Inquiry into Aged Care Amendment (Residential Care) Bill 2006

Submission from the Department of Health and Ageing

The Bill amends the Aged Care Act 1997 to give effect to 2006-07 Budget Measure announcing changes to the treatment of income streams and any assets that have been given away prior to entry into permanent residential aged care.

It lines up the aged care arrangements with the pension arrangements and will simplify the interaction of the aged care and pension arrangements, allowing greater transparency and facilitating wise financial planning for older Australians. The new arrangements will be fairer to all residents and less confusing for them, their carers and their families.

The Measure builds on the Government's ongoing efforts to streamline the administration of aged care, in response to the recommendations of the 2003-04 *Review of Pricing Arrangements in Residential Aged Care.*

The changes will result in a more sustainable system in the long term, providing savings of approximately $71.7 million of administered costs over five years.

The Bill also simplifies access to extended residential respite care and will reduce red tape for industry and residents.

SCHEDULE 1 - Harmonising aged care and pension requirements in relation to income streams and asset disposals

An asset test is offered to people moving into residential care

- To determine if the Government will contribute to the cost of the accommodation through a Concessional Supplement; and
- To help the person work out how much accommodation bond or accommodation charge they might be able to pay.

Aged care assets assessments are conducted by Centrelink (or in the case of Veterans, the Department of Veterans' Affairs) and is only necessary upon entry to care or when moving to another aged care home. To assist applicants, forms are provided to the prospective resident by Aged Care Assessment Teams when they are assessed as eligible for admission to a Australian Government funded residential aged care service. Around 90% of aged care residents are pensioners and therefore most people will already have had their assets assessed for pension purposes before they undergo an aged care assets assessment.

The assets assessment for entry to residential care is not compulsory unless a person is seeking government assistance with their accommodation costs.

People who qualify for government assistance with their residential aged care accommodation costs (Concessional Residents) must receive an Australian Government means-tested pension, must either have not owned a home in the past two years or have a home that is protected **and** have less than (currently) $32,000 in assets.

Additionally, a small number of people can be assisted as Assisted Residents. In this case the resident must receive an Australian Government means-tested pension have not owned a home in the past two years or have a home that is protected **and** have (currently) at least $32,001 but not more than $51,500 in assets.

Income testing

Separately from the Assets test, once a resident is in care, their income is assessed under the *Aged Care Act 1997* to determine if they can be asked to further contribute to the costs of their care. Centrelink and the Department of Veterans' Affairs conduct income testing on behalf of the Department of Health and Ageing and the rules for aged care income testing are exactly the same as for the age pension income test.

Gifts

Currently, assets that have been given away by a person needing residential care are not counted in the aged care assets test, but are included in the pension assets test and may reduce the amount of age pension a person receives.

These current arrangements continue until 1 January 2007 and therefore people already in care or people entering or moving between residential aged care homes up to and including 31 December 2006 will not be affected by this measure.

From 1 January 2007, people who enter residential aged care or move to another home and need an assets assessment will have any gifts they have made from Budget night (10 May 2006) considered in that assessment.

The assessment rules will be the same as for pensions, and therefore the first $10,000 in any financial year or $30,000 over five years which has been gifted will not count in the assessment of assets.

The effect of this measure will be that a person will not be able to give away assets to qualify for government assistance with their aged care accommodation costs..

These changes do not prevent people from giving away their assets.

Income Streams

Income streams can be purchased through an investment of capital. Currently, the money used to buy the income stream is exempted from the aged care assets assessment.

In February 2004 the Government announced changes to pension arrangements; the 100% assets test exemption for purchased complying income streams was reduced to 50% for some products purchased on or after 20 September 2004. Income streams that were purchased by people before that date were not affected. Through these amendments, from 1 January 2007 the same exemption that applies to complying income streams for the pension assets test will also apply to the aged care assets test.

If people cannot afford to make accommodation payments the Aged Care Act 1997 has hardship provisions and these provisions will continue to be made available where individuals cannot meet the costs of their residential aged care. However, financial hardship assistance is generally not provided in circumstances where residents, or their representatives, make choices which subsequently place them in financial hardship.

Date of Effect

Gifts made from 10 May 2006 (the day after Budget Night) will be included in assets assessments conducted from commencement of the new arrangements on 1 January 2007 for people entering or moving aged care homes on or after 1 January 2007. This is to prevent divestment of assets following the Budget announcement.

Publicity

The changes were announced in the 2006-07 Budget on 9 May 2006 and are in the Budget papers and Media Release.

Press advertising is planned when the legislation is passed. Consumers, aged care facilities, financial advisers and industry peak bodies will be targeted during the campaign.

This will include an article in the Spring edition of “News for Seniors” as well as industry and other consumer publications. The department will also include the information in Department of Health & Ageing booklets and leaflets on aged care

SCHEDULE 2 – Aged Care Assessment Team Respite Delegations

Aged Care Assessment Teams play an essential role in the Australian aged care system and are critical in streaming people into the right type of care to meet their needs by assessing frail older Australians for access to care, and by assisting them to access the most appropriate care services available.

The Secretary of the Department of Health & Ageing delegates the power to approve a person to receive aged care services to Aged Care Assessment Teams.

One form of care that can be approved by an assessment team is residential respite care and this is normally a maximum of 63 days per financial year.

However the Secretary, or a delegate of the Secretary, may increase the maximum number of days allowed by periods of 21 days where there is a need to do so, such as carer stress or absence, or because of the severity of the care recipient’s condition. This flexibility is necessary to enure that carers are supported in their caring role to the best extent possible.

Aged Care Assessment Team members also assess the merits of applications for respite care extensions, but Act does not allow the Secretary to give Aged Care Assessment Teams the delegated power to formally approve an extension.

The proposed amendment to the Act will allow the Secretary to delegate to members of Aged Care Assessment Teams the power to formally approve these respite care extensions. This will make the process for people needing extra respite care simpler and quicker and will reduce red tape.