

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: IQ24-000109

References to rules and income thresholds

Spoken

Hansard page number: 25 and 27

Senator: Penny Allman-Payne

Question:

Senator RUSTON: In the bill there are 260-plus references to the rules. Of those, in excess of 200 are prescribed areas. They appear, from what you can tell from the bill, to be unique in terms of what they're asking for. In your opening statement, Mr Lye, you referred to the fact that some are new rules and some replicate what's in the existing legislation. I was just wondering if you could give us a bit of a breakdown as to how many of these in excess of 260 references—and certainly more than 200 arms of defined elements around the rules—are new rules.

Senator ALLMAN-PAYNE: Following on from some of Senator Ruston's questions about the rules, I just want to get some information about the assumptions or the ballpark figures that you've been working to. I will start with the daily means test. I note that that's section 319. If I go through that section, I see that it talks about the first income threshold, the second income threshold and so on and so forth. Do you have ballpark figures for what those thresholds are?

Dr Hartland: A couple of those thresholds have been included in the fact sheets that the government has published about the new program. The threshold—we'll need to do a quick reconciliation about which—

Senator ALLMAN-PAYNE: I'm conscious of time. I guess my question is: have you already published the income thresholds, the first to the fourth, and then the asset thresholds? Dr

Hartland: Yes. I just need to do a quick reconciliation.

Mr Lye: Do you need them, Senator, or do you just want to know that they're publicly available?

Senator ALLMAN-PAYNE: Is it possible for them to be provided to the committee? I'm happy to get them on notice, but that would be helpful for us in considering the legislation.

Mr Lye: Yes.

Dr Hartland: A couple of those thresholds already exist. But, yes, we can give them to you. The other thresholds are the ones that I mentioned. They're a combination of existing thresholds, which apply to the accommodation supplement and the free areas, and the thresholds that were published in the fact sheet on residential aged care means testing. Lining them up with one, two, three, four and those other thresholds is a bit of a chore, so we can give you a little table.

Senator ALLMAN-PAYNE: That would be very helpful, because I'm conscious of the fact that we've only got a short time to inquire into the bill, and that would save us hunting for that information. In terms of the individual contribution amounts, are you able to give some insight into the policy behind that and how the percentages were arrived at? If I go to something like Support at Home, where it talks about the contribution range, it says that independence will be five to 50 per cent and 17 per cent to 80 per cent. Do you have the modelling that shows what you're working off to determine how much of a percentage each person is paying in each of those categories?

Mr Lye: We could give you a table that sets that out. Full pensioners are paying a fixed percentage amount across those three categories—obviously, nothing against the clinical care category. And then people who have graduating levels of means are paying in that five to 50 per cent sliding scale. The percentage goes up, obviously, as your wealth goes up. We could give you a—

Senator ALLMAN-PAYNE: Yes. Do you have those sliding scales, so we can actually see what they are?

Mr Lye: Yes, I think we could give you a sliding scale.

Ms Metz: The overview that we plan to provide to the committee next week has that information in it.

Senator ALLMAN-PAYNE: That would be very helpful.

Answer:

Senator ALLMAN-PAYNE: Following on from some of Senator Ruston's questions about the rules, I just want to get some information about the assumptions or the ballpark figures that you've been working to. I will start with the daily means test. I note that that's section 319. If I go through that section, I see that it talks about the first income threshold, the second income threshold and so on and so forth. Do you have ballpark figures for what those thresholds are?

The income and asset testing thresholds referred to in the methodology will be set out in the Rules. The amounts that will be included in the draft rules are below.

