

Residential Aged Care Financial Information Q and A

Tarcoola | Kialla Gardens | Rodney Park

DISCLAIMER: *The information contained herein is provided by Shepparton Villages as general advice only. No direct or implied recommendations are given in this material, which has been provided without taking into account an individual's particular objectives, financial situation or needs. Before making a decision on the basis of any information contained in this handout you need to consider whether the information is appropriate to you in light of your particular situation.*

The information is derived from sources believed to be accurate and current as at the date of printing – September 2017. Information contained herein is subject to constant change including Commonwealth Government fee changes and other changes in relevant legislation.

Aged Care decisions are complex and specialist advice should be considered. The correct structuring of your assets and income can ensure that you maximise your pension entitlement and minimise the ongoing cost of aged care.

1. What are the requirements for moving into a residential aged care facility operated by Shepparton Villages?

- a) A government requirement is that the Aged Care Assessment Service (ACAS) must assess every prospective Resident as needing residential aged care prior to entry into a facility.
- b) Shepparton Villages strongly recommends that Resident's appoint Powers of Attorney, both financial and medical.
- c) Shepparton Villages strongly recommends that all Resident's have a current Will in place.
- d) Shepparton Villages strongly recommends that all prospective Residents arrange to see a professional financial advisor prior to considering accommodation in residential aged care facilities.
- e) **Shepparton Villages require a resident to complete the Centrelink "Permanent Residential Aged Care Request for a Combined Assets and Income Assessment", (this is provided by ACAS and will be given to you at the time of your assessment) to determine the level of Accommodation Payment and or Care Contribution (means tested care fees) that may be payable, in particular:**
 - Care contribution (means tested care fees) – non lodgement of the asset assessment may mean that a client will pay the full cost of their care (ie; Government subsidy).
 - If your assets are below \$162,815.20 the asset assessment will be required prior to admission as the Government will determine the accommodation payment payable by the client.

- f) Shepparton Villages requires a signed residential agreement to be in place prior to admission. The agreement details the financial arrangements and security of tenure for the Resident.
- g) To ensure Shepparton Villages is protected from any exposure to bad debts, a requirement under the agreement is that Residents who own real property are to provide the title information of the property i.e. volume and folio numbers. The appropriate clause within the agreement enables Shepparton Villages to lodge a caveat registered on the property as protection in the event of any monies owing to Shepparton Villages not being paid.

2. What are the fees/payments?

Residential Aged Care is partially funded by the Government; however every Resident has fees and charges which are payable by them directly for their cost of care. These fees are established and set by the Government as follows;

a) **Basic Daily Care Fee**

All Residents entering an aged care facility will be required to pay a Basic Daily Care Fee. This is a government set amount, currently 85% of the single aged pension.

The Basic Daily Care Fee for most resident admissions from 20th September 2017 is **\$49.42** per day.

The Government increases the Basic Daily Care Fee in March and September each year, in line with pension increases.

b) **Care Contribution**

All Residents entering an aged care facility will also be assessed by the Government based on their level of assets and income to determine their capacity to pay beyond the Basic Daily Care Fee. This additional fee levied by the Government (if applicable) is known as a Care Contribution Fee (means tested).

The residential aged care facility does not benefit from any Care Contribution Fees as it is purely a Resident's contribution towards the cost of their care, which offsets the amount of the Government funding received by the provider for a particular Resident.

The Care Contribution as assessed by the Department of Social Services is based on a Resident's income and assets and begins on the Resident's date of entry into permanent care.

The maximum Care Contribution payable is \$26,566.54 per annum with a lifetime cap of \$63,759.75 and applies across all forms of care. (Including Home Care Packages, this has an annual cap of \$10,626.59 per annum for non-pensioners and \$5,313.28 for part pensioners per annum).

NOTE: Dependent upon your individual financial circumstances, the Care Contribution can have financial implications for some Residents. It is recommended that you seek independent financial advice from a qualified financial advisor to help you properly manage your finances before entering aged care.

c) Accommodation Payment

Terms:

For those with assets greater than \$162,815.20 will need to pay a:

RAD Refundable Accommodation Deposit (Lump Sum)

DAP Daily Accommodation Payment (Daily Charge -essentially an interest payment on the equivalent lump sum RAD)

For those with assets under \$162,815.20, but over \$47,500 will need to pay a:

RAC Refundable Accommodation Contribution

DAC Daily Accommodation Contribution: the maximum of which is fixed to the level of accommodation supplement a facility receives, this can change each quarter.

