

## Information about Care Fees & Accommodation Deposits

The Australian Government pays for the bulk of aged care in Australia, but as with all aged care services, you may be asked by your service provider to contribute to the cost of your care.

There are strong protections in place to ensure that care is affordable for everyone.

The Australian Government regulates the maximum costs you may have to pay. You will never be denied the care that you need because you cannot afford to pay.

At Ningana we will always place your care needs first. Our accommodation prices are the maximum we will charge and we will always be prepared to discuss your individual financial circumstances and negotiate prices.

There are three main types of costs that you may be asked to pay:

- A basic daily fee: this covers living costs such as meals, power and laundry. For some people this is the only fee they are required to pay.
- A means-tested care fee: this is an additional contribution towards the cost of care that some people may be asked to pay. The Department of Human Services will work out if you are required to pay this fee based on an assessment of your income and assets, and will advise you of the amount.
- An accommodation payment: this is for your accommodation in the home. Some people will have their accommodation costs met in full or in part by the Australian Government, while others will need to pay the accommodation price agreed with the aged care home. The Department of Human Services will advise which applies to you based on an assessment of your income and assets.

### Basic daily fee

A basic daily fee is used to contribute towards your day-to-day living costs such as meals, cleaning, laundry, heating and cooling. Everyone entering an aged care home can be asked to pay this fee.

The maximum basic daily fee is 85% of the single person rate of the basic Age Pension. Your basic daily fee will be indexed on 20 March and 20 September each year in line with increases to the Age Pension. When you enter an aged care home you will receive a letter from the Department of Human Services confirming your maximum basic daily fee. The Department of Human Services will let you know when the increases occur but you can also find the current rates of the basic daily fee on the Schedule of Residential Fees and Charges.

If you are a veteran, you may be eligible for assistance from the Department of Veterans' Affairs.

### Means-tested care fee

This is an additional contribution towards the cost of care that some people may be required to pay. The Department of Human Services will work out if you are required to pay this fee based on an assessment of your income and assets, and will advise you of the amount.

There are annual and lifetime caps that apply to the means-tested care fee. Once these caps are reached, you cannot be asked to pay any more means-tested care fees. Any income-tested care fees you have paid in a Home Care Package prior to moving into an aged care home will also contribute to your annual and lifetime caps.

### Accommodation payments

This is for your accommodation in the home. Some people will have their accommodation costs met in full or in part by the Australian Government, while others will need to pay the accommodation price agreed with Ningana. The Department of Human Services will advise which applies to you based on an assessment of your income and assets.

If your assets are more than the threshold amount set by the Australian Government, you will be required to make an accommodation payment. This payment will go towards your aged care home accommodation. If you are seeking government assistance with aged care accommodation costs, you must undergo an assets assessment by the Department of Human Services or the Department of Veterans' Affairs.

Before you sign your Resident Agreement, we will agree to the amount of the accommodation payment with you. The maximum accommodation payment which Ningana will charge is \$550,000. You will have 28 days to decide the method of your payment which will be either:

- A Refundable Accommodation Deposit (RAD), or
- A Daily Accommodation Payment (DAP), or
- A combination of the two

Please note the DAP is the default payment method.

An example of such a combination payment of Refundable Accommodation Payment (RAD) and Daily Accommodation Payment (DAP). is as follows

Part payment of RAD (Lump sum component)	e.g \$275,000
Part payment of DAP	e.g \$275,000
Equal to	$\frac{\$275,000 \times 5.72\%}{365 \text{ days}} = \$43.10 \text{ per day}$

Therefore, in this example, a room priced at \$550,000 might be secured by a payment of a RAD of \$275,000 (lump Sum) and a DAP of \$43.10 per day.

The agreed Daily Accommodation Payment may be withdrawn from the Refundable Accommodation Deposit (RAD). This will result in increased interest amounts being payable on outstanding RAD.

### **Do I need an income and assets assessment?**

Everyone moving into an aged care home for the first time from 1 July 2014 will need to have their income and assets assessed by the Department of Human Services. It is this assessment which will be used to determine the costs you could be asked to pay.

If you currently receive a means-tested income support payment from the Department of Human Services or the Department of Veterans' Affairs (such as the Age Pension or the Service Pension) you will only need to fill out some sections of the form.

The Australian Government will conduct your income and assets assessment. They will advise you and the aged care home of the fees payable for your circumstances, if you can be asked to pay towards your accommodation costs, and if so how much.

If your income and assets assessment is not completed, you will not be eligible for any Australian Government assistance towards your aged care home costs. This means your service provider may ask you to pay the maximum accommodation payment.

### **Who performs my income and assets assessment?**

The Department of Human Services or the Department of Veterans' Affairs will assess your income and assets for aged care purposes.

A summary of your income and assets assessment is used by the Department of Human Services to determine your daily fees.

### **How do I provide my information for assessment?**

You will need to fill out a Department of Human Services form called the Permanent Residential Aged Care – Request for a Combined Assets and Income Assessment (SA457) to provide your income and asset information. You should

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return the form to the Department of Human Services or the Department of Veterans' Affairs as per the instructions on the form.

