



## 7. New Accommodation Fee and Subsidy Arrangements Overview

### New Accommodation Supplement

From 20 March 2008, the arrangements governing the accommodation supplements the Australian Government pays on behalf of residents who cannot meet their own accommodation costs will be simplified and made fairer.

The new arrangements will combine the current Concessional Resident Supplement and Pensioner Supplement into a single asset-tested *Accommodation Supplement*.

They will also increase the maximum level of the new Accommodation Supplement.

Self funded retiree residents with few assets will also become eligible for accommodation assistance from the Australian Government.

### Existing residents

Permanent residents in an aged care home on 19 March 2008 (including residents who are on pre-entry leave) will not be affected by these changes.

Residents in receipt of the Concessional Resident Supplement will continue to receive the supplement until they are discharged.

Existing residents who are eligible will continue to receive the Pensioner Supplement as currently.

The indexation arrangements for the rates of the Concessional Resident Supplement and the Pensioner Supplement will be the same as for the new Accommodation Supplement.

### Maximum rate for new residents

From 20 March 2008, the maximum accommodation supplement will be increased to \$26.88 per day.

The maximum supplement will be paid to all new residents, including self funded retirees, with assets worth less than 2.5 times the maximum annual single basic age pension ('the Supported Resident Threshold'). It is estimated that this threshold will be \$34,500 on 20 March 2008.

### Increases in the maximum supplement

The maximum supplement will increase in stages from 20 March 2008 to 20 September 2011, when it is estimated that it will be \$32.38 per day.

Beginning in 2012, the maximum supplement will be increased on 20 March and 20 September each year in line with movements in the Consumer Price Index.

### Encouraging quality

The Accommodation Supplement is only payable in respect of residents in aged care homes that are certified.

A lower maximum supplement rate will apply to residents in aged care homes that do not meet both the 1999 fire and safety and 2008 privacy and space requirements.

This lower maximum rate will equal the sum of the indexed maximum rates of the Concessional Resident and Pensioner Supplements. It is estimated that this amount will be \$23.72 per day on 20 March 2008.

### Rate of a resident's supplement depends on assets

For residents with assets above the Supported Resident Threshold the amount of the daily supplement will be reduced by 1/2080th of their assets over the threshold.

### **Encouraging equity of access**

A 25 per cent discount will apply to the amount of the Accommodation Supplement paid to new residents in aged care homes that do not provide more than 40 per cent of their eligible care days to 'supported residents'.

*Supported residents* are residents receiving:

- the Concessional Resident Supplement;
- the Hardship (Accommodation Bond) Supplement;
- the Hardship (Accommodation Charge) Supplement; or
- the new Accommodation Supplement.

Homes will also be paid the undiscounted rate for new residents if more than 40 per cent of their new residents are supported residents.

For existing residents, homes will be paid the undiscounted rate of the Concessional Resident Supplement (for eligible residents) if more than 40 per cent of all of their residents are supported residents.

Because the definition of supported resident is more generous than the definition of concessional/assisted residents, many more aged care homes will be able to achieve the 40 per cent Supported Resident Threshold.

It is estimated that by March 2008, about 30 per cent of new residents would have qualified as either concessional or assisted residents. By contrast, about 50 per cent of new residents are expected to qualify for some level of Accommodation Supplement (and so be supported residents).

Note, as currently, residents who have been in the aged care home since before 1 October 1997 are not counted in these calculations.

### **The Interim Accommodation Supplement**

Since 1 July 2007, an *Interim Accommodation Supplement* worth \$3.50 per day has been payable for every high care resident.

The final instalment is due for period 1 January to 19 March 2008 in the April payment claim.

There will be no retrospective adjustment of the amount of a provider's instalment payment, up or down, once the amount has been determined (except in the case of fraudulent behaviour).

### **Basic daily fees**

As currently, aged care providers will be able to ask all residents to pay a Basic Daily Fee, as a contribution towards accommodation costs and living expenses, such as meals and refreshments, cleaning, laundry, heating and cooling.

The maximum Basic Daily Fee for all residents who enter an aged care home on or after 20 March 2008 will be 85 per cent of the annual single basic age pension. It is estimated that this amount will be \$32.08 per day on 20 March 2008.

Permanent residents in an aged care home on 19 March 2008 (including residents on leave) will continue to be subject to the current rules governing the Basic Daily Fee while they remain in that aged care home.

