

## AGED CARE REFORM **FACT SHEET**

### PAYING FOR AGED CARE

The Productivity Commission report *Caring for Older Australians* recommends that Government continue to pay the majority of the costs of aged care for a person who needs it. The report also recommends that people who can afford to contribute to the cost of their accommodation and care do so. A means test will be used to work out what a person can afford to pay.

#### **PAYING FOR AGED CARE SERVICES NOW**

There may be a fee charged for Home and Community Care services provided to you in your own home but sometimes there is no fee at all. Whether or not you are charged a fee depends on where you live or who provides your service. If you get a package of care (called a Community Aged Care Package or an Extended Aged Care at Home Package) you are charged a standard amount around Australia based on an assessment of what you can afford to pay.

To go in to residential aged care many older people pay an accommodation bond, which is a one off lump sum payment (like a loan). The amount paid is based on what you can afford to pay rather than what the accommodation costs. The amount charged is decided by the service provider and could be as much as \$2 million (although the average paid is approximately \$230,000). More than 63,000 aged care residents have paid around \$11 billion in bonds to providers.

A bond, minus \$318 per month for up to 5 years which the provider is allowed to keep, is paid back to you or your estate when you leave aged care. Because of this it is often the preferred way of paying. Only 5% of residents now choose to make a periodic payment – which is like paying rent.

#### **PROPOSED REFORMS TO PAYING FOR AGED CARE**

Government will continue to be the main funder of aged care services and the report proposes that people who can afford to contribute to the cost of services do so. The report says people with the same means, getting the same services, should pay the same wherever they live -which is not the case now.

## Key points to know about the proposed payment system are:

- Government pays for the services you need if you are assessed as eligible and unable to afford them;
- Centrelink undertakes an assessment of your financial capacity, which includes your assets (including the value of your house) and income, and determines what you can afford to pay;
- Depending on what you can afford to pay you will be asked to contribute towards the cost of any *support and care* provided to you either at home or in a residential care home (the report suggests between 0% and 25%). The prices for the care you receive will be recommended by an independent Aged Care Commission;
- You won't pay more than a maximum amount for *support and care* over your lifetime (the report suggests a maximum of \$60,000). Once that limit is reached the Government will pay all your costs;
- If you enter residential care and can afford to pay you will also be asked to pay your *accommodation and living expenses*. You can pay with periodic payments (like rent) or you can choose to pay a one off lump sum (called a Bond). 100% of that bond is refunded to your estate at the end of your time in care;
- *Accommodation* prices have to be made available publicly and linked to the cost of providing the accommodation. You can choose however you want to meet these costs (both accommodation and support and care) and you don't have to sell your home. To assist you to meet your costs there are two new financial products:
  - *The Australian Aged Care Home Credit Scheme*. A Government backed line of credit secured against your house, or your share of it. A minimum level of equity in the house will be set and you can draw progressively down to that minimum to fund your aged care costs. The outstanding balance would become repayable upon your death except where there is a protected person (e.g. partner, dependent child or a carer) living in the house.
  - *The Australian Age Pensioners Savings Account*. If you are a pensioner and wish to sell your home to move to other accommodation you can establish an account with the Government with some or all of the proceeds of the sale and use this to pay for your aged care services. The account would be exempt from the age pension income and assets test.

These reforms would make the costs and pricing of accommodation and care transparent and give you choices about how to pay for the aged care you need. You may choose to do as you have throughout your life and sell one house to move into another. You may choose to use your superannuation or investments to pay. You may prefer to pay rent or charge the cost against the value you have build up in your house. It will be your choice, there is more than one way to pay and you won't be asked to pay more than you can afford.

**It is important to remember that if you can't afford to pay the Government will pay your costs.**

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