**What fees are paid by a supported or partly supported resident?**

A fully supported resident will not be asked to pay an accommodation payment because they have assets and income less than the defined thresholds. He/she will also not be required to pay any means tested care fee. A partly supported resident will be required to pay a contribution to accommodation, but no means tested care fee would apply

**How is the Means Tested Care Fee (MTCF) calculated?**

A Residential Care Fee Estimator tool is available online at the My Aged Care website to provide an indication of the fees you may pay

**What is a refundable accommodation deposit?**

A refundable accommodation payment is an amount of money paid or payable by a resident for entry to residential care. The balance of the refundable accommodation payment (after agreed deductions have been drawn down) will be refunded to the resident or their estate on termination of the agreement for residential services.

**What is a daily accommodation payment?**

A daily accommodation payment is an amount calculated by converting the refundable deposit payment into a daily charge using the maximum permissible interest rate that applied at the time of admission. Under the previous accommodation bond rules, this was known as a periodic payment. The method of calculating the daily amount has not changed under the new rules.

**How is the refundable accommodation payment amount determined?**

The amount of the refundable accommodation payment for the accommodation that Ningana offers as well as information on accommodation, key features of the accommodation are available on the [Key Features Statement](#) on this website or from the Ningana office.

**Does Ningana keep any money from the refundable accommodation payment?**

Normally there will be no deductions from the capital value of the refundable accommodation payment while the resident is in care. Residents who choose a combination of RAD and DAP may elect to have the amount of the daily accommodation payment deducted from the capital balance of the refundable accommodation payment.

**Are there minimum assets that a resident must be left with?**

Residents cannot be charged a refundable accommodation payment if it would leave them with less than the permissible asset value of 2.5 times the annual pension. A supported resident will not be asked to pay a refundable accommodation payment because they have assets less than this value.

**What are my choices for paying an accommodation payment?**

Accommodation payments can be paid as lump sum amounts, by daily payment or a combination of both. Where accommodation payments are paid by a combination of RAD and DAP, the amount and frequency of the payment will be advised in the offer of care and is determined in conjunction with the resident. Amounts paid as daily accommodation payments are non-refundable.

**Option 1 – Refundable Accommodation Deposit or RAD**

A RAD 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, is electing to pay the full price set for the accommodation as a lump sum.

For example: Jim enters into care and agrees to pay \$400,000 for a room at Ningana after negotiation of the room price. Based on his individual circumstances, he elects to pay the entire \$400,000 as a lump sum.

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## Option 2 – Daily Accommodation Payment or DAP

The DAP is calculated from the RAD at the government set interest rate (which at 1st January 2018 is 5.72%).

In this example, Jim instead decides to pay his \$400,000 as an equivalent DAP which would be \$62.80 per day. ( $\$400,000 \times 5.72\% / 365 = \$62.68$ ).

## Option 3 – A combination RAD & DAP.

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

In this example, Jim instead decides to pay for his \$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 \$31.34 per day.

Upon leaving the facility, Jim will have the RAD balance refunded to his estate, less any charges outstanding.

## Option 4 – A combination RAD & DAP with drawdowns.

In addition to choosing to pay by way of a combination of RAD and DAP, residents may further elect to have their daily accommodation payment (DAP) drawn down from their lump sum RAD on a monthly basis.

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

This means each month, an entry is made against the outstanding RAD balance for the amount owing from the DAP; i.e. for a 31-day month,  $DAP = \$971.54$  ( $31 \times \$31.34$ ). Therefore, after the first month, the existing RAD now totals \$199,028.46 ( $\$200,000 - \$971.54$ ).

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 Jim.

In the example above, after the first month the calculation of the DAP will be as follows:  $\$400,000$  (Room Price) -  $\$199,028.46$  (RAD held) =  $\$200,971.54$  (new base for calculating DAP payable). Interest would be adjusted for the next month  $\$200,971.54 \times 5.72\% / 365 \times 28 = \$881.85$

## How long does a new resident have to decide on an accommodation payment method?

The accommodation price is agreed upon entry into a facility. The resident has up to 28 days after admission to decide on a payment method, be it a RAD, DAP, or combination. This decision must be made in writing. If a decision is not reached by the resident within the 28 days, the default option for payment will be a full DAP.

## How long does a new resident have to pay the refundable accommodation deposit (RAD)?

Refundable accommodation deposits can be paid up to six months from the date of entry. Interest is calculated daily from the date of entry for unpaid RADs and is invoiced monthly.

It should be noted that until a person has paid their agreed RAD, the person will effectively be charged the full DAP from the day that they enter residential aged care.

## What is the rate of interest?

Interest rates for unpaid RADs are determined by the Australian Government, and are based on the Treasury Yield Note. The current rate of interest will be shown in the key features statement.

## When are refundable accommodation payments returned?

The Refundable Accommodation Payment balance is repaid in accordance with the criteria outlined in the signed Resident Agreement. This is typically within 14 days after we cease to provide care to you and includes any applicable interest on the outstanding refundable accommodation payment balance calculated for the period from the day of ceasing care until the date on which the balance is refunded.