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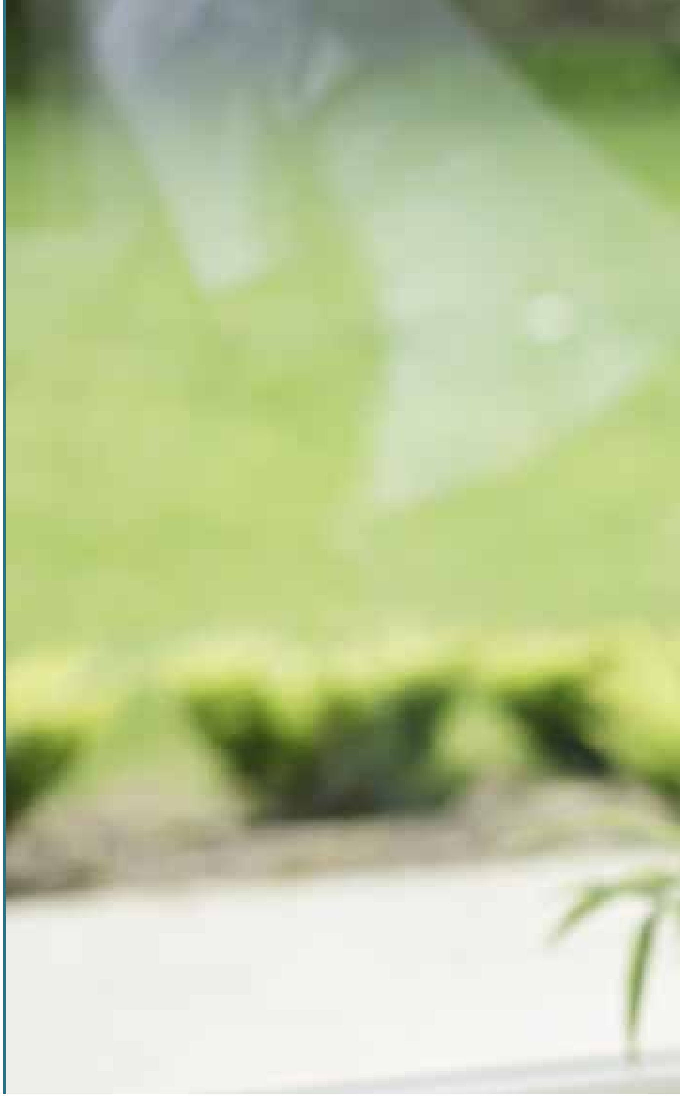

Most common Q&As about aged-care

As Australians live longer, more and more will end up in residential aged-care. The number of people in permanent aged care in Australia is expected to triple in the next 35 years, from 225,000 today to 700,000 in 2050.
By **Rod Horin**.

The aged-care industry is very complicated and many decisions must be made, often involving large sums of money.

Here are answers to the most common questions we hear.

Q: Is the accommodation deposit negotiable?
A: Yes. The bond – otherwise known as the Refundable Accommodation Deposit (RAD) –can be as high as $2 million to secure a bed in an aged-care facility. In many cases these RADs are negotiable, and at times can be as much as halved. Willingness to negotiate on RADs depends very much on the demand for beds – and the supply of beds – in a particular aged-care facility.

Q: Is there any return on the bond that is paid back when the person in aged-care dies, or does the aged care facility keep any investment earnings?
A: The bond (RAD) is a fully-refundable deposit, not an investment. Essentially, it works like an interest-free loan to the aged-care facility. These deposits form an important part of aged-care facilities financial operating models, enabling them to renovate and upgrade their facilities and build and acquire new facilities. In a government accredited aged-care facility, the accommodation deposit is fully government guaranteed. Before July 2014, the accommodation bond repaid to the family would be reduced by retention amounts deducted by the aged-care facility. Since July 2014, any lump sum paid as a RAD is generally repaid in full at the end of the care period.

Q: What alternatives are there for paying the RAD?
A: Many aged-care facilities prefer the RAD be paid as a lump sum up front. However it is possible to choose to pay interest payments only or pay with a combination of lump sum and interest payments. A bank guarantee is not an alternative.

Q: Will I need to sell the family home to pay the RAD?
A: Not necessarily. Four key questions are: Do you need to sell the home? Can you afford to keep it? What happens if you rent it out? and Will your decision have an impact on any pension or aged care fees? The family home is often a couple's most valuable asset and many advisers wrongly assume that it needs to be sold to provide funds for RADs. The key driver is to make sure that, like any valuable asset, the home generates a financial return. This return takes the form of rental income and capital growth (which RADs certainly don't provide). The home is treated on a concessional basis for the age pension and aged care fees. For age pension purposes if you move into care, the former home's value will be excluded from the age pension assets test for 2 years after which it is valued at its net market value. Any rental income is assessable under the age pension income test. So in most cases, aged care residents who retain their home can expect to lose the pension when the 2 year period is up. For aged care means testing, the value of the home is currently capped at $162,087 and rental income is assessable.

Q: Why does the Government charge different daily care fees to residents?
A: The standard daily care fee for a resident in an aged-care facility ($49.07 per day) is set at 85% of the full age pension. All residents must pay this fee. However, it does not cover the full care costs of the resident. The government may ask the resident to pay an additional amount as a Means-Tested Fee and then pays a subsidy for each resident's care needs to make up any shortfall.

Q: What is the Means-Tested Fee?
A: The Means-Tested Fee is set by the government and collected by the aged-care facility based on an

individual assessment for each resident. It is an attempt by the government to ask residents with the financial capacity to contribute to the cost of care. This fee can range from nothing to a maximum $244.97 per day.

