



Accommodation Bonds for Residential Aged Care

Accommodation payments

There are two types of accommodation payments that may be payable to aged care homes:

- Residents requiring high care other than on an extra service basis may be asked to pay an accommodation charge (Refer to Information Sheet 15 – The Accommodation Charge for Residential Aged Care for more detail)
- Residents requiring low care or entering an extra service place (at high or low level care) may be asked to pay an accommodation bond.

Whether a resident requires high care is determined at the time of entry to a permanent place by the evidence available at that time. Relevant evidence may include the assessment by an Aged Care Assessment Team, assessment by the aged care home if the person has been receiving respite care, and other evidence such as doctors' or hospital records.

Respite residents cannot be asked to pay an accommodation payment.

What is an accommodation bond?

An accommodation bond (the bond) is an amount a resident may be asked to pay when they require low care or enter an extra service place. It is like an interest free loan to the aged care home and by law it must be used by the home to improve building standards, and the quality and range of aged care services provided.

A bond can only be charged by an aged care home that is certified as meeting minimum building and care standards. Information on a home's certification status can be found on the department's website at www.health.gov.au or by calling the Aged Care Information Line on **1800 500 853** *.

The aged care home is allowed to deduct monthly amounts, called retention amounts, from the bond for up to five years. The Government sets the maximum retention amount, currently \$307.50 a month. This amount is fixed at a resident's date

of entry. The balance of the bond is refunded to a resident or their estate when they leave the home.

How much bond will a resident pay?

There is no fixed amount for a bond. The amount of the bond is to be agreed between a resident and the aged care home.

Bond sizes can vary widely between residents in an aged care home as well as between homes, even in the same locality. Currently, a resident cannot be charged a bond which would leave them with less than \$39,000 in assets.

What are the payment options?

There are a number of ways to pay an accommodation bond, including:

- a lump sum
- periodic (fortnightly or monthly) payments
- a combination of lump sum and periodic payments.

If a resident agrees to pay the bond as a lump sum they cannot be required to pay that lump sum during the first six months following entry, although a resident can choose to do so.

If the bond is not paid in full on the day of entry, interest may be charged on the amount of bond outstanding. The interest rate is set at date of entry, up to the maximum permissible interest rate. The maximum permissible interest rate from 1 April 2011 to 30 June 2011 is 8.92%.

Determining a resident's assets

Centrelink or the Department of Veterans' Affairs (DVA) undertake assets testing for entry into permanent residential aged care on behalf of the Department of Health and Ageing. Centrelink undertakes all assessments except those for people who receive a means tested pension from DVA. Assets assessments can be undertaken before a person enters residential aged care.



An assets assessment is not compulsory unless a person wants to find out if they are eligible for government assistance with their accommodation costs for permanent residential aged care.

Prospective residents may instead choose to negotiate the payment of an accommodation bond with an aged care home directly rather than having an assets assessment.

Will a resident's home be "protected"?

The value of a resident's former home will not be counted as an asset if, at the time of the assets assessment or the date of entry into care (whichever is earlier):

- the partner or dependent child is living there
- a carer eligible for an income support payment has lived there for at least two years
- a close relative who is eligible for an income support payment has been living there for at least five years.

Gifting

Assets gifted away from 10 May 2006 over \$10,000 in a single financial year or \$30,000 in a five financial year period will be included in a resident's assets assessment.

As a result, a resident may not be eligible for government assistance with their accommodation costs.

If in any doubt, call Centrelink on **1800 227 475*** or the DVA on **13 32 54***.

What if a resident moves to another aged care home?

If a resident has previously paid a bond in full and then moves to another aged care home within 28 days, the bond can be transferred to the second aged care home. A resident cannot be asked to pay a bond to the second aged care home that is higher than the amount refunded by the first aged care home, unless there is a gap of more than 28 days between leaving the first home and entering the second.

If a resident moves, only the balance of the five year bond retention period will carry over to the new home.

If a resident has paid a bond on entry to low care and subsequently moves to another aged care home to receive high care they may, with the agreement of the new aged care home either:

- have the balance of the bond fully refunded (less retention and other applicable amounts) from the previous aged care home and (if liable) pay the daily accommodation charge in the new aged care home
- transfer the balance of the bond to the new aged care home. In this case only the balance (if any) of the five year retention period will carry over to the new aged care home.

What are the safeguards for residents?

A resident can only be asked to pay the bond if they can afford to do so.

A resident cannot be asked to pay the bond unless they have entered a bond agreement.

This agreement sets out a resident's rights and responsibilities. A resident has up to 21 days after entering an aged care home to enter into the bond agreement.

Where a person is unable to enter an agreement due to mental impairment, the agreement must be entered into within 21 days of a guardian being appointed.

Any change in the level of a resident's assets after they have entered the home does not affect the amount of bond they have agreed to pay.

When a resident pays a lump sum bond, the aged care home must:

- guarantee in writing to repay the bond balance within the statutory time periods, which is within 14 days of giving notice of your departure, on the day you leave if you notify your aged care provider of your departure more than 14 days before you leave, within 14 days after you leave if no notice is given or in the case of death, 14 days after the approved provider is shown probate or letters of administration;
- provide a copy of the bond agreement and a written guarantee within 7 days of the agreement being signed.



Every October, the aged care home must also:

- provide information about the number of accommodation bond balances that were not refunded within the statutory time periods over the past financial year;
- give a written statement (including an audit opinion on that statement) about the aged care provider's performance against the prudential requirements; and
- a copy of the entry in the bond register.

Aged care homes must also provide this information to prospective residents on request. Residents and prospective residents may also request the provider's financial accounts.

