agents and tenants on your behalf. Also, income tax may be payable on rental income, so advice should be sought from a registered tax agent.
Capital gains tax (CGT)	If your home is sold, there is generally a full CGT exemption, provided your home has always been your 'principal place of residence[4]'. After vacating your home, if it's retained and not rented, it may be treated as your 'principal place of residence' for an unlimited period[4]. If your home is rented, it may be treated as your 'principal place of residence' for up to six years after moving out[4]. If your home is rented and sold outside the six-year period, CGT may be payable. **Note:** This tax information is general in nature and is intended as a guide only. The taxation treatment may vary according to your individual circumstances and may not apply in all cases. We therefore recommend you seek professional advice regarding your own taxation position from a registered tax agent before relying on this information.
Social security	Decisions you make regarding your **family home** could impact your current or potential social security entitlements.

[4] Assumes that you have not elected to treat any other place as your 'principal place of residence' for tax purposes.

Age Pension entitlements

Moving in to aged care could impact your entitlement to the Age Pension.

When you move into care, you will need to notify Centrelink/DVA of this change so they can re-calculate any benefits you are entitled to.

This is in addition to submitting the assessment form which Centrelink/DVA will use to determine your **means-tested fee**.

Even if you are not currently receiving the Age Pension, you may wish to reconsider your entitlement once you have moved into the aged care facility. For example, if you use some of your available funds to pay a lump sum accommodation cost, this amount is exempt from the social security means testing, which may create an entitlement to an income support payment, concession card or other benefit.

Outlined below are some of the common changes in your assessment for Centrelink/DVA purposes. You should also discuss your situation with a financial adviser or a Financial Information Services (FIS) officer at Centrelink/DVA to understand how your situation may change.

Note: The following treatment applies to entitlement to income support payments such as the Age Pension. The treatment of your home for aged care purposes is explained on **pages 9 and 10**.

General social security implications

If you are a member of a couple, your Age Pension payments may increase when one or both of you move into aged care. This is because you will be considered an illness separated couple. As a result, while you continue to be assessed on your combined income and assets, your entitlement will be calculated using a single person's pension rate for each of you.

If you pay a lump sum accommodation payment, the payment will be an exempt asset for Centrelink/DVA purposes. This means there is no asset value or income assessment when determining your entitlement to the Age Pension. This may entitle you to a higher rate of Age Pension or other benefit.

If you were receiving rent assistance before you moved into care, this will stop (however your partner may continue to be entitled to rent assistance). Instead different subsidies may be paid directly to the aged care facility by the Government.

Social security and the family home

If your home is occupied by your partner, your home will remain an exempt asset while they continue to occupy the home and you will be assessed as a homeowner. If your partner later leaves the home to enter aged care, it will generally continue to be an exempt asset for the purpose of assessing your social security benefits for up to two years from the time they leave the home, or until you sell it, whichever occurs first. Different rules apply if they sell the home, or leave the home and don't enter aged care.

If you are single and your home is not rented, your home will remain exempt from the assets test for up to two years after you enter aged care. During this exemption period, you will continue to be treated as a homeowner. Once the exemption period has ended, you will be treated as a non-homeowner and the house will become an assessable asset. Depending on the value of your home, this may have a significant impact on your Age Pension or other social security entitlement.

If you are single and you rent[1] your former family home:

- your home will remain exempt from the assets test for up to two years
- the net rental income will be assessable for the income test, and
- you will be treated as a homeowner (while the home is exempt under the asset test) and a non-homeowner (once the home is no longer exempt).

[1] Different rules may apply if you entered care prior to 1 January 2017.

Summary of social security assessment of the family home

Scenario	Income test	Assets test	Homeownership status
Home occupied by partner[2]	Not applicable as no income	Not assessed while partner occupies home	Homeowner
Home vacant	Not applicable as no income	Exempt for two years from date of entry Assessed after two years	Homeowner (while home is exempt) Non-homeowner (once home is assessed)
Home rented[3]	Rental income less allowable deductions is assessed immediately	Exempt for two years Assessed after two years	Homeowner (while home is exempt) Non-homeowner (once home is assessed)
Home sold and balance used to purchase financial investments (eg bank account, term deposit, managed fund)	Deemed immediately	Assessed immediately	Non-homeowner
Home sold and sale proceeds used to pay a lump sum accommodation payment[4]	Accommodation deposit paid has no income test assessment. Any additional sale proceeds may be assessed under the income test, depending on how the funds are invested	Accommodation deposit paid is not assessed as an asset, however, additional sale proceeds not paid as a lump sum will be assessed depending on how funds are invested	Non-homeowner

[2] For social security purposes, a full exemption only exists for the **family home** if it is occupied by the partner. This differs to the assessment that applies for the purpose of calculating the means-tested fee – see page 9. Special rules apply if your partner subsequently leaves the family home. The assessment will depend on the reason your partner leaves the home, and how long they leave for.

[3] Different rules may apply if you entered care prior to 1 January 2017.

[4] Different rules apply when calculating the means-tested fee. A lump sum accommodation payment is assessed as an asset when calculating this fee, but has no income assessed for this purpose.

Next steps

There are a range of professionals and resources that can help when you move into aged care.

Professional/resource	
myagedcare.gov.au	My Aged Care is the Australia Government's website which contains general information on aged care rules and fees. You can use this website to help locate local care facilities, as well as view room prices and vacancies. You can also contact My Aged Care on **1800 200 422** and ask to be put in touch with your local ACAT service, who can assist you in completing the ACAT assessment.
Placement agencies	A placement agency can assist you in identifying care facilities that can provide the care that is required in a particular area. Such services include providing a short list of possible care facilities based on a number of criteria you have set and may also include visiting those facilities with you. They may also be able to negotiate with the facility on your behalf.
Solicitor	It is important to ensure your Will, enduring power of attorney, guardianship and other documents are up-to-date. Your solicitor is able to help you. These documents ensure someone can act on your behalf if you are unable to, so that your wishes are fulfilled. You should also speak to your solicitor if you have questions or concerns regarding the accommodation agreement as you will need to sign this document.
Financial planner	A financial planner can assist in explaining and estimating fees that will be charged by a care facility. They are also able to assist in understanding how your cashflow can be managed to receive the care in your chosen care facility. In some cases, a financial adviser can refer you to a placement agency or solicitor and co-ordinate the overall process.

Your notes

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