

Aged Care - Income Tested Fees

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. No resident will pay more than they can afford and no resident will pay more than the cost of their care.



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 a former prisoner of war;
- were receiving permanent residential care at any time before 1 March 1998;
- have a dependant child.

Residents are exempt from an income tested fee:

- for the first 28 days of their care (including periods of authorised leave); and
- if they cease to reside at the aged care home (without entering another) before the Department of Health and Ageing 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). Residents and/or their representatives, along with the aged care provider, are notified by the Department of Health and Ageing as to the maximum fees payable.

For the first 28 days in care (this includes pre-entry leave), residents can be asked to pay the basic daily fee, but will not be asked to pay an income tested fee. However, if the resident has not been advised of the assessed maximum fee within this 28 day period by the Department of Health and Ageing, then they may be asked to pay a provisional fee.

The provisional fees that can be charged are as follows:

Full Pensioners	Basic Daily Fee only
Part Pensioners	Basic Daily Fee plus \$4.00 a day provisional fee
Non-Pensioners	Basic Daily Fee plus \$25.00 a day provisional fee

Note: from 1 January 2010, residents entering care will no longer have a grace period before income tested fees apply. Entrants to permanent care prior to 1 January 2010 will still receive the 28 days grace period.

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 may choose not to provide Centrelink or the DVA with information about their income. If they choose not to do so, they may be required to pay a higher fee.

If you receive income other than your pension, you will be assessed by Centrelink or Veterans' Affairs (if you are a veteran) to determine how much extra you can be asked to pay as an "income-tested fee."

Definition of Income

Income for aged care purposes is not defined the same as taxable income. For aged care, income includes the following:

- income support payments from the Australian Government, such as the age pension, service pension or an income support supplement;
- deemed (not actual) income from financial investments;
- net income from rental property (there is some concessional treatments 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.

Rental Income

Special treatment applies to rental income for residents who pay an accommodation charge and residents who pay all or part of their accommodation bond via periodic payments.

In these instances, 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 via periodic payments; and
- 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 via periodic payment.

There is a general exemption of 2 years from the pension asset test of the former home for all people entering residential care.

Case Study 1

Ms Bell is single and full pensioner. She has private income of \$80 per fortnight on top of her pension of \$670.90 per fortnight. Because her total assessable income is below the income threshold, she cannot be asked to pay an additional income tested fee.

Case Study 2

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

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