

AGED CARE – MANAGING THE MAZE

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AGED CARE – MANAGING THE MAZE

- SOME STATISTICS
- TYPES OF FACILITIES
- AGED CARE STEPS
- FACILITY CHECKLIST
- FEES PAYABLE - Summary
- ACCOMMODATION BOND ISSUES
- FAMILY HOME ISSUES
- FEES PAYABLE – In Depth
- CASE STUDY

SOME STATISTICS

TYPICAL RESIDENT:

- AGE – AVERAGE AGE 82 (54% age 85+ and 27% age 90+)
- GENDER – 71% women
- CARE TYPE – 70% high level care
- MARITAL STATUS – 73% single
- INCOME SOURCE – 88% receive Age /DVA Pension
- LENGTH STAY – 2.8 years (26% stay less than 1 year and 21% stay more than 5 years)

SOME STATISTICS

- Over 2,870 accredited nursing homes across Australia,
- 171,800 beds,
- Providing permanent residential care to 1 in 10 Australians aged 70+,
- 1.9 million Australians aged 70+ now , 9.3% of population – will double over next 20 years,
- 36% chance a person will need high care but places are limited.

TYPE OF FACILITIES

- Retirement Villages,
- Special Residential Services,
- Low Level Care (Hostel),
- High Level Care (Nursing Home),
- At Home Care Facilities.

Aged Care Steps

- Arrange ACAT (Aged Care Assessment Team) approval,
- Find a facility and add name to waiting list,
- Structure finances:
 - Entry Cost and Payment Options,
 - Sell or Keep family home,
 - Investment of other Assets,
 - Centrelink/DVA Pension issues.

Aged Care Steps

- Structuring of Finances (cont'd)
 - Calculate total income (including age pension)
 - Calculate ongoing fees
- Move into facility

ACAT

- For the aged care facility to be eligible for Govt subsidies each resident must be assessed by an ACAT team,
- They determine level of care needed,
- An ACAT team is comprised of Doctors, Nurses, Social Workers etc.

AGED CARE FACILITY

Waiting periods for aged care facilities 2007/08

	2 days or less	7 days or less	1 mth or less	3 mths or less	6 mths or less
High care	10.6%	26.7%	57.8%	82.3%	92.4%
Low Care	3.9%	10.2%	30.2%	60%	79.9%
All residents	7.5%	19.1%	45.1%	72%	86.9%

Source: Report on the Operation of the Aged Care Act: 1 July 2007 to June 2008 – Dept of Health and Ageing

AGED CARE FACILITY

- Aged Care Providers

Organisation Type	Number of Places	% of Places
Private Sector	57,212	33.30%
Religious	49,532	28.83%
Charitable	28,607	16.65%
Community Based	24,400	14.2%
State Govt	9,387	5.46%
Local Govt	2,694	1.56%
TOTAL	171,832	100%

AGED CARE FACILITY CHECKLIST

- Is the Facility Accredited,
- Waiting List Length,
- Services provided – (type and quality):
 - standard of accommodation and cleanliness,
 - private or shared bathrooms,
 - meal arrangements,
 - privacy provisions (especially in shared rooms),
 - grounds and surrounding area,
 - flexibility in daily routine,
 - access to private phone,
 - provision for married couples (if required).

AGED CARE FACILITY CHECKLIST

- Location of Facility:
 - convenience for family and friends,
 - access to local services and transport.
- Social Aspects:
 - social activities schedule,
 - visitation rights and rules.
- Care Services:
 - training and qualifications of staff,
 - number of care staff vs number of residents,
 - ability to meet dietary and/or health care preferences,
 - visits by health professionals and family doctor,
 - access to next level of care with same provider,
 - attitude of staff.

AGED CARE FACILITY CHECKLIST

- Financial Aspects
 - Accommodation Bond charges,
 - Financial Stability of the Provider,
 - Any extra Services fee payable,
 - Review copy of prudential statement showing they have met obligation to repay bonds.

Fees Payable – Low Level Care

- Resident in a hostel or low level care facility may be asked to pay:
 - Accommodation Bond,
 - Basic Daily Care Fee,
 - Income Tested Fee,
 - Accommodation Bond Retention.

