



Income Tested Fees for Residential Aged Care

What is an income tested fee?

Residents in permanent aged care may be asked to pay an income tested fee in addition to the basic daily fee. The amount they pay depends on their income and the level of care they need. This fee is paid directly to the aged care provider as part of their overall fees.

Who will pay income tested fees?

Only residents with total assessable income above the maximum income of a full pensioner are asked to pay an income tested fee.

A resident cannot be asked to pay an income tested fee if they:

- are a full pensioner
- are a respite resident
- are an Australian ex-prisoner of war
- were receiving permanent residential care at any time before 1 March 1998
- have a dependent child.

Residents are exempt from an income tested fee if they cease to reside at the aged care home (without entering another) before the Department has informed the provider of the resident's income tested fee.

How much can a resident be asked to pay?

The maximum level of a resident's income tested fee will be based on their total assessable income. The Department of Health and Ageing determines income tested fee amounts based on income information provided by Centrelink or the Department of Veterans' Affairs (DVA). The Department then notifies residents, and/or their representatives, and their aged care providers of the maximum fees payable.

The applicable income tested fee payable is calculated at 5/12th of assessable income above the income tested fee threshold.

Different income tested fee thresholds apply to residents according to their basic daily fee classification- standard, non-standard, phased or protected - (Refer to Information Sheet 12 – Basic Daily Fees for Residential Aged Care for more detail). The income tested fee and thresholds are listed on the Schedule of Fees and Charges which is available on the Department's website: www.health.gov.au. Income tested fees are payable from the date the resident enters an aged care home (including pre-entry leave).

Most residents will receive a letter from the Department of Health and Ageing advising them of their assessed maximum fees within the first 28 days, following their entry to the aged care home.

Residents may be asked to pay an interim fee until they are advised of their income tested fee amount. The purpose of the interim fee is to prevent the resident being faced with a large back payment once they are advised of their income tested fee. The amount of the interim fee is to be agreed between the resident and the aged care provider and should be included in the resident agreement.

As a guide the Department has suggested the following amounts for interim fees:

- Full pensioners – basic daily fee only (no interim fee)
- Part pensioners – basic daily fee plus \$4.00 per day interim fee
- Non-pensioners – basic daily fee plus \$25.00 per day interim fee.

Quarterly reviews of income tested fees

Maximum income tested fees will be set and remain current for a quarter of a year based on the resident's assessed income and level of care at the start of the quarter. The effective dates of the quarters are 1 January, 20 March, 1 July and 20 September.



Residents will be advised at the beginning of each quarter if their income tested fee has changed.

At the end of each quarter, the resident may receive a refund from their provider if their assessed income or cost of care changed for past quarters.

Residents will not be asked to pay more if their assessed income tested fee increases for past quarters.

If a resident's income decreases significantly during the quarter and they would like to request a review of their income tested fee, they can ring the Aged Care Information Line on phone **1800 500 853*** and ask to speak to the Income Testing Team.

Other significant changes to personal circumstances may also lead to a review during a quarter.

How is income assessed?

A resident's income is usually assessed by Centrelink. However, if a resident is receiving a service pension or an income support supplement from DVA, that agency will assess their income.

The income test uses the same rules as for means tested pensions. Residents who receive a means tested pension, such as an age pension or service pension, do not have to provide income information, because Centrelink or DVA already has this information.

Residents who do not receive a pension** will need to provide information about their income when they enter care by filling out a Centrelink form, 'Residential aged care fee income assessment (SA316)'. Centrelink sends this form to all non-pensioners after they have entered care.

****Eligibility for some pensions, such as a blind pension, a war widow/widower pension or a veteran's disability pension or allowance, does not depend on a person's income. If this is the only pension a person receives they may have to fill out the Centrelink SA316 form, because Centrelink or DVA may not have the necessary income information.**

Once this form is completed, it should be returned as per the instructions on the front page of the form. The sooner this information is provided, the sooner the Department of Health and Ageing can inform the resident about their fees.

Centrelink can be contacted on **1800 227 475*** regarding the SA316 form.

What is Income?

Income for aged care purposes is not the same as taxable income.