- First income threshold – \$84,324 (responsible for full accommodation costs)
- Second income threshold - \$95,400 (starts contributing to hotelling supplement)
- Third income threshold - \$103,583 (pays full hotelling supplement)
- Fourth income threshold - \$131,279 (starts contributing to non-clinical care contribution)
- First asset threshold - \$206,039 (responsible for full accommodation costs)

- Second asset threshold - \$238,000 (starts contributing to hotelling supplement)
- Third asset threshold - \$299,480 (pays full hotelling supplement)
- Fourth asset threshold - \$502,981 (starts contributing to non-clinical care contribution)

With these thresholds, the method for determining the value of the individual's assessable income and assets, and how to determine an individual's income and asset free areas are set out in the Bill, as are the specific proportions of income or asset value that contributes to the daily means tested amount as the value exceeds certain threshold. The definition of income and assets draws off the Age Pension means test. It is important to note that only \$206,039 of the value of the former principal residence is assessable, and only then if there is no protected person in the former principal residence.

It is also important to note that these thresholds are indexed twice annually on 20 March and 20 September each year, to account for inflation, and to ensure alignment with other rates in the aged care and/or age pension system. This includes 20 March 2025 before the rules commence.

The third income and asset thresholds are also influenced by the level of the Hotelling Supplement, as the rate at which an individual is paying the full amount of the Hotelling Supplement. The government has announced a \$1.89 uplift to the rate of the Hotelling Supplement from 1 July 2025, which will necessitate an increase in these rates.

Senator ALLMAN-PAYNE: Yes. Do you have those sliding scales, so we can actually see what they are?

A part pensioner or Commonwealth Seniors Health Card holder will pay between 5% and 50% for independence, and between 17.5% and 80% for everyday living depending on their income or assets.

- As with the Age Pension, income and assets will be assessed separately. The Age Pension definition of income and assets will be used. As is the case with the Age Pension, the principal residence of the participant is not an assessable asset. The percentage contribution that a part pensioner or Commonwealth Seniors Health Card holder will pay will be the higher rate of the income or asset assessment.
 - For example, if their income test indicates an independence contribution rate of 10% and their assets test indicates an independence contribution rate of 15%, they would contribute 15% of the cost of independence services received.
- The below tables show how the sliding scale will work for each of assets (Table 1) and income (Table 2) for a single homeowner.

	Service type contribution rate		
Assets	Clinical	Independence	Everyday Living
\$0	-	5.0%	17.5%
\$50,000	-	5.0%	17.5%
\$100,000	-	5.0%	17.5%
\$150,000	-	5.0%	17.5%
\$200,000	-	5.0%	17.5%
\$250,000	-	5.0%	17.5%
\$300,000	-	5.0%	17.5%
\$350,000	-	7.7%	21.3%
\$400,000	-	11.5%	26.5%
\$450,000	-	15.2%	31.7%
\$500,000	-	19.0%	36.9%
\$550,000	-	22.7%	42.1%
\$600,000	-	26.5%	47.3%
\$650,000	-	30.2%	52.5%
\$700,000	-	34.0%	57.7%
\$750,000	-	37.7%	63.0%
\$800,000	-	41.5%	68.2%
\$850,000	-	45.2%	73.4%
\$900,000	-	49.0%	78.6%
\$950,000	-	50.0%	80.0%
\$1,000,000+	-	50.0%	80.0%

	Service type contribution rate		
Private (non pension) Income	Clinical	Independence	Everyday Living
\$0	-	5.0%	17.5%
\$5,000	-	5.0%	17.5%
\$10,000	-	7.2%	20.5%
\$15,000	-	9.6%	23.8%
\$20,000	-	12.0%	27.2%
\$25,000	-	14.4%	30.5%
\$30,000	-	16.8%	33.9%
\$35,000	-	19.2%	37.2%
\$40,000	-	21.6%	40.6%
\$45,000	-	24.0%	43.9%
\$50,000	-	26.4%	47.2%
\$55,000	-	28.8%	50.6%
\$60,000	-	31.2%	53.9%
\$65,000	-	33.6%	57.3%
\$70,000	-	36.0%	60.6%
\$75,000	-	38.4%	63.9%
\$80,000	-	40.8%	67.3%
\$85,000	-	43.3%	70.6%
\$90,000	-	45.7%	74.0%
\$95,000	-	48.1%	77.3%
\$100,000+	-	50.0%	80.0%