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Will I Pay More for Aged Care?

Changes to aged care fees are coming, and they will impact both home care and residential care. After a long wait and lots of speculation, the government has released details of the proposed changes. While some people will see their fees increase, the good news is that aged care remains heavily subsidised, and fees will continue to be based on your financial situation to help with affordability.

Here's what we know so far:

- The government will continue to cover 73% of the cost of residential care and 89% of the cost of home care.
- These changes are designed to improve the quality of aged care and help providers meet growing demand.
- Most changes will only apply to people starting home care or entering residential care from 1 July 2025.

If you or a loved one need care soon, it might be worth getting advice to see if moving before the changes take effect could save you money and understand how you will be affected. While there's still a lot to unpack, here's a quick overview of what's planned.

Proposed residential care changes

1. **Room price cap:** From 1 January 2025, some room prices might start to rise. Providers who want to charge more than \$550,000 currently need approval, but this cap will increase to \$750,000, making it easier for providers to increase prices.
2. **RAD retention amount:** You can pay for your room with a lump sum (Refundable Accommodation Deposit or RAD) or as a daily fee. Currently, RADs are fully refundable when you leave care, but from 1 July 2025, you may lose up to 10% of the RAD you paid.
3. **Indexing rent:** If you choose to pay a daily fee instead of a lump sum, this "rent" (called the Daily Accommodation Payment or DAP) will be indexed over time, meaning the amount could increase as time goes on.
4. **Living expenses:** Your contribution to daily expenses like food, laundry, and electricity could rise by up to \$12.55 per day, depending on your financial situation. Some providers may charge more for higher standards or quality, so it's important to check prices before deciding on a place to live.

5. **Care expenses:** Depending on your finances, you may be asked to contribute more to your care costs, which could include services like entertainment, bathing, and mobility assistance. The government will still cover most care costs, but your portion could go up by around \$10 per day, with the lifetime cap rising from approximately \$80,000 to \$130,000.
6. **Assessment of your home:** No changes are planned for how your home is assessed when determining what you can afford to pay. If a spouse or “protected person” lives there, it remains exempt; otherwise, only approximately \$208,000 of its value (indexed) will be included in financial assessments.

Proposed home care changes

1. **New Support at Home program:** A new program will combine the current home care options into 10 levels of care packages to better meet the specific needs of individuals.
2. **Higher contribution fees:** While clinical care will be fully covered by the government (up to the available budget of your care package), you may have to pay more for services like cleaning and gardening.
3. **Means-testing:** Your contributions to home care will now become means-tested, picking up assets as well as income, according to Centrelink rules.

The higher costs will mostly impact self-funded retirees and some part-pensioners but everyone could face higher costs (and bigger decisions), making it essential to carefully choose care providers and understand accommodation costs. The changes may simplify some of the confusion we’ve seen under the current system, but now, more than ever, it’s important to get advice to understand what you’ll need to pay and how these fees might change as your financial situation evolves.

Planning ahead is key, and some decisions can feel overwhelming. If you have any questions or need help planning for aged care, call us and we can guide you through the process.

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