For those with assets less than \$47,500, will not be required to contribute to any Accommodation Payment however will still be required to pay the Basic Daily Care Fee.

Residents who are deemed to have the capacity to pay for their accommodation will be required to via an appropriate Accommodation Payment or Contribution. All Residents with assets above \$47,500 will be assessed on this. Providers must leave every resident with \$47,500 in assets after deducting the relevant RAD or RAC, from their overall asset base.

From July 1 2017, for accommodation payments the published prices are listed below. These prices are dependent on the facility and room type. Negotiations of prices are dependent on receipt of a Centrelink or DVA Assets and Income Assessment Form as previously advised at 1e).

Currently as at 1 July 2017, market prices for each type of accommodation are as follows:

Room Type	Acacia Single	Acacia Single with shared ensuite	Acacia Shared Room	Hakea Single	Banksia Single	Boronia Single	Grevillea Single	Waratah Single
Full RAD	\$360,000	\$340,000	\$300,000	\$360,000	\$400,000	\$350,000	\$350,000	\$350,000
DAP conversion	\$56.22	\$53.10	\$46.86	\$56.22	\$62.46	\$54.66	\$54.66	\$54.66
Combo @ 50% RAD and 50%DAP	\$180,000 RAD & \$28.11 DAP	\$170,000 RAD & \$26.55 DAP	\$150,000 RAD & \$23.43 DAP	\$180,000 RAD & \$28.11 DAP	\$200,000 RAD & \$31.23 DAP	\$175,000 RAD & \$27.33 DAP	\$175,000 RAD & \$27.33 DAP	\$175,000 RAD & \$27.33 DAP

*DAP is calculated using the current MPIR as of October 2017 – 5.70%

Residents will be able to choose to pay for their cost of accommodation through, one of the options listed below:

Option 1. Refundable Accommodation Deposit/ Contribution or RAD/RAC

A RAD/RAC is essentially an interest free loan from the Resident to the provider, refunded after the resident leaves the facility.

Choosing a full lump sum RAD/RAC, is electing to pay the full price set for the accommodation or contribution as a lump sum or

For example: Mary enters into care and has been asked to pay \$400,000 for a room in Banksia. Based on her individual circumstances, she elects to pay the entire \$400,000 as a lump sum.

Option 2. **Daily Accommodation Payment/Contribution or DAP/DAC**

The DAP/DAC is calculated from the RAD/RAC at a government set interest rate, which at 1 October 2017 is 5.70%.

In this example, Mary instead decides to pay her \$400,000 as an equivalent DAP which would be \$62.46 per day. $\$400,000 \times 5.70\% / 365 = \62.46).

Option 3. A combination **RAD/RAC & DAP/DAC**.

This is determining an amount payable by way of RAD/RAC and the remainder payable by DAP/DAC.

In this example, Mary instead decides to pay for her \$400,000 full priced room, with \$200,000 as an upfront lump sum (RAD) and then converts the remaining \$200,000 to a DAP, which in this case would equate to \$31.23 per day.

Upon leaving the facility, Mary will have the RAD balance refunded to her (or her estate, less any charges outstanding – see point 8).

In addition to choosing to pay by way of a combination of RAD/RAC and DAP/DAC, Residents may also elect to have their daily accommodation payment or contribution (DAP/DAC) drawn down from their lump sum RAD/RAC on a monthly basis.

In this example, Mary provides a \$200,000 RAD and pays the remaining \$200,000 as a DAP. However, rather than physically pay the DAP each month, Mary elects to have the DAP drawn down from the existing RAD held by the aged care organisation.

This means each month, an entry is made against the existing RAD for the amount owing from the DAP; ie. For a 31 day month, $DAP = \$968.13$ ($31 \times \$31.23$)

Therefore, after the first month, the existing RAD now totals \$199,031.87 ($\$200,000 - \968.13).

However, due to the diminishing balance of the RAD as a result of the DAP being drawdown from the RAD, the DAP will increase each month relative to ensuring the total agreed market price is continuing to be paid by Mary.

In the example above, after the first month the calculation of the DAP will be as follows: $\$400,000$ (Room Price) - $\$199,013.87$ (RAD held) = $\$200,968.13$ (new base for calculating DAP payable). Interest would be adjusted for the next month $\$200,968.13 \times 5.70\% / 365 \times 31 = \972.91 .

