

PARLIAMENTARY INQUIRY QUESTION ON NOTICE

Department of Health and Aged Care

Senate Standing Committee on Community Affairs Legislation Committee

Inquiry into the Aged Care Bill 2024 (Provisions)

03 October 2024

PDR Number: IQ24-000137

Changes to means testing for residential care under the Bill

Written

Senator: Marielle Smith

Question:

What changes are being made to means testing for residential care under the Bill? How will it work

Answer:

All residents are currently required to pay a Basic Daily Fee (BDF) which is set by government at 85% of the single base rate of the Age Pension. The BDF will not change under these reforms. Fully supported residents will continue to only pay the BDF, and partially supported residents will continue to only pay the BDF and a contribution towards their accommodation costs.

There will continue to be a Hotelling Supplement that tops up the BDF because there is a gap between the BDF and the full cost of providing everyday living services in residential care.

Currently the Government funds the Hotelling Supplement for all residents, regardless of their means. Starting from 1 July 2025, the Hotelling Supplement will be means tested. Residents who have more than \$238,000 in assets, more than \$95,400 in income or a combination of the two, will make additional contributions towards some or all of the Hotelling Supplement. This will ensure government funding is targeted to residents in the greatest financial need, and that residents who are able to make additional contributions to their everyday living costs do so.

The contribution will be calculated as 7.8% of assets over \$238,000 or 50% of income over \$95,400 (or a combination of both), up to a limit of the Hotelling Supplement (currently \$12.55 per day).

For all residents with income and assets below these thresholds, the Government will continue to pay the full Hotelling Supplement.

The current Means Tested Care Fee will be abolished. The Government will fully fund all clinical care costs in residential aged care.

A new means-tested Non-Clinical Care Contribution will be introduced to cover non-clinical care costs such as bathing, mobility assistance and provision of lifestyle activities. Individuals will not begin contributing to their non-clinical care until their income and assets are more than sufficient for them to fully fund the Hotelling Supplement.

Residents will contribute 7.8% of their assets over \$502,981 or 50% of their income over \$131,279 (or a combination of both) up to a daily limit of \$101.16.

A new lifetime cap on the Non-Clinical Care Contribution will also be introduced. A resident who remains in care over 4 years would cease making contributions to their non-clinical care costs. After 4 years the Government will cover their full care costs for the remainder of their time in residential care. This time-based cap will protect those residents who remain in care for a long time.

A \$130,000 lifetime cap will also apply to the Non-Clinical Care Contribution. It will be indexed twice a year. Individuals will no longer contribute to the Non-Clinical Care Contribution when they reach \$130,000 in total contributions, or after 4 years, whichever occurs first. Any contributions made by a resident in Support at Home before they enter residential aged care will count towards the \$130,000 lifetime cap.

The treatment of the family home in the residential aged care means test will remain unchanged. The value of the family home is only assessable if the home does not have a “protected person” still living in it (e.g. a spouse), and then only up to a capped amount (currently \$206,039).

A *no worse off* principle will apply to everyone in residential aged care on 30 June 2025, such that existing residents will have their current arrangements maintained until they leave care. The new arrangements for means testing will only apply to new entrants to residential aged care from 1 July 2025.