WHAT ARE Residential aged care fees?

As you age, health issues may arise that make it harder to continue living independently in your own home. One option may be to consider a move into a residential aged care facility.

These services provide accommodation and full-time care and are provided by a range of providers including not-for-profit organisations and private businesses. The Federal Government subsidises the cost, but residents may be asked to contribute towards the cost of accommodation and ongoing care.

If you require access to government subsidised services, you can then apply for a formal Aged Care Assessment Team (ACAT) assessment. This can be arranged through myagedcare.gov.au.

What are resident fees?

Residential aged care is regulated by the Federal Government to ensure that it's accessible and affordable for all Australians. The contributions paid by residents will depend on your choice of service provider as well as an assessment of your income and assets.

Resident fees are divided into four categories:

- **Accommodation payment** – covers the right to live in the aged care facility and access to amenities.
- **Basic daily fee** – a contribution towards the costs of daily living, including (but not limited to) meals, electricity and laundry.
- **Means-tested fee** – a contribution towards the cost of care.
- **Additional services fee** – charged on a user pays basis where you request or agree to additional services.

The government sets the rules for the basic daily fee and the means-tested fee. The basic fee is a set amount, while the means-tested fee is calculated according to your financial capacity to pay. The accommodation payment and the additional services fee are set by the aged care provider and can be negotiated with the provider. Providers do need to get government approval to charge accommodation payments over $550,000.

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Accommodation payment

The cost of accommodation is usually quoted as a lump sum. This is a payment towards the cost of the room and access to amenities within the facility.

You can choose to pay the lump sum as a refundable accommodation deposit (RAD) or convert it into a daily accommodation payment (DAP) using a government set interest rate. You can also choose to pay a combination of a part lump sum and a part daily fee.

The Government will subsidise this if you are assessed as a "low means" resident. In this case, the Government sets the cost of the room as a daily rate and then assesses your financial capacity to pay, to determine how much you should pay and how much the Government will pay. This daily fee can be converted to an equivalent lump sum.

If a lump sum is paid, this amount is refunded (net of allowable deductions) when you leave. Amounts can only be deducted if you have allowed the service provider to deduct some of your other fees from this amount. The refundable amount is repaid to you or to your estate.

Basic daily care fee

All residents in aged care pay a basic daily fee as a contribution towards living expenses, such as meals, cleaning, laundry, heating and cooling. This fee is set at 85% of the annual single basic age pension.

Means-tested care fee

The Government will ask you to pay some of the cost based on your financial capacity to pay, using a means-test assessment. This is a formula based on a portion of assessable income and a portion of assessable assets.

Depending on your circumstances, you may choose to submit a "Residential Aged Care Calculation of your cost of care form" (SA457) or a "Residential Aged Care Property details for Services Australia and DVA customers form" (SA485). You need to send these forms to the Department of Human Services to have this fee assessed. It may take several weeks to receive notification back from the Department.

The amount you may be asked to pay is capped on an annual basis, although a lifetime cap also applies. These caps help you to plan and manage your finances as the cost is limited, regardless of how long you live in residential care.

The fee is determined when you move into care. It is then reassessed on a quarterly basis to reflect changes in your financial and personal circumstances, as well as indexation of rates and thresholds.

The rules for what assets and income are assessable, and how they are assessed, is complex. Your financial adviser can help you to calculate the fee you will be asked to pay. They can also explain how decisions on structuring your finances will impact on this fee.

Additional services fees and extra services fees

The aged care provider may provide additional services or better quality of some services for an additional daily fee. The range of fees and what is covered vary greatly between providers. You should ask for a detailed list of your chosen provider's fees, what each fee covers, and whether the services are optional or not.

Residential care agreement

Once you have chosen a service provider and been offered a place you will be asked to sign a Resident Agreement with that provider.

This is a legal document between a resident and a residential aged care provider. It details:

- The fees and charges you must pay, including methods of payment, interest on late payments, what happens if fees are not paid, and how and when any refundable fees will be returned to the resident or their estate.

i. Department of Health website: Publication of residential accommodation prices
ii. Department of Health website: Residential care fees for residents who enter care from 1 July 2014

- A description of the level of care, and the services provided, including any extra services agreed upon.
- The rights and responsibilities of both the resident and the provider, often including a charter of resident's rights, and
- Any conditions under which the resident may be asked to leave the facility, and the process of finding alternative accommodation, if necessary.

It is important to read the agreement carefully and seek legal advice if you need help to understand the details.

Additional information

To find out more about the assets and income assessment process, or to obtain copies of relevant forms, call Services Australia on 1800 227 475 or visit https://www.servicesaustralia.gov.au/aged care

To arrange a health assessment, or to obtain further information on the aged care process, fees and charges, you can contact My Aged Care on 1800 200 422 or visit www.myagedcare.gov.au