

Residential aged care changes what could they mean for me?

September 2024

The Government has proposed a number of changes to the support available for ageing Australians at home, as well as in residential aged care services. The changes will apply from 1 July 2025.

Why are the changes happening?

With the number of Australians over the age of 80 expected to triple over the next 40 years, the sustainability of the aged care industry is under threat. In 2022/23, 46% of aged care providers made a loss from aged care accommodation.¹

In 2023, the Aged Care Taskforce was established to explore these issues and to make recommendations on how to improve the sustainability of the sector. Their final report was released in March 2024 where a number of recommendations were made for the Government's consideration. The proposed changes adopt several of the Aged Care Taskforce recommendations. At a high level, the proposed changes seek to ensure that those who can afford to contribute towards the cost of their care do so. Government support will be targeted those who are not as financially secure. The changes also seek to increase investment in the aged care sector to improve the facilities available to residents.

Will the changes impact me if I'm already in residential aged care?

The changes will only impact new aged care residents entering care from 1 July 2025. The 'no worse off' principle ensures that if you're receiving care before 1 July 2025, you will continue to have your fees determined under the existing rules, unless you leave aged care or move to a new aged care provider.

Will the changes to fees impact private aged care facilities?

Private aged care facilities are not governed by the aged care rules that apply to Government subsidised aged care facilities. Instead, the fees payable are agreed between you and the private facility. Therefore, the proposed changes to fees do not impact private aged care providers.

Will the changes increase the cost of residential care?

If your income and/or assets are above certain levels, you may need to contribute more to the cost of your care if you enter care from 1 July 2025. The actual increase in your personal contribution to the cost of your care will depend on your personal circumstances.

The [Government has confirmed](#) that it's expected that half of all new residents entering residential care from 1 July 2025 will not pay more under the new system. Specifically:

- no 'fully supported'* resident will contribute more
- 7 in 10 receiving the full Age Pension will not contribute more, and
- 1 in 4 part Age Pensioners will not contribute more.

*A fully supported resident is a person who has income and assets below set thresholds and is eligible to have their accommodation fee and most of their ongoing care fees covered by the Government.

Can you give me any case study comparisons to help me understand how much fees could change from 1 July?

The Government has released a handout with case studies that show how the fee contribution may change for people who are full Age Pensioners, part Age pensioners and self-funded retirees. You can access these case studies by clicking [here](#).

Will the Government still contribute to the cost of aged care?

The Government will continue to pay the majority of aged care costs for all aged care residents. However, the amount that they will contribute for each person will change to ensure that those who need financial support most are able to access aged care services in a sustainable way.

The amount you will need to contribute towards the cost of your care, and the amount that the Government will contribute on your behalf is determined based on your circumstances at the time you enter care, and for some fees, may vary after you enter care, including if your financial circumstances change. Services Australia and/or the Department of Veterans' Affairs will calculate the Government support that you're eligible for (paid directly to the facility as a subsidy) when you complete the assessment process at or just before entry to care.

¹ [Response to the Aged Care Taskforce - Accommodation Reform](#)

Should I aim to enter care before 1 July 2025?

There are a number of considerations when determining the right time to enter care. This includes:

- completing the assessment process to confirm that you're eligible for support in a residential aged care facility (based on factors such as your health, mobility and support needs), and
- availability of the room of your choice at a facility that meets your needs (including any lifestyle, care, religious, cultural or geographical needs).

Moving into residential aged care is a significant change for many people and it can be an emotional time for everyone involved without making rushed decisions. Often, a lot of planning is required, and you may be able to optimise your overall outcomes by seeking advice from professionals such as financial advisers, accountants and solicitors to ensure that all your affairs are in order.

It's also important to consider that the Government is also focussing on expanding the in-home support available through a new 'Support at Home' program, to assist ageing Australians to stay in their homes for longer. Support will be available for differing levels of care and support needs and could be an option to help you retain your independence at home.

Before you make any decisions, it's important to talk to someone about your circumstances and how these changes could impact you financially and your lifestyle.

RESIDENTIAL AGED CARE FEES

At a glance, what's changing?

Residential care fees are broken down into 'accommodation fees' and 'ongoing care fees'. The proposed changes impact accommodation fees as well as ongoing care fees.

What's an accommodation fee?

You can think of the accommodation fee as the cost of the room. You can choose to pay this fee as a lump sum amount (often referred to as a 'bond' or 'refundable accommodation deposit' or 'RAD'). Alternatively, it may be paid as a non-refundable daily fee (referred to as a 'daily accommodation payment or contribution').

Currently, when you leave aged care, any lump sum fee that you've paid is generally refunded (less any other fees that you've agreed to have debited from the amount).

While there's no limit on the lump sum fee that can be charged for a room, there is a limit on the amount that a facility can charge you for a room without getting specific approval from the Aged Care Pricing Authority.

