

Senate Community Affairs Committee
ANSWERS TO ESTIMATES QUESTIONS ON NOTICE
SOCIAL SERVICES PORTFOLIO
2015-16 Budget Estimates Hearings

Outcome Number: 3.4 Residential and Flexible Care

Question No: SQ15-000380

Topic: Alignment of Aged Care Means Testing

Hansard page: Written

Senator Polley, Helen asked:

Explain how the alignment of aged care means testing arrangements will impact on pensioners, part pensioners and those not on pensions?

What is the financial impact for these cohorts?

Answer:

The measure changes the income component of the aged care means test. It does not affect social security (including age pension) means testing arrangements.

Rental income from the former principal residence of a person in residential aged care is currently exempt from the residential aged care means test, but only for residents who pay at least part of their aged care accommodation costs through daily accommodation payments. This is inconsistent with the objective of people of like means making like contributions to the cost of their care.

The alignment of aged care means testing arrangements will mean rental income from the former family home is included in the means test and will contribute to the calculation of the person's means tested care fee. This means that from 1 January 2016 rental income will be treated in the same way as any other income stream for means testing purposes.

Residents who enter aged care before 1 January 2016 will not be affected by the measure, and continue to have their rental income exempt if paying for their accommodation by periodic payment.

For residents who enter care on or after 1 January 2016:

- The changes only affect residents who own a home which they are renting out and only if their total income exceeds the income free area (currently \$25,316.20 per year) after the rental income is taken into account;
- Residents in this category would already be required to pay a means tested care fee under current arrangements. Rental income would now be treated the same as any other income over the threshold with 50% of income over the threshold being counted for the means tested care fee, but this would be limited by annual and lifetime caps on means tested care fees which would continue to apply.

The Government will continue:

- to meet the full care and accommodation costs of those classified as 'low means';
- to be the primary contributor towards aged care costs, with average subsidies per resident of \$58,000 per annum; and
- to provide financial hardship assistance to eligible individuals.