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Common FAQs for low means residents

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Aged care residents assessed as 'low means' are eligible to receive federal government (government) support for their accommodation costs in addition to their ongoing care costs. This means there are additional rules for these residents, and they can be complex.

A common 'low means' situation occurs for couples particularly where one member of the couple enters residential aged care before the other.

This paper shares some common queries around the technicalities for low means residents.

The FAQs in this paper relate to those who enter residential aged care from 1 July 2014. Any rates and thresholds used are as at 1 May 2020 and includes the new deeming rates of 0.25% and 2.25%, effective 1 May 2020.

Who can qualify as a low means resident?

A resident will be classified as 'low means' if their means tested amount (MTA) is less than the maximum accommodation supplement (MAS) at the time of entry.

The MAS is currently $58.19 per day

The resident's MTA is based on their assessable assets and assessable income for aged care purposes. Assessable assets and income for aged care purposes are broadly the same as assessable assets and income for social security pension purposes, but also include:

- the value of any lump sum accommodation payments in assessable assets
- the person's social security payment in assessable income (e.g. their Age Pension or service pension), but excluding the Energy Supplement and minimum pension supplement
- the value of the former home up to $171,535.20 (each for couples) in assessable assets if there is no protected person. occupying the home. The entire value of the home will be excluded from aged care means testing if a protected person occupies the home.

Note: a protected person includes: a spouse or dependent child, a carer eligible for an income support payment who has been living in the home for the past two years, or a close relative eligible for an income support payment who has been living in the home for the past five years.

MTA	= (income-tested amount + asset-tested amount) / 364
Where,	
Income-tested amount	= (annual assessable income – income-free area*) x 50%
Asset-tested amount	= 17.5% of assets between $50,500 and $171,535.20
	1% of assets between $171,535.20 and $413,605.60
	2% of assets above $413,605.60

**As at 1 May 2020, this is $27,736.80 for singles and $27,216.80 for couples (each).*

Where a resident's MTA is equal to or greater than the MAS, they will not be assessed as a low means resident.

This would occur if:

- their assessable assets for aged care are equal to or greater than $171,535.20 (each for members of a couple)
- their assessable income for aged care is equal to or greater than $70,099.12 p.a. for singles or $69,579.12 p.a. for each member of a couple, or
- a combination of both assessable income and assets that produce an MTA equal to or greater than the MAS.

Example 1. Beryl and Barry

Beryl and Barry, both 85, own their home and have been providing each other with support for several years. However, Barry's health had deteriorated recently and Beryl is not able to provide him with the care that he needs. They chose an aged care facility nearby and Barry has now moved in.

Outside their family home, they only have $260,000 in the bank and $10,000 in personal assets at the time Barry entered residential aged care. They are currently receiving the maximum rate of Age Pension ($933.40 per fortnight each, based on illness separated rates).

Barry's MTA is $40.63 calculated as:

Income-tested amount	= (assessable income less income-free area) x 50%
	= ($25,275.80* less $27,216.80) x 50%
	= $0
Asset-tested amount	= 17.5% of assets between $50,500 and $171,535.20
	= 17.5% x ($135,000** – $50,500)
	= $14,787.50
MTA	= (income-tested amount + asset-tested amount) / 364
	= ($0 + $14,787.50) / 364
	= $40.63

** Deemed income of $4,126.00 / 2 = $2,063 (for each member of a couple) plus Barry's assessable Age Pension of $23,212.80 (this excludes the energy supplement of $14.10/fortnight and minimum pension supplement of $37.40/fortnight).*

***$270,000 / 2 = $135,000 (for each member of a couple). Excludes the value of the former home as a protected person (spouse) is occupying the home.*

As Barry's MTA is below $58.19 at the time of entry, he is assessed as a low means resident.

Can a low means resident's status change after entry?

When a person enters residential aged care, their assets and income are assessed at the time of entry. If assessed as a low means resident, they will remain a low means resident while they continue to receive services from the same aged care facility.

This is the case even if their assessable assets and income increases and their means tested amount subsequently exceeds the maximum accommodation supplement.

What if they change facilities?

Residents who move to a new aged care facility will generally have their assets and income reassessed and a new MTA determined. Their new MTA will be based on assessable assets and income at the time of entry to the new facility, and if this amount exceeds the MAS at that time, they will no longer be assessed as a low means resident.

Residents who leave an aged care facility for more than 28 days (for instance, to return to their former home) but then re-enter residential aged care will also need to have their means reassessed to determine whether they will be a low means resident. This is the case even if they re-enter the same facility.

What fees can a low means resident be asked to pay?

Residential aged care costs are broadly broken up into accommodation and ongoing care costs.

Accommodation costs

Unlike other residents, a low means resident cannot be asked to pay the published price for a particular room. Instead, low means residents can be asked to contribute an amount towards their accommodation costs.

This amount, known as the daily accommodation contribution (DAC), is equal to their MTA and capped at the accommodation supplement received by the aged care facility.

Prospective residents can check with aged care facilities as to which supplement applies to them.

DAC = MTA (capped at the facility's accommodation supplement)

Example 2. Beryl and Barry

In Beryl and Barry's example, Barry's MTA was calculated to be $40.63. His DAC will therefore be the lower of:

- $40.63 per day, or
- the aged care facility's accommodation supplement.

If his facility's accommodation supplement is $37.93, his DAC would be capped at this amount.

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Residential aged care costs are broadly broken up into accommodation and ongoing care costs.

What accommodation supplement can the aged care facility receive?

A low means resident's DAC is capped at the accommodation supplement amount which the aged care facility receives from the government.

Currently, the maximum accommodation supplement is $58.19 per day (MAS). However, depending on whether the aged care facility meets certain building requirements or if the facility currently accommodates more than 40% of their residents as 'low means', the amount they receive can be lower.