### **Transitional arrangements**

The Government will pay providers an additional Transitional Accommodation Supplement in respect of some new low care residents.

Initially, the Transitional Accommodation Supplement will fully offset the loss of Pensioner Supplement and largely offset the loss of the additional Basic Daily Fee for low care residents.

### **Accommodation payments**

Accommodation payments (Accommodation Bonds and Charges) are amounts paid by a resident for entry to an aged care home.

As currently, aged care providers will be able to ask permanent residents who enter an aged care home from 20 March 2008 to pay an accommodation payment if:

- they have assets greater than 2.5 times the annual single basic age pension (an estimated \$34,500 on 20 March 2008); and
- the aged care home meets the building certification standards.

Respite residents cannot be asked to pay an accommodation payment.

Residents with unrealisable assets will continue to be able to apply for a Hardship Supplement if they cannot afford to pay their Accommodation Bond or Charge.

### **Accommodation Bonds**

As currently, an aged care provider will be able to ask a resident with sufficient assets to pay an Accommodation Bond if the resident enters an aged care home to receive:

- low level care; or
- care on an extra service basis; or
- high level care, if the resident is transferring from another aged care home to which he or she paid a bond.

The arrangements governing Accommodation Bonds will not change on 20 March 2008.

As currently, aged care providers will not be able to ask for an Accommodation Bond that does not leave a resident with assets worth at least 2.5 times the annual single basic age pension (an estimated \$34,500 on 20 March 2008).

Providers will continue to be able to deduct retention amounts from

Accommodation Bonds for up to five years. They will also continue to retain any interest that they earn from investing Accommodation Bonds.

### **Accommodation Charges**

As currently, an aged care provider will be able to ask a resident with sufficient assets to pay an Accommodation Charge if the resident is entering an aged care home to receive high level care (other than extra service care).

From 20 March 2008, the arrangements governing Accommodation Charges will be simplified and made fairer.

Permanent residents in an aged care home on 19 March 2008 (including residents who are on pre-entry leave) will not be affected by these changes as Accommodation Charges are determined on entry to care.

### **Accommodation Charges are capped**

As currently, the level of a resident's Accommodation Charge is negotiated between the resident and/or their representative, and the service provider.

However, the level of a resident's Accommodation Charge cannot be greater than the caps set by the Australian Government.

First, a resident who enters an aged care home from 20 March 2008 cannot be asked to pay a daily Accommodation Charge greater than 1/2080th of their assets above 2.5 times the annual maximum basic single age pension.

Second, no matter the level of a resident's assets, they cannot be asked to pay an Accommodation Charge greater than the 'legislated maximum Accommodation Charge' for their day of entry.

The legislated maximum Accommodation Charge will be gradually increased until 20 September 2011, when it is estimated that it will be \$32.38 per day. Different

legislated maximum Accommodation Charges will apply to pensioners and self funded retirees until 20 March 2010.

After 20 September 2011, the amount of the legislated maximum Accommodation Charge will be increased on 20 March and 20 September each year in line with movements in the Consumer Price Index.

#### **Encouraging quality**

The legislated maximum Accommodation Charge will be lower for residents in aged care homes that do not meet the 1999 fire and safety and 2008 privacy and space requirements.

#### **Accommodation Charge determined on entry**

A resident's Accommodation Charge will continue to be determined on entry to care and remain fixed until they are discharged.

From 20 March 2008, a resident who transfers (within 28 days) from one aged care home at which they paid an Accommodation Charge to another home at which they are liable to pay a charge will have the level of their charge in the new home capped at the level of the charge that they paid to the first home.

#### **Existing grandfathering arrangements**

Residents who were receiving care in a nursing home on 30 September 1997 will

continue to be exempted from any requirement to pay an Accommodation Charge if they enter an aged care home. The Government will pay the provider the Accommodation Supplement at the maximum rate in respect of these residents.

As currently, care recipients who first entered care before 1 July 2004 can only be asked to pay a charge for up to five years in total.

#### **Transitional arrangements**

The Government will pay providers an additional *Accommodation Charge Top Up Supplement* in respect of some pensioner high care residents who enter an aged care home from 20 March 2008 to 19 March 2010.

This supplement will compensate providers for the lower cap on the maximum Accommodation Charge that will apply to pensioners until 20 March 2010.

It will ensure that providers receive the equivalent of the highest legislated maximum Accommodation Charge (for self funded retirees) in respect of all residents, either from the resident or the Government or both.