Changes to accommodation fees

Proposed changes to the accommodation fee include:

- increasing the maximum RAD that a facility can charge without approval to keep up with inflation
- introducing a 'retention amount' which will require aged care providers to retain an amount of any lump sum paid (reducing the amount refunded when you leave the facility), and
- allowing certain daily fees to be adjusted during your stay in care to keep up with rising costs.

What are ongoing care fees?

Ongoing care fees cover the daily costs of your ongoing care. This includes the cost of meals, bathing, and services that may be provided during your stay.

Changes to ongoing care fees

Proposed changes to ongoing fees include:

- the introduction of a 'Hotelling Contribution' if you have income and assets above set limits as a contribution to the cost of your care, and
- replacing the current 'Means-tested Fee' with a 'Non-Clinical Care Contribution', with the Government paying the full cost of any clinical care provided for all residents.

The below graphic compares the current fees you may need to pay compared to those for new residents from 1 July 2025:

Pre 1 July 2025 entry

Accommodation fee	Ongoing care fees
<ul style="list-style-type: none">▪ Paid as lump sum and/or daily payment (or contribution if eligible for Government support)▪ Lump sum fully refundable▪ Daily Accommodation Payment fixed at entry based on set rate▪ Maximum lump sum \$550,000 (unless additional approval)	Basic Daily fee <ul style="list-style-type: none">▪ Paid by all residents▪ 85% of full single rate of Age Pension▪ Currently \$61.96 per day (to 19 September 2024)
	Means-tested fee <ul style="list-style-type: none">▪ Calculated based on income and assets▪ Annual and lifetime caps apply (currently \$33,309.29 and \$79,942.44 respectively)
	Extra-services fee <ul style="list-style-type: none">▪ Additional fee agreed by facility and resident for additional and premium services such as accommodation and food options

Post 1 July 2025 entry

Accommodation fee	Ongoing care fees
<ul style="list-style-type: none"> ▪ Paid as lump sum and/or daily fee ▪ Facility retains an amount of 2% of balance for 5 years with the rest remaining refundable ▪ Daily Accommodation Payment indexed to CPI after entry ▪ From 1 January 2025: Maximum lump sum \$750,000 – indexed (unless additional approval) 	Basic Daily fee <ul style="list-style-type: none"> ▪ Paid by all residents ▪ 85% of full single rate of Age Pension ▪ Currently \$61.96 per day (to 19 September 2024)
	Non-clinical Care Contribution <ul style="list-style-type: none"> ▪ Calculated based on income and assets ▪ Lifetime cap of \$130,000 (indexed), or after 4 years in residential care - whichever is reached first ▪ Paid if assets above \$502,981 and/or income above \$131,279 (indexed) ▪ Up to maximum of \$101.16 per day (indexed)
	Hotelling Contribution <ul style="list-style-type: none"> ▪ Payable if assets over \$238,000, income over \$95,400 or a combination (indexed) ▪ Up to maximum of \$12.55 per day (indexed)
	Fee for higher everyday living <ul style="list-style-type: none"> ▪ Additional fee which is agreed between resident and facility for additional or premium services

Can you explain the changes to the lump sum refundable accommodation fees in more detail?

Currently, any lump sum paid is fully refundable (unless you authorise the facility to deduct other fees from the deposit).

From 1 July 2025, facilities will charge a ‘retention amount’, which means 2% per year (for a maximum of 5 years) will be deducted from any lump sum fee you pay to the facility. This will be calculated daily and charged no more than monthly.

The maximum amount that a facility can currently charge as a RAD without special approval from the Aged Care Pricing Authority is \$550,000. This amount has not been indexed or adjusted to account for inflation or the rising costs of construction since 2014. Many facilities charge more than this amount for certain rooms, however the requirement to receive additional approval can be time consuming. The Government is proposing to increase this limit to better reflect the cost of providing accommodation today.

From **1 January 2025**, the maximum amount of RAD that can be charged without specific approval from the Pricing Authority will increase to \$750,000 and will be indexed on 1 July each year. Legislation does not need to be passed to give effect to this change. The current rules provide the Aged Care Pricing Authority with the ability to change this amount at any time.

If you’re living in residential aged care before 1 January 2025, the RAD already agreed between you and your provider will not change, as it was set in your Accommodation Agreement at the time you entered care. Facilities can only re-price rooms for new residents from 1 January 2025.

Will there be rooms cheaper than \$750,000?

The change will only impact the maximum fee that can be charged, and facilities will still be able to offer cheaper rooms, as they do today. Often, facilities will provide several different room options, priced according to their features (such as private facilities, location on the premises and whether the room is shared for example).

What will be the process to work out whether I must pay the new Hotelling Contribution or Non-clinical care contribution?

At the time you enter care, an assessment will be completed where any contribution you must pay will be worked out based on your income and assets (for aged care purposes). Similar to the current process, it’s expected that Services Australia will facilitate this assessment. If you’re a member of a couple, this assessment will include your spouse’s income and assets.

Further information

For further information please contact McGregor & McGregor Financial Services on 02 4929 3266 or mail@mcgregorsca.com.au.

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