



# Aged Care



Hywood Partners

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When a friend or family member is required to enter an aged care facility the way the fees and charges work, along with the interaction with Centrelink/DVA benefits can be very confusing at what can be an emotionally difficult time.

Here we are looking to provide a brief overview of the fees payable and how they are calculated.

There are four different fees that may be payable when a person enters an aged care facility, they are:

1. **Basic daily fee** – a contribution towards accommodation and day to day living costs
2. **Means tested care fee** – an additional contribution towards the cost of care
3. **Accommodation payment or contribution** – a contribution towards the capital accommodation costs
4. **Extra service fees** – fees payable should the resident request extra services such as higher standard of accommodation or improved food/drinks

The **Basic Daily Fee** is payable by all residents and is set at 85% of the single person rate of the basic Age Pension, currently it is \$48.25 per day. This rate increases twice a year on 20 March and 20 September.

On top of the Basic Daily Fee, residents entering an aged care facility may be asked to pay a **Means Tested Fee** based on their assets and income. An annual cap of \$25,940 applies with a lifetime cap of \$62,256.

The calculation of the Means Tested Fee is complex, taking into consideration the residents Income and Assets. The value of the family home is however capped at \$159,423.20 unless a spouse is still living in the house, if so the house is exempt.

The **Accommodation Payment or Contribution** is an amount quoted as a lump sum residents are asked to contribute upon entering an aged care facility. Whilst the amount is quoted as a lump sum, residents have the option of paying the full amount up front, a partial upfront payment, or not paying anything up front.

Should the full amount not be paid the aged care facility will charge interest on the amount outstanding at a rate set by the Government, currently 6.01%.

There are also provisions to make sure those with insufficient assets to be able to pay an Accommodation Payment or Contribution are still able to access a facility, albeit with a higher level of Government subsidy.

This Accommodation Payment is usually the source of most concern for families of residents as the common question is where does the money come from and also commonly involves a conversation around the possible sale of the family home to fund the payment.



This is an area where quality advice from an aged care specialist can ensure that decisions aren't made which can have a detrimental impact on a residents aged care costs, Age Pension entitlements and ultimately reduce the value of any future estate.

Lastly the **Extra Services Fee** is payable should the resident request a higher standard of accommodation and/or services. It should be noted that the choice to offer extra services is not mandatory for aged care facilities and that extra services does not mean that the resident will be provided with a higher level of care (i.e. nursing).

Examples of extra services could be a bigger room, wider choice of meals or wine with meals.

The Aged Care field is a very complex one (some may say a minefield) and the interaction between the fees payable and Centrelink/DVA benefits needs to be carefully considered. Vagaries exist between the way some assets are treated for the purposes of calculating Aged Care fees and Centrelink/DVA benefits.

These anomalies can sometimes be utilised to reduce the fees a resident pays and/or increase Centrelink/DVA benefits.

The opposite is also true, failure to understand the implications of certain decisions can have disastrous consequences, most of which cannot be unwound.

Work hard. Play hard. Plan hard.

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