If the aged care home does not refund a resident's bond balance within the set timeframe, interest will be paid by the aged care home on the bond balance until it is refunded.

Furthermore, in the event the aged care home becomes bankrupt or insolvent, the Government will repay a resident's bond balance entitlement, including any interest that has accrued on the bond balance.

What if a resident is not eligible to pay a bond?

If a resident is assessed as not being eligible to pay a bond they will still get the care they need. Aged care homes receive a full rate of Government assistance for residents in a certified residential aged care facility whose assets are assessed as less than 2.25 times the maximum annual single basic age pension (currently \$39,000).

How do bonds affect pensions?

A lump sum accommodation bond paid by a resident in an aged care home will be exempt from the pension assets test.

The former home is exempted from the pension assets test for two years for all people entering residential care (and longer if the person's partner remains living in the home).

If a resident's former home is rented out to pay some or all of the bond by periodic payments, the value of the former home and the rental income is exempt from the pension assets and income

tests for as long as the resident is liable to pay a periodic payment. The rental income will not affect a resident's aged care fees.

Financial Hardship Assistance

Financial hardship provisions are there for residents who would face genuine financial hardship if they were required to pay an accommodation payment. To receive an application for financial hardship assistance call the Aged Care Information Line on **1800 500 853***.

Financial Information

Financial decisions, for instance about how an accommodation bond is paid, can have different effects on pensions, aged care fees and tax. Residents are advised to seek expert financial information to help make the decisions that are best for their circumstances.

A free Financial Information Service is available to all people through Centrelink. To make an appointment call Centrelink on **13 23 00***.

Example 1: How to calculate the options for paying a bond as a periodic payment

Mrs Chan owns her home. She is a widow and about to go into low care.

Her house is worth about \$150,000 and her unemployed daughter, who has cared for her for the last six years, is living in the family home. Therefore, her home is not considered as an asset in relation to payment of an accommodation bond.

Mrs Chan's other assets amount to \$109,000. Her total assets are \$109,000.

She must be left with at least \$39,000. Thus, the maximum bond Mrs Chan can pay is \$70,000.

The aged care provider asks her to pay \$60,000.

Mrs Chan has read that she can pay a bond in periodic payments instead of as a lump sum, or as a mixture of both.

The periodic payment is made up of two components. Firstly, the amount that the aged care provider can deduct annually for up to five years, and also the interest that the aged care provider would normally earn on the lump sum.



The aged care provider explains that Mrs Chan can make this payment either monthly or fortnightly. She agrees to pay a periodic payment as this will not require her to change her financial arrangements.

At an interest rate of 10%** per annum, the cost of this payment would be the retention amount the aged care provider can keep of \$307.50 a month, plus the interest of \$500.00 a month. The total payment would be \$807.50 a month.

Mrs Chan agrees to pay \$807.50 every month to cover this cost. This is instead of paying \$60,000 as a lump sum.

Mrs Chan's payments will reduce by \$307.50 a month after the maximum five year retention period.

Example 2: How to calculate the option for paying the bond as a mixture of lump sum and periodic payment

Mrs Winter owns her home. She is a widow and about to go into residential care.

Her house is worth \$150,000. Mrs Winter's other assets amount to \$90,000. Her total assets are \$240,000.

She must be left with at least \$39,000. Thus, the maximum bond Mrs Winter can pay is \$201,000.

The aged care provider asks her to pay \$100,000.

Mrs Winter has read that she can pay a bond by a lump sum, in periodic payments, or a combination of both. She elects to pay a combination of both and the lump sum is large enough to cover the amount the aged care provider can keep. She will only need to pay a small periodic amount, made up of the interest that the aged care provider would normally earn on the outstanding amount, as the retention amounts will be deducted from the lump sum.

The aged care provider explains that Mrs Winter can make this payment either monthly or fortnightly.

She agrees to pay a mixture of lump sum and periodic payment as this best suits her situation.

Her lump sum payment is \$70,000 leaving \$30,000 on which she must pay interest.

At an interest rate of 10%** , the annual cost of the periodic payment would be the interest of \$3,000 a year or \$250 a month.

So as well as paying \$70,000 as a lump sum, Mrs Winter agrees to pay \$250 every month. In this way she meets her agreement for a \$100,000 total bond. Mrs Winter also decides to rent out her former home and uses the rental income to pay the periodic payments. Her home is exempt from the pension assets test and the rental income is not counted for the pension income test or the aged care income test while she is required to make the periodic payments.

The amount of the bond returned to Mrs Winter or her estate, after deducting the \$307.50 per month retention amounts, on leaving would be:

- after one year \$66,310
- after two years \$62,620
- after three years \$58,930
- after four years \$55,240
- after five years or more \$51,550

** The figure of 10% has been used for ease of calculation. It should be noted that the maximum permissible interest rate which can be charged is announced quarterly by the Australian Government Department of Health and Ageing. The current rate can be obtained by contacting the Aged Care Information Line on 1800 500 853*.

Note: Reference to a partner and/or couple includes both opposite and same sex couples.

*** Cost of phone calls**
 Calls to 1800 numbers are generally free to the caller when made from a land line.
 Calls to 13 or 1300 numbers are charged at a low fixed amount to the caller when made from a land line.
 All calls made from mobile phones are charged at the rates applicable to each phone provider.
 All calls made from public phones are charged at the rates applicable to each phone provider.

All information in this publication is correct as of March 2011

Disclaimer: This document is only a guide to the Government's law and policies, and cannot take account of individual circumstances. The Australian Government Department of Health and Ageing recommends that you seek appropriate professional advice relevant to your particular situation.

Aged Care Information Line 1800 500 853* – www.agedcareaustralia.gov.au