Different accommodation supplement amounts that an aged care facility can receive are summarised in Table 1.

Table 1. Accommodation supplement amounts for aged care facilities

Eligibility	Amount of supplement
If a service is significantly refurbished or newly built	
More than 40% low means, supported, concessional and assisted residents	$58.19
40% or fewer low means, supported, concessional and assisted residents	$43.64
If on the day the service, meets building requirements in Schedule 1 of the Aged Care (Transitional Provisions) Principles 2014	
More than 40% low means, supported, concessional and assisted residents	$37.93
40% or fewer low means, supported, concessional and assisted residents	$28.45
If on the day of service, does not meet those requirements	
More than 40% low means, supported, concessional and assisted residents	$31.86
40% or fewer low means, supported, concessional and assisted residents	$23.90

Source: Department of Health, aged care subsidies and supplements payment rates from 20 March 2020

Can a low means resident's DAC change?

A low means resident's DAC is based on their assessable assets and income on a particular day and can change over time as their means change.

Residents are required to report changes to their circumstances to Centrelink/Department of Veterans' Affairs (DVA) within 14 days, however, their DACs generally change on a quarterly basis in line with Centrelink/DVA's quarterly reviews (effective 1 January, 20 March, 1 July and 20 September). If the resident's DAC reduces through the quarter, a refund is due and generally applied in the next quarter.

Table 2. DAC thresholds for singles and couples

Single		Couple	
Assessable assets*	DAC (subject to the facility's accommodation supplement)	Assessable assets*	DAC (subject to the facility's accommodation supplement)
$50,500	$0	$101,000	$0
$100,000	$23.80	$200,000	$23.80
$150,000	$47.84	$300,000	$47.84
$171,535	$58.19	$343,250	$58.19

**Assumed to be all financial assets.*

A low means resident's DAC can also change if the aged care facility's applicable accommodation supplement changes (for instance, they may have increased the percentage of low means residents to more than 40%) or when the government indexes or increases the accommodation supplement paid to the facility.

Ongoing care costs

Like other residents, low means residents will need to pay a basic daily care fee that covers the cost of daily living such as meals, laundry and power.

The basic daily fee is currently $52.25 per day

Can a low means resident be asked to pay a means-tested care fee?

Low means residents can also be asked to pay a means-tested care fee (MTCF) towards the cost of their ongoing care, subject to an annual and lifetime cap.

The MTCF is calculated as the amount of the resident's MTA that is above the MAS (regardless of the accommodation supplement received by the aged care facility).

MTCF = MTA minus MAS

Residents who are classified as 'low means' are not required to pay this fee as long as their calculated MTA remains below the MAS.

However, if their means increase after entry and their MTA increases above the MAS, they will be required to pay an MTCF.

This generally occurs when the second member of a couple enters residential aged care, and the former home becomes assessable for aged care purposes.

For completeness, some facilities may provide extra services. Although not generally a consideration for a low means resident, when these are taken up, ongoing extra services or additional fees are also payable.

Can a low means resident pay a lump sum for their accommodation instead of a daily amount?

A low means resident can only pay an accommodation amount that is based on their means. When this is paid as a daily amount, it is called a daily accommodation contribution (DAC). An alternative is to pay the aged care facility an equivalent lump sum amount known as a refundable accommodation contribution (RAC).

The lump sum amount that would need to be paid so that the RAC is equivalent to the DAC is worked out as follows.

RAC = (DAC x 365) / maximum permissible interest rate (MPIR)

Note: For residents who entered care between 1 April 2020 and 30 June 2020 (inclusive), the MPIR is 4.89%

Example 3. Beryl and Barry

In Beryl and Barry's example, if Barry's DAC was calculated to be $40.63, the equivalent RAC would be calculated as:

RAC = ($40.63 x 365) / 4.89% = $303,271. This is greater than what Beryl and Barry have in their bank accounts ($260,000).

They could choose to use part of the funds in the bank to pay a 'part' RAC to reduce the amount Barry will need to pay as a DAC. Amounts paid as a RAC will reduce the annualised DAC by 4.98% of the lump sum amount paid.

RAC paid	Nil	$100,000	$150,000	$200,000
DAC to be paid	$40.63	$27.23	$20.53	$13.84

Can low means residents have their DACs paid from their RAC?

Where the resident has paid a RAC for their accommodation and there is also a DAC payable, the resident can request (in writing) that the aged care facility deducts the DAC from the RAC balance. In these cases, the facility can increase the DAC to compensate for the reduction in the RAC balance.

Other considerations

Having some or all of their accommodation costs subsidised by the government can be a financial benefit for low means residents. However, there are other considerations that are noteworthy for these residents:

- Low means residents may not have a choice of which room they occupy in the aged care facility. While some facilities will try and facilitate the wishes of residents, they may reserve single rooms or nicer rooms with better features for residents who can pay more for their accommodation. Low means residents may be forced to share a room with one, two, three or more other residents. Some residents may be comfortable with this arrangement, however, some may not.
- The chosen aged care facility may not have a room available for low means residents. This may result in the resident entering a facility based on the availability of 'low means' rooms instead of entering a facility with features that they want.

Can someone choose not to be assessed as a low means resident?

One way a prospective aged care resident will not be assessed as 'low means' is if they choose not to have their means assessed by Centrelink/DVA.

However, this generally means they will not be eligible for government assistance with their accommodation and ongoing care costs, and will need to pay an agreed accommodation payment and the maximum means tested care fee based on their cost of care.

Alternatively, they could increase their assessable assets and income so that their MTA is equal to or greater than the MAS at the time of entry. For instance, family members may want to gift some assets to the prospective resident before they enter the aged care facility or ensure that there is no 'protected person' occupying the former home at the time of entry. **FS**