Q: Why is the Means-Tested Fee so high and how do I reduce it?
A: The Means-Tested Fee is based upon the income and assets of the aged-care resident, so it increases as the resident's assessable assets and income increase. For example, a resident on a part age pension with assets totalling $200,000 and deemed to be earning $28,109 per year will pay $2.07 per day ($756 per year) in aged care, while a resident with assets totalling $1.2 million and deemed to be earning $38,262 per year will pay $67.48 per day ($24,629 per year). One option to reduce the Means-tested Fee is to buy an aged-care annuity, if appropriate – advice is important.

Q: What is the Extra Services Fee and should I pay it?
A: The Extra Services Fee, which can be as much as $120 per day, provides for additional services like a choice of meals, alcohol at meals, expanded activities program, cable television etc. If your aged-care facility is charging an Extra Services Fee, you should ask what services are being delivered and assess whether or not you are receiving value for money.

Q: Paying daily fees will impact on my cash flow. What strategies are there for dealing with this?
A: It is possible to negotiate to pay some or all of the daily fees from the RAD to minimise the impact on your cashflow. This means of course that less of the RAD will be returned at the end of the care period.

Q: What implications are there for my social security or pension?
A: The RAD is an excluded asset for social security purposes. Therefore, in some cases, where existing cash is used to pay for a RAD, it can result in a new or increased pension entitlement. More often, a family home is sold to fund the RAD. In this case, while the home is excluded, the proceeds from its sale are counted as an asset. As a result, the cash remaining after paying the RAD can often result in a pension being reduced or lost entirely. However, there are ways to maintain, or even increase, one's current entitlements.

Q: What can families do if they are not happy with the aged care facility – for example if some of the services promised are not delivered?
A: The first thing to do is to talk to the staff and managers to try to reach a solution; nearly all aged-care facilities are very keen to have happy residents and families and are usually very accommodating. If an acceptable solution is not possible, the standard resident contract allows the resident to leave at any time by giving the agreed period of notice. Of course, this will usually involve finding a place at another facility, or having appropriate care arranged somewhere else. In this circumstance, the RAD will be refunded.

Q: What are the benefits in employing an aged care specialist to find suitable accommodation?
A: The aged-care industry is hugely complicated and

people typically experience it for the first time during times of high emotional stress, when parents fall ill or are told by doctors that they cannot return home. In addition to providing clear explanations of the choices available, and assistance with applications, aged-care specialists can provide help with the following:

- Specialists often receive regular weekly updates on vacancies from the aged-care centres and can pass this information on to clients. Specialists often know about vacancies before they are advertised to the public.
- Often aged-care facilities will call the specialists to see if they have any clients looking for accommodation.
- Because the specialist is aware of what vacancies there are, they can often negotiate a significant reduction in the Refundable Accommodation Deposit (RAD) which may not be offered to members of the public.

Q: What are the costs plus any tips and traps to watch out for?
A: There are several ways that aged-care specialists charge for their services, including fee for service at an hourly rate, or various fixed-cost packages depending upon the level of services required.
Key tips and traps:

- Remember you get what you pay for; the cheapest is not always the best.
- The knowledge and experience of the specialist can be very important to finding the right accommodation.
- Ask your accountant or solicitor to recommend a specialist who they have confidence in.
- Like in many fields, word of mouth recommendations are generally a good guide.

Q: Why is aged-care so expensive?
A: Aged-care is very labour intensive, and land and buildings are expensive to buy and maintain. The owners of such facilities expect to make a return on their investment. From a client's point of view, typical fees include accommodation deposits and charges, daily fees, extra services fees and means-tested fees.

Q: What are the top features that families should look for in an aged-care facility?
A: Different families look for different things at aged-care facilities, however the core features should include:

1. Being able to meet the care needs of the resident, including number and quality of nursing staff, therapy services offered, assistance with personal care, emergency assistance. These are the most important things for nearly all families.
2. Basic accommodation-related services such as beds, bathroom/ensuite facilities, mattresses, linen, bedroom furniture.
3. The ability to provide a range of care needs if a resident's health declines.
4. Ongoing daily programs and activities to engage and stimulate the residents.
5. Close proximity to family.
6. A culturally compatible facility.

Q: There have been instances of aged-care facilities not returning bonds. What can families do to get bonds released?
A: The Aged Care Act sets out the procedure for repayment of Refundable Accommodation Deposits (RADs) – formerly known as bonds. When a resident leaves an aged care facility, lump sum RADs must be refunded within the following timeframes:

- If more than 14 days' notice is given, the lump sum must be refunded on the day the resident leaves.
- If notice is given within 14 days of leaving, the lump sum must be repaid within 14 days of giving notice.
- If no notice of leaving is given, the aged care facility must refund the lump sum within 14 days of the resident leaving.
- If the resident dies, the aged-care facility must refund the lump sum within 14 days after the day on which they were shown evidence of probate (the official proving of a will) or letter of administration (authority to administer the estate of the resident who has died without a will).

There is no risk about getting the lump sum back as repayment is guaranteed by the Commonwealth Government. The Aged Care Act also states that, should the aged-care facility fail to pay the refund within the above timeframes, interest is payable at a set rate.

It is worth noting that this situation applies to aged-care facilities which are accredited and funded by the Commonwealth Government. It does not apply to other facilities, such as Supported Residential Services, which are registered and monitored by state governments. These facilities are generally private businesses and there is no government guarantee for any bonds paid by residents. BFM

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