



## ACCOMMODATION CHARGES IN RESIDENTIAL AGED CARE

Residential aged care provides a combination of care and accommodation services for people who, for various reasons, are unable to continue living independently in their own homes and require continuing personal care.

Potential residents first need to be assessed and approved as aged care recipients by an **Aged Care Assessment Team (ACAT)**. Assessments take into account many dimensions of the person's care needs.

## RESIDENTIAL AGED CARE FUNDING

**Residential Aged Care** is funded by a combination of private and public financing. Basically, there are two main categories of funding:

### 1. CARE COSTS PAYMENTS

In general, the Government funds most of these payments, which cover the costs of care and related services. The Government calculates and makes payments directly to providers (that is, residential care facilities) on behalf of residents based on the resident's classification under the **Aged Care Funding Instrument (ACFI)**.

The payment consists of a basic subsidy plus supplements based on the resident's appraised specific care needs (as distinguished from general nursing care, interventions and treatments).

Residents may be asked to contribute to the cost of their care and accommodation through payment of the **Means Tested Amount (MTA)**, which involves assets and income tests.

The **MTA** is collected by the provider but is wholly paid to the Government.

### 2. DAILY LIVING EXPENSES AND ACCOMMODATION PAYMENTS

In most cases, residents pay for the majority of these charges, which cover the cost of food, utilities and providing accommodation for residents.



## ACCOMMODATION PAYMENTS

This is a payment to assist with the capital costs of building, landscaping, and furnishing, maintaining and providing accommodation in the residential care facility, just like at home.

Residents can choose to pay their Accommodation Payment as a refundable lump sum deposit, known as a **Refundable Accommodation Deposit (RAD)**, an equivalent periodic (daily) payment, known as a **Daily Accommodation Payment (DAP)** or a combination of both.

These methods of payment allow a direct conversion between the **DAP** and the **RAD**, using the **Maximum Permissible Interest Rate (MPIR)**. The formula to calculate the **DAP** from the **RAD** is to multiply the **RAD** by the **MPIR** and divide by 365 days. The **MPIR** is set by the Government and it is updated by the Government every three months.

If a resident chooses to make a combination payment, the formula to calculate the **DAP** payable from the **RAD** is to multiply the unpaid balance of the **RAD** by the **MPIR** and divide by 365 days.

### Example

If the full **RAD** amount is \$400,000 and a resident wishes to pay \$200,000 of it as a refundable deposit then the **DAP** is \$36.33 per day, determined as follows using an **MPIR** of 6.63%.

$$(400,000 - 200,000) \times 6.63\% / 365 = 200,000 \times 6.63\% / 365 = \$36.33$$

Residents can also top-up and increase their **RAD** payment to reduce the **DAP** payment. Residents have up to 28 days from entering care to choose which method of payment they prefer.

Until the method of payment is decided, they must pay **DAPs** unless and until a **RAD** is paid. Daily payments are paid one month in advance.