

What are residential aged care fees?

As you age, health issues may arise that make it harder to continue living independently in your own home. One option may be to consider a move into a residential aged care facility.

These services provide accommodation and full-time care and are provided by a range of providers including not-for-profit organisations and private businesses. The Federal Government subsidises the costs but residents may be asked to contribute towards the cost of accommodation and ongoing care.

If you require access to government subsidised services, you will need to have an Aged Care Assessment Team/Service (ACAT/ACAS) approval. This can be arranged through myagedcare.gov.au.

What are resident fees?

Residential aged care is regulated by the Federal Government to help ensure that care is accessible and affordable for all Australians. The contributions paid by residents will depend on your choice of service provider as well as an assessment of your income and assets.

Resident fees are divided into four categories:

- **Accommodation payment** – covers the right to live in the aged care service and access to amenities
- **Basic daily fee** – a contribution towards the costs of daily living, including (but not limited to) meals, electricity and laundry.
- **Means-tested fee** – a contribution towards the cost of care.
- **Additional services fee** – on a user pays basis where you request or agree to additional services.

The rules for the basic daily fee and the means-tested fee are set by the government. The basic fee is a set amount, while the means-tested fee depends on an assessment of your financial capacity. The accommodation payment and the additional services fee are set by the aged care provider and can be negotiated between the resident and the provider. Providers do need to get government approval to charge accommodation payments over \$550,000¹.

Accommodation payment

The cost of accommodation is usually quoted as a lump sum and is a payment towards cost of the room and access to amenities within the service.

You can choose to pay the lump sum (refundable accommodation deposit – RAD) or convert it into a daily rate (daily accommodation payment - DAP) using a government set interest rate. You can also choose to pay a combination of a part lump sum and a part daily fee.

The Government will subsidise this if you are assessed as low means. In this case, the Government sets the cost of the room as a daily rate and then assesses your financial capacity to determine how much you need to pay and how much the Government will pay. This daily fee can be converted to an equivalent lump sum.

If a lump sum RAD is paid, this amount is refunded when you leave. Amounts can only be deducted if you have allowed the service provider to deduct some of your other fees from this amount. The refundable amount is repaid to you or to your estate.

Basic daily care fee

All residents in aged care pay a basic daily fee as a contribution towards living expenses, such as meals, cleaning, laundry, heating and cooling. This fee is set at 85% of the annual single basic age pensionⁱⁱ.

Means-tested care fee

The Government will subsidise your cost of care and will ask you to pay some of the cost based on your financial capacity (using a means-test assessment). This is a complicated formula based on a portion of assessable income and a portion of assessable assets.

You will need to submit a [SA457 Permanent Residential Aged Care: Request for a Combined Income and Assets Assessment](#) form and send it to the Department of Human Services to have this fee assessed. This may take several weeks to receive notification back from the Department.

The amount you may be asked to pay is capped on an annual basis as well as over a lifetime. These caps help you to plan and manage your finances as the cost is limited regardless of how long you live in residential care.

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The fee is determined when you move into care and is then reassessed on a quarterly basis to reflect changes in your financial and personal circumstances as well as indexation of rates and thresholds.

The rules for what assets and income are assessable and how they are assessed is complex, and your financial adviser is able to help you to calculate the fee you will be asked to pay as well as how decisions on structuring your finances will impact on this fee.

Additional services fees and extra services fees

The aged care provider may provide additional services or better quality of some services for an additional daily fee. The range of fees and what is covered vary greatly between providers. You should ask your selected provider for details on fees, what is provided for the fee and whether the services are optional or not.

Residential care agreement

Once you have chosen a service provider and been offered a place you will be asked to sign a Resident Agreement with that provider. This is a contract that sets out your rights and obligations as well as the obligations of the provider and conditions of residency.

The fees and conditions for charging the fees should be outlined in this agreement.

It is important to read the agreement carefully and seek legal advice if you need help to understand the details.

ⁱ Department of Health website: Publication of residential accommodation prices

ⁱⁱ Department of Health website: Residential care fees for residents who enter care from 1 July 2014

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- Health insurance
- Overseas visitors cover
- Dental services
- Chronic disease management
- Hospital in the home



Wealth

- Investments
- Estate planning
- Trust and estate administration services
- Financial planning
- Investment, education and funeral bonds
- Banking and home loans
- General insurance



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- Aged care and accommodation
- Personal and business insurance
- Aboriginal home care
- Disability services
- Retirement communities



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