

Accommodation Pricing – Overview of Pricing Requirements, Applications for \$550K Plus, Post 19 May 2014, Where Are We Now

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Subordinate Legislation or Principles

- The first tranche covered:
 - Accountability
 - Approval of Care Recipients
 - Approved Provider
 - Classification
 - Grant
- The second tranche was released in April 2014 and covered:
 - Allocation
 - Extra Service
 - Quality of Care
 - User Rights
- The third and final tranche was released in 27 May 2014 and covered two very important Principles:
 - Fees & Payments (No 2).
 - Subsidy.

Quality of Care Principles

- i. Residential Care
 - a. Specified Care & Services. There have been some changes (additions to and deletions) in the current SC&S with changes to items 1.9 (toiletry goods), 2.4 (treatments & Procedures), 2.9 (support for residents with cognitive impairment), 3.2 (bedding materials), 3.3 (Toiletry goods), 3.7 (basic medical & pharmaceutical supplies & equipment), 3.8 (nursing services), 3.10 (medications) and 3.12 (oxygen).
 - b. Whilst the high/low distinction has been removed, Part 3 of the schedule will apply to residents who have a high in any one of the ACFI domains or a medium in at least 2 ACFI domains or an ACAT high respite.
 - c. Fees can be charged for care & services not specified in SC&S and agreed to by the resident.
- i. Home Care
 - a. The services to be provided are listed in part 1 of the schedule.
 - b. Part 2 lists the excluding items.

User Rights Principles ⁽¹⁾

- i Residential Care
 - a. Moving a resident. Must not move a resident unless at resident's request or resident agrees after been fully consulted or necessary on medical grounds or place becomes extra service and resident elects not to pay the ESF or to carry out repairs to the room.
 - b. Information to be given to existing resident moving to another service. New service must give notice in writing of:
 - i) Resident can make a written choice before entry to be covered by RADs & DAPs. If they don't make a choice they continue under the current arrangement.
 - ii) Cannot change the choice and go back to Bonds & Charges.
 - iii) Resident to be given a copy of "New Arrangements for Aged Care – from 1 July 2014 from DSS.
 - c. The Agreement may be varied by mutual consent after consultation.

User Rights Principles ⁽¹⁾

- ii Home Care
 - a. Ceasing Home Care. Service may cease home care if the service does not have the appropriate resources available or CR moves to a location where home care is not provided by AP or CR notifies in writing they want to cease the service or CR's conditions change as they no longer need HC or needs as assessed can be better met by other types of services.
 - b. Information to be given to existing CR moving between services. New service must give CR a written notice:
 - i. CR can make a written choice before entry to be covered by new arrangements.
 - ii. Cannot change the choice and go back to previous arrangements.
 - iii. CR to be given a copy of "New Arrangements for Aged Care – from 1 July 2014 from DSS.

Subsidy Principles

- i Residential and Home Care
 - a. An extensive list of definitions with changes to some existing current understanding of some definitions eg a supported resident is now defined as 'low-means care recipient'. I prefer the term supported resident.
 - b. A revised definition for the calculation of the higher accommodation supplement following a significant refurbishment.
 - c. Details of the meaning of the base subsidy and the primary & other supplements and reductions.

Fees & Payments Principles (1)

- i Residential Care
 - a. There is an additional resident daily fee in remote areas.
 - b. Additional amount can be agreed for unfunded places.
 - c. Resident to be given details of method & timing how overpaid resident fees will be refundable.
 - d. Information to be given to resident before entry:
 - i) A copy of the Accommodation Agreement
 - ii) Statement that within 7 days of a request the resident is to be given the following:
 - iii) Interest rate payable if there is a delay in paying the RAD or RAC.
 - iv) Method & timing of refunding an overpaid RAD or RAC.
 - v) RAD & RAC refundable arrangements.
 - vi) RAD & RAC prudential arrangements.