Income, for aged care purposes, includes:

- income support payments from the Australian Government, such as the age pension, a service pension or an income support supplement;
- deemed (not actual) income from financial investments (see below for information on deemed income);
- net income from rental property (see below for concessional treatment for some residents);
- war widow/widower pensions and some disability pensions;
- net income from businesses, including farms;
- superannuation and overseas pensions, income from income stream products such as annuities and allocated pensions;
- family trust distributions or dividends from private company shares; and
- deemed income from excess gifting.

How does deeming work?

Deeming assumes that bank accounts and other financial investments are earning a certain rate of income, no matter what income they are actually earning.

Financial investments include:

- bank, building society and credit union accounts
- cash
- term deposits
- cheque accounts
- friendly society bonds
- managed investments
- listed shares and securities
- loans and debentures
- shares in unlisted public companies
- gold and other bullion.



Financial investments do not include:

- the resident's home or its contents
- cars, boats and caravans
- antiques, stamp or coin collections
- standard life insurance policies
- holiday homes, farms or other real estate
- accommodation bonds.

Under the deeming rules, the actual income earned on an asset is not counted. This means that if the resident earns more than the deemed income, the extra amount is ignored.

Rental income

There is special treatment of rental income for residents who pay an accommodation charge and residents who pay all or part of their accommodation bond by periodic payments.

For these residents:

- rental income from the former home will be exempt in full from the pension income test and for aged care fees while they are paying the accommodation charge or paying an accommodation bond by periodic payment;
- the value of the home will be exempt from the pension asset test while they are paying the accommodation charge or paying an accommodation bond by periodic payment.

However, there is a general exemption of two years from the pension asset test of the former home for all people entering residential care.

What happens if a resident chooses not to provide information about their income?

Residents may choose not to provide Centrelink or the Department of Veterans' Affairs with information about their income. If they choose not to do so, they may be asked to pay the maximum fee. Residents should seek financial advice before choosing this option.

A free Financial Information Service is available through Centrelink, who can also assess a person's assets and income for the purpose of establishing aged care fees. To make an appointment call Centrelink on **13 23 00** *.

Appointment of a nominee

Residents can nominate someone to deal with Centrelink, the Department of Veterans' Affairs and the Department of Health and Ageing on their behalf.

It is important to note that separate forms are required for these departments as, due to privacy laws, the nominee information provided to Centrelink or the Department of Veterans' Affairs cannot be transferred to the Department of Health and Ageing.

The *Appointment of a Nominee* form for the Department of Health and Ageing may be available from the aged care provider or can be accessed by phoning the Aged Care Information Line on **1800 500 853** *.

How is privacy protected?

Protecting the private information of residents is important. There are very severe penalties, including imprisonment, for government officers and service providers who misuse personal information about residents.

Examples of income tested fees

Example 1

Ms Bell is single and a full pensioner eligible to pay the standard rate basic daily fee. She has private income of \$80.00 per fortnight on top of her pension of \$691.30 a fortnight. Because her total assessable income is below the standard income tested fee threshold, she cannot be asked to pay an additional income tested fee.

Example 2

Mr Smith is a single self funded retiree. He has private income below the income tested fee threshold and cannot be asked to pay an additional income tested fee.

Example 3

Ms Reilly is single and has non-pension income of \$300.00 per fortnight on top of her pension of \$577.30 per fortnight. Her total assessable income is \$877.30 per fortnight. Ms Reilly pays the standard rate of basic daily fee. Her maximum income tested fee would be 5/12th of her assessable income above the standard income tested fee threshold.



Example 4

Mr Kostas is a married pensioner who entered care after 20 September 2009. He and his wife have combined non-pension income of \$900.00 per fortnight on top of their part pensions. His total assessable income is \$958.10 per fortnight. As Mr Kostas is married, 50% of the couple's combined private income is ascribed to him. Mr Kostas pays the phased rate of basic daily fee. He is eligible to pay an income tested fee calculated at 5/12th of his assessable income above the phased income tested fee threshold.

Example 5

Mr Jones is a married non-pensioner who entered care between 20 March 2008 and 20 September 2009. He has assessable income of \$3,000.00 per fortnight. As Mr Jones is married, 50% of the couple's combined private income is ascribed to him. Mr Jones pays the protected rate of basic daily fee. His maximum income tested fee would be 5/12th of his assessable income above the protected income tested fee threshold. He could therefore be asked to pay up to the maximum income tested fee.

For further information regarding income tested fees and the current maximum rates please call the Aged Care Information Line on **1800 500 853*** and ask to speak to the Income Testing Team.

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