

Fees and Charges Explained

What are the fees and charges associated with aged care?

Navigating aged care fees and charges can be overwhelming, especially if you are only starting out in your aged care journey or looking to support a family member or friend find an aged care home placement.

Find Aged Care are here to help. We've put together a guide to aged care fees and charges to help you quickly understand the landscape so you can make informed decisions and access the funding you need.

1. Fees and charges defined

There are a number of fees associated with living in an aged care home. These are set or approved by the Australian Government. Some of these are standard amounts across all homes in Australia and some vary depending on the style of accommodation and services provided.

The major fees associated with moving into an aged care home are as follows:

- **Basic daily care fee** – \$54.69 per day (correct as at 20th March 2022)
- **Accommodation payments** – RAD's (Refundable Accommodation Deposits), DAP's (Daily Accommodation Payments) or a combination of both
- **Means-tested care fee** – up to a \$29,399.40 annual cap and a lifetime cap of \$70,558.66.

Basic Daily Care Fee

The basic daily care fee is determined by the Department of Social Services at 85% of the full single person aged pension and is currently \$54.69 per day as at 20th March 2022. Basic daily care fees are for living expenses like meals, laundry, heating/cooling, and also nursing or personal care. This fee is increased on 20th March and 20th September each year in line with the pension increases.

Residents are required to pay this one month in advance. It is paid by all people who reside either on respite or permanently in a residential aged care home.

Accommodation Payment

Aged care homes' accommodation prices vary depending on the location of the home, the size of the suite and the style of the home. The accommodation payment is approved by the government's Aged Care Pricing Commissioner, if the advertised suite price is higher than \$550,000.

The RAD (Refundable Accommodation Deposit) or equivalent DAP (Daily Accommodation Payment) on the selected suite and Maximum Permissible Interest Rate (MPIR) are fixed at the date of becoming a permanent resident.

The accommodation payment can be made in a number of ways, including:

- An upfront lump sum payment, called a Refundable Accommodation Deposit (RAD). The RAD (minus any amounts deducted, as agreed) is refunded when you leave the aged care home
- A monthly rental style payment, called a Daily Accommodation Payment (DAP). The monthly rental payment is calculated on the price of the room, using an interest rate set by the Government (as at 1st July 2022 5.00%) and paid monthly, in advance
- Or a combination of both, where you choose to pay a partial RAD amount and the balance as a DAP

Below are some worked examples for illustrative purposes only:

Example only

RAD (Refundable Accommodation Deposit)	\$550,000	\$550,000	\$550,000
Scenarios	No RAD paid	Part RAD paid	All RAD paid
Amount of RAD paid	\$ -	\$200,000	\$550,000
DAP (Daily Accommodation Payment)	\$75.34	\$47.95	\$ -
Basic Daily Care Fee	\$54.69	\$54.69	\$54.69
Total Fees per day*	\$130.03	\$102.63	\$54.69

*Note – the Means-Tested Care Fee has not been added to this example.

Your chosen aged care home can work through various scenarios with you or your financial advisor to make a choice on how you'll pay your accommodation payment before you move into care. The government regulation requires a payment choice within 28 days of commencing permanent care.

A RAD is refunded within 14 days of discharge as per the Aged Care Act 1997. Discharge requires only 7 days' notice.

RAC (Refundable Accommodation Contribution) and DAC (Daily Accommodation Contribution)

Where a person has completed a *Residential Aged Care Calculation of your cost of care* form (SA457) and you have less than \$52,500 in assets, it should be determined that you are a fully supported resident. In this case, there will be no additional Means-Tested Care Fee for you to pay and the Government will pay for your costs of accommodation above your rate of contribution by way of an accommodation subsidy to your chosen aged care home.

If it is determined you are partially supported, you may be liable to pay part, or all of, a Daily Accommodation Contribution (DAC). If so, you will receive a fee advice letter issued by the Department of Human Services (DHS). The fee advice letter will notify you of the maximum accommodation contribution based on your income and assets. The maximum the resident can pay is \$60.74 daily.

You have the right to pay the Daily Accommodation Contribution (DAC) as a Refundable Accommodation Contribution (RAC). This means you can pay a lump sum which is calculated by the DAC: $DAC \times 365 / 5.00\% \text{ (MPIR)} = RAC$.

Minimum Asset Amounts: A resident must be left with \$52,500, after calculating the maximum accommodation pay amount.



Means-Tested Care Fee

The Means-Tested Care Fee (MTCF) was introduced by the Government from 1st July 2014. It is a payment, which the Government requires you to make to contribute to the cost of your care once you are a permanent resident. This fee is determined by your assessable income and assets and is calculated by Centrelink following lodgement of the *Residential Aged Care Calculation of your cost of care* form (SA457). This fee is currently calculated between NIL to \$29,399.40 per year. There is currently a lifetime cap of \$70,558.66. This includes any contributions towards the income tested fee that you may have made if you received government funded home care after 1st July 2014.

If the Means-Tested Care Fee is applicable, you will be required to pay it monthly in advance, up to your annual assessed amount.

We encourage everyone to complete and submit to Centrelink or the Department of Veteran Affairs the *Residential Aged Care Calculation of your cost of care* form (SA457) and depending on your personal circumstances *Residential Aged Care Property details for Centrelink and DVA customers* form (SA485) prior to moving into an aged care home. The determination is valid for 120 days.

You are required to provide an update to Centrelink or the Department of Veteran Affairs when your financial situation changes. Please note: an update does not require you to complete any new forms, a phone call to Centrelink or the Department of Veteran Affairs is sufficient.

Completion of the sale of property and payment of a RAD would be considered a material change and would require an update to Centrelink or the Department of Veteran Affairs. The Means-Tested Care Fee (MTCF) may then be revised by Centrelink or the Department of Veteran Affairs.

Accounts

Accounts will be billed on a monthly basis in advance by your chosen aged care provider and direct debited from your nominated account. You or your family representative will be sent a monthly account statement detailing the payments. You will be provided with a Direct Debit form to complete and return prior to admission to your aged care home.

Independent Advice

We strongly recommend obtaining specialist advice as early as possible in this information gathering stage. We do not recommend particular individuals or organisations but are aware that there are a number of specialists who work in the aged care industry.



2. Fees and Accounts once a resident

Accounts and Billing

All fees are payable one month in advance to your aged care home. Accounts rendered are payable within 7 days of receipt. Direct Debit is the preferred method of payment for most providers. Your monthly payment will be deducted from your nominated account. Late payment of fees may incur an interest penalty calculated at the rate provided for in the relevant legislation and as set out in the Resident Agreement.

Refunds

When a resident leaves the home, any refunds due will be made by way of cheque or EFT, in the name of the resident.

In the event of a resident death, all monies owing will be refunded within 14 days by cheque “to the Estate of the Late” after being shown probate or a letter of administration. Where Refundable Accommodation Deposits (RADs) are paid, please refer to the relevant legislation and Resident Agreement for refund policy.



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The advertisement features a central image of a younger hand holding an elderly hand, symbolizing care and support. The background is light grey with a large orange curved shape on the right side.

Financial and Legal Services

Aged care staff should not provide any financial or legal services to you or your representatives. We strongly recommend seeking independent professional financial and legal advice before becoming a permanent resident in any aged care home.

Find Aged Care wish you and your family every success in your aged care home journey. If you would like more information, please visit www.findagedcare.com.au or call us on 1300 509 992.

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