3. What are the timeframes for deciding how to pay the Accommodation Payment?

The decision on how the resident elects to pay their accommodation payment is up to them and they have 28 days to make the decision from time of entry into the facility.

NOTE: If a decision is not reached by the resident within the 28 days, the default option for payment will be a full DAP/DAC.

The client may however convert the DAP/DAC to a full RAD/RAC or a combination of RAD/RAC and DAP/DAC at anytime. However, once a RAD/RAC is paid the RAD/RAC cannot be converted to a DAP/DAC.



Further, a resident who commits to pay after 28 days from entry or chooses “to top up” their RAD/RAC at a later date can do so without being subject to the minimum asset requirement of \$47,500.

4. Is the home an assessable asset for the purpose of determining a Resident's ability to pay an accommodation payment?

The former home will be assessed unless a protected person is living there, in which case it is exempt from the assessment.

A protected person is:

- A spouse or dependent child;
- A carer eligible for an Australian income support payment who resides in the home and has lived there for two years; or
- A close relative who is eligible for an income support payment and has been living in the home for at least five years.

If none of the above applies, the value of the home will be counted as part of the resident's assets for determining the assets and income.

Please Note: Income Support Payments DO NOT include *Carer's Allowance*.

5. Are joint assets in the Resident's name and the Resident's spouse's name assessable assets for the purposes of determining an Accommodation Payment?

With the exception of the family home as explained above in question 4, the value of the combined assets of a couple are assessed, with ½ share of those assets being applied as assessable assets for determining the Accommodation Payment.

Where an asset is held jointly or in common with a person other than the Resident's partner, the value of the asset is taken as per the Resident's interest in the asset.

6. How does an Accommodation Payment affect a Resident's pension?

Any amount of lump sum RAD/RAC that you pay will be an exempt asset for the calculation of your pension. However, the payment of RAD/RAC will be included in the calculation of assets for your care contribution. (means tested care fee)

Residents and their families should contact Centrelink or DVA and advise the amount of the Accommodation Payment/Contribution as soon as it is paid to Shepparton Villages in order for the resident to receive the maximum pension they are entitled to.

7. Is interest charged on an unpaid RAD/RAC?

Yes. Any lump sum unpaid RAD/RAC will incur interest from the date of admission to the agreed payment date at the Maximum Permissible Interest Rate (MPIR) (currently 5.70%) as set by Government.

8. When and how is the RAD/RAC Refunded?

The RAD/RAC is subsequently refunded after deducting any fees owing at the point the Resident leaves Shepparton Villages and transfers to another residential aged care provider, or the Resident deceases. Refunds to the estate of the deceased Resident will occur on the receipt of the probate document. If the refund is \$30,000 or less, the refund may occur on the production of an Indemnity Agreement signed by all of the beneficiaries, and a copy of the Last Will and Testament of the deceased Resident.

Interest will be paid by Shepparton Villages on the refundable accommodation deposit balance @ 3.75% (current rate – subject to change) from the day after the date of discharge until payment is made (most refunds are dependent upon production of the probate document). If the refund is not paid within 14 days of receipt of the probate document the provider has to pay interest at the MPIR as set by the Government; the current rate is 5.70% (as of 1 October 2017).

9. Does Shepparton Villages provide a written guarantee that the RAD/RAC will be refunded?

Yes. In accordance with The Aged Care Act, Shepparton Villages provides a written guarantee to the resident (see Annexure B Clause B5 of the residential agreement), that the balance of the Refundable Deposit/Contribution (after deduction of any outstanding fees) will be refunded in full and on time.

10. What does Shepparton Villages disclose regarding the Accommodation Payment/Contribution?

On entry:

We provide a copy of the Accommodation Payment/Contribution agreement, which includes a written guarantee (see point 9) and a written statement on what other information is available on request.

On request:

In relation to the previous financial year:

- Summary of permitted uses of the RAD/RAC
- Statement explaining investment objectives, if not APRA approved e.g. term deposits
- Statement on compliance on permitted uses of bond
- Information on accommodation balances that have not been refunded (if any)
- Copy of independent audit opinion
- Our most recent statement of audited accounts

Annually:

A copy of your entry in the Accommodation Payment register and a written statement of information available on request.

You can access further information by contacting the My Aged Care Information Line on 1800 200 422 or via their website – www.myagedcare.gov.au.