



Client Fact Sheet

July 2008



Aged care - Fees

The costs of aged care may be subsidised by the government, however these residents also need to pay fees. In some cases, there may be no subsidies and the resident pays the full cost of aged care.

This flyer provides a brief overview of the fees payable when a government subsidy applies and how the fees are calculated. This may include an entry fee as well as ongoing daily care fees.

1. Entry fees

You will be asked to pay an entry fee if your assessable assets exceed \$34,500 (threshold current to 19 September 2008).

Most of your assets will be assessable. This includes:

- your home (unless your spouse or an eligible person¹ still lives there)
- bank accounts, term deposits, shares and managed fund investments
- gifts you have made above allowable limits (ie. \$10,000 in a financial year with a \$30,000 limit in any five year period)
- superannuation
- investment properties
- allocated pensions
- non-commutable income streams purchased on or after 20 September 2007.

The entry fee is usually a lump sum accommodation bond in a hostel or extra care nursing home (payable by lump sum or periodic payment) or an annual accommodation charge in a nursing home.

Accommodation bonds

Hostels generally set the bond they will ask for as a set dollar amount or range. This is determined by factors such as property and construction prices, market demand, quality of accommodation and maintenance costs. The hostel must leave you with at least \$34,500 in assets, but if you cannot afford to pay the bond requested you may not be offered a place in that hostel.

Bonds can be paid as:

- Lump sum – the bond is paid upfront (you generally have up to six months to pay). The hostel holds the bond while you live there and keeps any interest earned from investment of the bond.
- Periodic (fortnightly or monthly) payments – if the hostel agrees, you can pay part or all of the bond as a regular payment instead of a lump sum. The hostel charges a fixed rate of interest on the outstanding amount.

¹ An eligible person includes:

- dependant child (includes child under age 16 or full time student under age 25)
- carer who is eligible for government income support and has lived there for at least 2 years
- close relative who is eligible for government income support and has lived there for at least 5 years.

The hostel deducts a retention amount each year for the first five years that you live there. For residents who move in during the 2008/09 financial year the maximum retention amount is \$3,360 per annum. If you pay a bond less than \$33,600 the retention amount is lower. The retention amount is either deducted from the lump sum bond or added to your periodic payment.

Your remaining bond is refunded to you or your estate when you leave the hostel.

Accommodation charge

Nursing homes do not charge bonds unless they are extra care facilities. Instead, the entry fee in a nursing home is an accommodation charge up to \$9,811 per annum (for residents who move in during the 2008/09 financial year). This is charged on a daily basis and generally paid fortnightly or monthly.

If your assets are less than \$75,185 (full or part pensioner) or \$90,410 (non-pensioner) than the maximum of \$7,139 per annum and \$9,811 respectively when you move into the nursing home (in 2008/09) your accommodation charge is lower.

Extra care facilities

An extra care facility is a nursing home that provides extra services or a higher standard of accommodation. Extra fees may be payable for these services and the nursing home can charge an accommodation bond instead of an annual accommodation charge.

2. Ongoing daily care fees

All residents pay a basic daily care fee. Residents with assessable income over certain thresholds will also pay an income-tested daily care fee.

Basic daily care fee

All residents entering aged care from 20 March 2008 will pay a basic daily care fee of \$32.05. The basic daily care fee increases on 20 March and 20 September each year.

Residents who entered aged care before 20 March 2008 will continue to pay a basic daily care fee of \$32.05 per day (pensioner) or \$39.94 per day (non-pensioner) or pensioner who paid a 'large' bond).

Income-tested daily care fee

In addition to the basic daily care fee, you will also pay an income-tested fee if your assessable income[^] is more than the income-free area*.

[^]Assessable income equals Centrelink/DVA assessed income plus their Centrelink/DVA pension.

*Income-free area equals the maximum basic Centrelink/DVA pension plus pharmaceutical benefit plus applicable lower income test threshold.

Centrelink (or Veterans' Affairs for veterans) will calculate your assessable income using the normal pension income test rules. For every dollar that your income exceeds the income-free area, you pay a fee of 42 cents per fortnight.

The income-tested fee is recalculated each year on 20 March and 20 September, or when your financial circumstances change.

Case study

David is age 83. He owns his home valued at \$500,000 and has \$60,000 in a bank account. He receives the full age pension. David's health has deteriorated and his doctor has arranged for him to move into a nursing home. David keeps his home and rents it out for \$400 per fortnight.

Entry fees

David has assessable assets of \$560,000. Therefore he will pay the \$7,139 per annum accommodation charge. This is payable every year that David lives in the nursing home.

Ongoing daily care fees

Rental income received is not counted for the income-tested fee nor the income test for the Age pension. This allows David to continue receiving the full age pension and pay no income-taxed fee.

He will pay the following daily care fees:

| | Per day | Per annum |
|----------------------|-----------------|-----------|
| Basic daily care fee | \$32.05 | \$11,698 |
| Income-tested fee | No fee applies* | |
| Accommodation charge | \$19.56 | \$7,139 |
| Total | \$51.61 | \$18,837 |

* Deemed income on \$60,000 is \$2,780 (\$106.92 per fortnight). This amount plus his age pension is below the income-free area of \$690.60 per fortnight for a single pension.

Conclusion

Seeking advice from an experienced financial adviser can help to determine the fees you will pay in a hostel or nursing home. The adviser may also be able to help with strategies to minimise the fees payable or to manage the cash flow needed to pay these fees.

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