Fees payable High Level Care

A resident in a nursing home or high care facility may be asked to pay:

- Basic daily care fee,
- An Income tested fee,
- Either :
 - Accommodation bond, or
 - Accommodation Charge.

Fees Payable – Extra Services Homes

Certain low level and high level facilities are classed as “extra services homes”.

- Provide a higher level of “hotel” type accommodation:
 - deluxe rooms,
 - higher standard of furnishings and amenities etc.
- Facilities can charge a daily extra services fee plus an accommodation bond regardless of whether providing low or high level care.

Accommodation Bond Issues

- Charged by Low Level Care facilities and extra service places,
- Resident must be left with a minimum \$38,500 in assets,
- Each facility generally has a standard bond range,
- Usually market forces determine the amount of bond payable.

Accommodation Bond Issues

- Not sufficient assets to pay bond may not be offered a place,
- Average bond price in major cities seems to be around \$350,000 - \$500,000,
- Exempt asset for Centrelink purposes,
- Have up to 6 months to pay the bond.

Accommodation Bond Issues

- If resident does not have sufficient cash to pay bond, then must decide to:
 - sell investments,
 - sell family home,
 - borrow money – reverse mortgage,
 - arrange for children/family to pay bond,
 - negotiate with facility to periodically pay off the bond.

Accommodation Bond & Asset Test Issues

- Asset Test Assessment Form,
- House is assessable unless the spouse or other eligible person such as a carer or dependant child lives there,
- If resident is a member of a couple ,total combined assets are assessed and each person is assumed to own half,
- Each person can be asked to pay bond subject to \$38,500 asset rule.

Supported Residents

- Each facility has to offer a specified ratio of places to supported residents who can't afford to pay a bond,
- Their assets have to be less than \$98,237,
- The ratio is normally 15% to 40%,
 - Alice Springs 50%,
 - North Sydney 16%.

Accommodation Bond Issues

- Aged Care facility can invest the bond money to earn income, pay off loans or fund new buildings,
- Retention amount of \$307.50 per mth or \$3,690 pa for the first 5 years,
- Facility has 14 days to refund the bond after the resident leaves or is shown the grant of probate if dies,
- Facility must pay interest if takes longer.

Accommodation Bond Issues

- Periodic payment of Bond
 - can negotiate with the facility
 - comprises the retention amount for first 5 years , PLUS
 - an interest charge set by the Govt – currently 8.74% pa
- Bonds paid to accredited facilities are Govt guaranteed

Accommodation Bond Issues

- Example – Single Resident

Charles is entering a low level care facility:

Assets - House	\$400,000
- Investments	\$100,000

Maximum accommodation bond that can be charged is \$500,000 less \$39,500 = \$460,500

Accommodation Bond Issues

- Example – Married Resident

- Julia is entering low level care,

- Married to John,

- Combined assets - Family Home	\$700,000
- Investments	\$80,000
- Car and Contents	\$20,000
Total	\$800,000

- Julia's half of assets are \$400,000,

- The maximum bond she can be required to pay is
\$400,000 less \$39,500 = \$360,500.

Aged Care & The Former Home

The former home will be exempt from the Centrelink & DVA Assets tests :

- if spouse continues to live in the home for 2 years from the date of entering care,
- If the resident is paying either :
 - an accommodation charge, or
 - a periodic accommodation bond and rents their former home.

Aged Care & The Former Home

Renting out the former home:

- Home exempt from the assets test,
- Rent received is not classed as income for Age /DVA Pension purposes,
- Rent received is not classed as income when assessing what income test fee is payable.

AGE/DVA PENSION

- If one or both members of a couple move to age care they are classed as an illness separated couple,
- Assessed under the couple income and assets test but paid the single rate of pension each.

Current Single rate is \$716.10 per fortnight - \$18,618 pa,

Current couple rate is \$539.80 per fortnight each or \$14,034 pa.

ONGOING FEES – Basic Daily Care Fee

- Payable in both Low level and High Level care facilities,
- Standard Resident \$39.50 per day,
- Protected Resident \$36.06 per day,
- Phased Resident \$37.15 per day,
- Non Standard resident \$44.91 per day,

Most people are standard residents @ \$39.50 per day.

ONGOING FEES – Income Tested Fee

- Can be payable in both low care and high care facilities,
- Maximum is \$63.48 per day,
- Calculated via a Formula,
- Changes depending on financial situation.

