

# Aged care

## – planning to meet the costs



There's no doubt that Australians are living longer – already 2.6 million are aged over 65 and by the 2040s that number will have doubled.<sup>1</sup> The demand for aged care services is increasing and will continue to increase as the baby boomer generation gets older.

When we need more support at home, or perhaps full residential care, there are costs to consider and there may be some big decisions to make. A little planning can save a lot of emotional and financial pain, whether you are making decisions for yourself or for older relatives.

Aged care support, whether at home, in a hostel or a nursing home, is subsidised and regulated by the Commonwealth Government to ensure all Australians have access to affordable accommodation. This means many conditions and costs are standardised.

#### What is available?

Three levels of support are provided for older people needing help with day-to-day activities or residential care:

- home services through the **Staying at Home** program
- hostels
- nursing homes

The Commonwealth Health Department's **"Staying at Home" program** provides a number of services, including Home and Community Care (HACC) and the Community Aged Care Package. With more people wanting to stay in their home and keep their independence for as long as possible, these programs are designed to give additional support where it is needed. The services provided can include, such things as help with personal care, shopping, meals, home maintenance and transport.

**Hostels** provide accommodation and a small amount of nursing care (also called 'low-level care', but this refers to the amount of care needed, not the quality). Residents usually have quite a bit of independence, but help is available as it is needed.

**Nursing homes** provide accommodation and full-time nursing care (also called 'high-level care').

There are also **Extra Service Homes**, which may be part of other homes. They offer what's often called 'hotel service', which includes a higher standard of accommodation, food and services (though not a higher level of nursing care). The Government limits the number of these places in any one area, to ensure sufficient standard places are made available.

Veterans, war widows and widowers who receive benefits from the Department of Veterans' Affairs may also have access to additional support and benefits.

### What will it cost?

There are fees for each of these services. In the Staying at Home program, they are generally based on the service used.

If you leave your own home, you may take up residence in either a hostel or nursing home. Most hostels and nursing homes use the same fee structure. Private facilities and Extra Service Homes may offer different services and charge different fees.

Fees for care in a hostel or nursing home, vary according to whether the resident is an aged pensioner, part pensioner or non-pensioner (self-funded retiree). The charges may include:

- a basic daily care fee.
- a daily fee that is income tested.
- an accommodation payment (a bond for hostels and a charge for nursing homes).



Both hostels and nursing homes charge a daily fee, made up of the daily care fee and an income-tested daily fee. The income test is the same as the one Centrelink uses for the age pension, so income can include other pensions, such as superannuation and overseas pensions. Fees are indexed and currently (March to September 2005) the annual costs are around:

- \$10,200 for a full pensioner
- up to \$18,100 for a part pensioner
- up to \$30,600 for non-pensioners and those with significant assets

There is no set fee for an **accommodation bond**. Hostels negotiate the bond, according to the resident's assets when they enter the nursing home. The bond can be paid as a lump sum, in instalments or a combination of the two. The bond is effectively an interest-free loan to the hostel. The hostel holds the bond and deducts an annual fee (about \$3,100) for no more than five years. The hostel also keeps all investment earnings for as long as it holds the bond. What remains of the bond is refunded when the resident leaves the hostel or dies.

Nursing homes negotiate an **accommodation charge**, which is a daily fee based on the resident's assets when they enter the nursing home. If the resident entered the nursing home before 1 July 2004, the accommodation charge is payable for no more than five years. After five years, this fee can no longer be charged. Anyone entering a nursing home after 1 July 2004, will pay the accommodation charge throughout the time they remain in the home. At present the maximum annual charge is just under \$6,000.

What you pay for an accommodation bond or charge and how you pay it can affect Centrelink and Department of Veterans' Affairs pensions, aged care fees and tax in different ways.

### What happens to the family home?

One of the biggest decisions to make is how you will deal with the family home. Special rules apply that affect fees charged and the eligibility for a pension. For instance, the family home is regarded as 'protected' from the assets test for the accommodation bond or charge if a spouse, dependent child or resident carer is still living there. If the home is rented, the rent is exempt from the income test for the pension so long as the accommodation charge is being paid.

The rules in this area are complex and making the wrong choices can cost you money. You will need to decide whether the home will be maintained, rented or sold before making commitments to move to a hostel or nursing home.



### The need to plan ahead

Being an Age Pensioner when entering an aged care facility can reduce costs significantly. However, if you are looking for a higher standard of service, you will also need to plan to ensure you have the money to pay for it.

Aged care is not only a complex area, it is also highly regulated, with the Government continually reviewing and changing the rules to ensure it can continue to cope with our ageing population. Just as most people take time to plan their retirement, this is a time when talking to a financial adviser can make a big difference.

It's also a good idea to talk to your adviser if you or your family are considering aged care support, or thinking ahead to consider the 'what ifs'. Your adviser can help you manage your finances to ensure you get the care you want and need. As in every other aspect of life, a little planning goes a long way.

1 'Income-tested fees for residential care', Fact sheet, September 2004, Australian Government Department of Health and Ageing, [www.health.gov.au](http://www.health.gov.au)