

# Aged care payment options



When it comes time to investigate residential aged care for yourself, your partner, parent or relative, the search for a facility and how to pay for it can seem daunting. The system is complex, and decisions often need to be made in the midst of a health crisis.

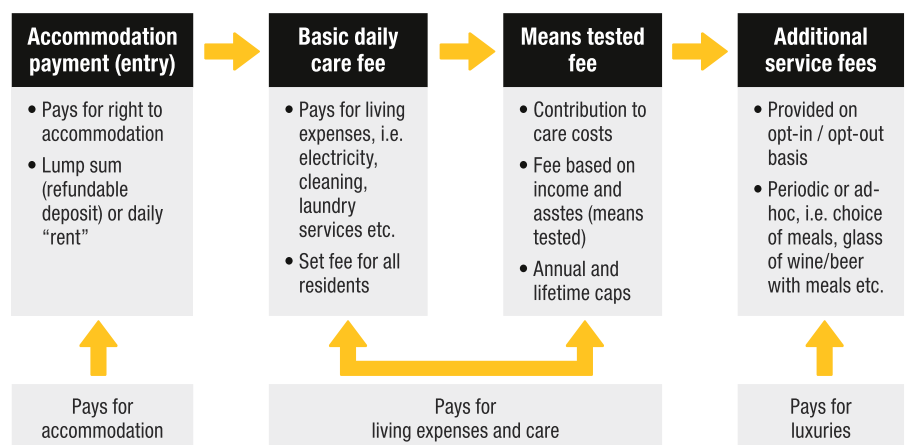
But with multiple ways to pay for aged care, it's possible to focus on finding the facility that best suits your loved one, rather than just the cost.

Factors such as location to family and friends, reputation for care or general appeal are just as important as the sometimes-high price of a room and other fees in residential aged care.

Even so, costs can't be ignored.

Most costs in aged care are set and regulated under the Aged Care Act, making them consistent for all facility operators across the country.<sup>1</sup> The facility itself, may differ in age, size, location, additional service offers and suitability.

## Breakdown of aged care costs



Source: Aged Care Steps

### Accommodation charges

The first thing to be aware of when researching your residential aged care options is that there are separate costs for the accommodation and the care provided by the facility.

The accommodation payment essentially covers your right to occupy a room. Every room in aged care will have a market price and all residents who are assessed by the government as having to pay this price have a choice.

You can pay this accommodation fee as a lump sum called the Refundable Accommodation Deposit (RAD), or a daily rate similar to rent, or combination of both.

The daily rate is known as the Daily Accommodation Payment or DAP and is effectively a daily interest rate set by the government. The current daily rate is 4.04 per cent. If the RAD is \$550,000 then the equivalent DAP is \$60.87 a day (\$550,000 x 4.04%, divided by 365 days).

A resident can pay as much or as little towards the RAD as they choose, but any outstanding amount is charged as a DAP.

For example, if the RAD is \$550,000 and you pay \$200,000 towards it, you will still have a \$38.74 DAP to pay. Depending on the resident's circumstances, they might opt to pay the DAP from a regular income stream such as a pension or from existing savings. Or if an amount was paid towards the RAD, the DAP can be drawn from it.

The RAD is fully refundable to the estate, unless it is used to pay any of the aged care costs such as the DAP.

### Daily fees

As well as an accommodation cost there are daily resident fees that cover living and care costs. There is a basic daily fee which everyone pays and is set at 85 per cent of the basic single Age Pension. The current rate is \$52.71 a day and covers the essentials such as food, laundry, utilities and basic care.

Then there is a means tested care fee which is determined by Services Australia or Veteran's Affairs. This figure can range from \$0 to about \$256 a day depending on a person's income and assets. The figure has an indexed annual and a lifetime cap – currently set at \$28,339 a year or \$68,013 over a lifetime.

Some facilities offer extra services, where a compulsory extra services fee is paid. It has nothing to do with care but may include extras like special outings, a choice of meals, wine with meals and daily newspaper delivery. It can range from \$20-\$100 a day.

Increasingly facilities are introducing an additional service fee which may be offered on an opt-in basis but is often non-negotiable, to cover things like TV in the room, meal choice or nicer furnishings. Typically they are between \$10 and \$60 a day.

A means assessment determines if you need to pay the means-tested care fee and if the government will

contribute to your accommodation costs. Everyone who moves into an aged care home is quoted a room price before moving in. The means assessment then determines if you will have to pay the agreed room price or RAD or contribute towards it.

### How means testing works

A means-tested amount above a certain threshold is used to determine whether you pay the quoted RAD and how much the government contributes towards the means-tested care fee. The more you pay the less the government pays on your behalf.

A person on the full Age Pension and with property and assets below about \$37,155 would have all their costs met by the government, except the \$52.71 a day basic daily fee.

A person on the full Age Pension with property and a protected person, such as their spouse, living in it and assets between \$37,155 and \$173,075 may be asked to contribute towards their accommodation and care.

To be classified a low means resident there would be assessable assets below \$173,075.20 (indexed). It is also subject to an income test.

A low means resident may pay a Daily Accommodation Contribution (DAC) instead of a DAP which can then be converted to a Refundable Accommodation Contribution (RAC). They may also pay a small means-tested care fee.

### Payment strategies

The fees you may pay for residential care and how you pay them requires careful consideration. For example, selling assets such as the former home to pay for your residential care can affect your aged care fees and Age Pension entitlements.

*If you would like to discuss aged care payment options and how to ensure you find the right residential care at a cost you or your loved one can afford, give us a call.*

i All costs quoted in this article are available on <https://www.myagedcare.gov.au/aged-care-home-costs-and-fees>

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