Income Tested Fee

- Income Free Area – income tested fee is 5/12 of the excess over the below thresholds

	Single	Couple
Standard Resident	\$831.10 per fortnight \$21,608 pa	\$813.10 per fortnight \$21,140 pa

Accommodation Charge

- Maximum charge is \$28.72 per day or \$10,482 pa,
- No charge is payable if assets are less than \$38,500 and max charge is payable once assets exceed \$98,237,
- Thresholds are adjusted every 6 months but max charge is fixed for the entire duration.

Case Study – sell or retain home

- Anna – aged 85 – widow - in receipt of Full Age Pension,
 - ACAT assessed for low level care,
 - Fallen ill quite quickly and has to enter home in the next few weeks.

Case Study – sell or retain home

- Asset Position

- Home	\$550,000
- Bank Savings	\$170,000
- Personal effects	\$5,000
Total	\$725,000

Maximum Accommodation Bond is \$38,500 less or
\$686,500

Case Study – sell or retain home

However her bond payable is \$250,000

What to do?

Case Study – sell or retain home

- The Aged Care facility has offered Anna the following options:
 - Pay the \$250,000 bond as a lump sum in full,
 - Pay part lump sum of \$150,000 and periodic interest payments at 8.74% pa.

Case Study

- **Option 1 – Pay Bond in Full**
 - Must Sell House – receives \$550,000,
 - 6 months to pay bond of \$250,000,
 - Nets \$300,000 plus the \$170,000 she already has = investable assets of \$470,000 which she invests @ 6% pa.

Case Study – Results – Sell Home

Income from Investments \$28,200

Age Pension – drops from \$716
per f'night to \$394.83 \$10,265

TOTAL INCOME **\$38,465**

Daily Care Fee - \$37.15 per day \$13,559

Income Tested Fee - \$11.42 per
day \$4,168

TOTAL EXPENSES **\$17,727**

NET CASHFLOW \$20,738

Less Bond Retention \$3,690

NET INCOME **\$17,048**

Case Study

- **Option 2 – Keep Home and rent out:**
 - Rent Received - \$500 per week gross or \$370 per week net (3.5%pa) = \$19,240 pa,
 - Use \$150,000 of cash and pay down bond,
 - Has \$20,000 left over @ 6%,
 - Owe \$100,000 @ 8.74% interest to Aged Care Facility.

Case Study – Results – Rent Home

Income from Rent and Investments \$19,840

Age Pension – receives full age pension of \$716 per f'night \$18,618

Total Income **\$38,458**

Daily Care Fee \$39.50 per day \$14,417

Income Tested Fee \$0

Interest on Bond \$100,000 @ 8.74% \$8,740

TOTAL EXPENSES **\$23,157**

NET CASH FLOW \$15,301

Less Bond Retention \$3,690

NET INCOME **\$11,601**

Case Study Summary

	Sell Home	Keep Home
Income from Investments & Rent	\$28,200	\$19,840
Age Pension	\$10,265	\$18,618
TOTAL INCOME	\$38,465	\$38,458
Daily Care Fee	\$13,559	\$14,417
Income Tested Fee	\$4,168	\$0
Interest on o/s Bond	\$0	\$8,740
TOTAL EXPENSES	\$17,727	\$23,157
NET CASH FLOW	\$20,738	\$15,301
Less Bond Retention	\$3,690	\$3,690
NET INCOME	\$17,058	\$11,601

Case Study Summary

- Both Options are affordable,
- Higher Costs with option 2,
- Receives full Age Pension Option 2 – Gross Income about the same,
- Pays no Income Tested Fee – Rent not assessed as income – Option 2,
- Pays Higher daily care fee in option 2 because she is standard resident rather than phased,
- House is preserved for estate,
- Personal needs and choice will determine outcome.

TAX

- Expenses paid to the Aged Care facility qualify as medical expenses:
 - Accommodation Charge,
 - Daily Care Fee,
 - Income Tested Fee,
 - Interest on Bond,
 - Bond retention,
- Receive a tax rebate of 20% of the excess over \$2000 – this is generally enough to wipe out any tax liability.



THANK YOU

ANY QUESTIONS ?