Fees & Payments Principles (2)

d. Voluntary moves within the service:

- 1) Accommodation agreement to be varied before move occurs to specify new room.
- 2) Resident **may** (my emphasis) be charged the higher or lower accommodation payment.
- 3) If charged the higher accommodation payment, resident to pay the additional amount as either a RAD, DAP or combination.

e. Non-voluntary moves within the service:

- i). Less than 28 days:
- ii). AP must notify resident in writing before the moves occur.
- iii). Continue to pay the same accommodation as before the move.

Fees & Payments Principles (3)

- ii) Greater than 28 days:
 - a). AP to notify resident in writing before the move occurs.
 - b). cannot be charged an accommodation payment that is higher than the one the resident was paying before the move.
 - c). If the price for the room is lower than before the move the resident cannot be asked to pay an accommodation payment that is higher than the published price for that room.
 - d). A move is not voluntary if it is necessary on genuine medical grounds, the place becomes an extra service place and the resident elects not to pay the ESF or the move is necessary to carry out repairs.
- f. Refund of overpayment of RADs & RACs. Interest is payable at the MPIR if not repaid within 28 days of becoming aware of the overpayment.

Fees & Payments Principles ⁽⁴⁾

i Home Care

- a. Refund of overpaid home care fees. Must prior to being accepted for home care give the care recipient, in writing, the method & timing of how overpaid home care fees will be refunded.

Subsidy & Supplements

1. Residential care

- Base ACFI Subsidy
- **Primary Supplements**
- Respite
- Oxygen
- Enteral feeding
- Dementia
- Payroll (ceases from 1 January 2015)
- **Other Supplements**
- Accommodation
- Hardship
- Viability
- Veterans'
- Homeless
- **Subsidy reductions**
- Compensation
- Care subsidy reduction

2. Home care

- Base Level 1 to 4 Subsidy
- Primary Supplements**
- Oxygen
- Enteral feeding
- Dementia
- Veterans'

- Other Supplements**
- Hardship
- Viability

- Subsidy reductions**
- Compensation
- Care subsidy reduction

Some other matters

Ageing in place

1. With the removal of the low/high distinction it is expected all permanent resident from 1 July 2014 will have the right to indefinite residence unless the conditions are met for asking a resident to leave as set out in the User Rights Principles.
2. You may wish to review you Resident Agreement if you are relying on references to providing low/high care.

Interim Subsidy

1. Until the ACFI is submitted an interim daily subsidy will be paid.
2. Adjustment will be made when the ACFI is submitted.
3. Interim rate not known at this stage.

Respite

1. There will still be the high/low distinction for respite.

Overview of the Pricing Requirements ⁽¹⁾

1. 3 levels of accommodation payments
 - Level 1 – covers partly supported residents with prices up to where the higher maximum supported resident supplement cuts out – \$52.49 which is the maximum DAC which converts to a maximum RAC of \$288,972.
 - Level 2 – covers non supported residents up to the maximum of \$550,000 (RAD) or \$99.90 per day (DAP). These prices are self-assessed
 - Level 3 – prices above level 2 prices approved by the ACPC.
2. Resident must be left with minimum assets, currently \$45,000.
3. **Before entering the AP must agree in writing with the person entering on the maximum accommodation payment they would have to pay for that service.**

Overview of the Pricing Requirements (2)

4. Residents have up to 28 days after entering to decide how to pay for their combination eg RAD, DAP or combination. Until they decide they pay the DAP.
5. If they don't make a choice the resident continues to pay the DAP.
6. The process is to determine a RAD and then convert it to a DAP by using the MPIR.
7. Level 2 prices are self-assessed.
8. If the resident requests, in writing, the DAP to be deducted from the RAD it must be drawn down.

Overview of the Pricing Requirements ⁽³⁾

9. Where there has been a drawdown from the RAD a resident may be required to maintain the agreed accommodation payment.
10. Must provide an example of a DAP **paid** in addition to a RAD.
11. The DAP/DAC is interest on the unpaid RAD/DAP.
12. Remember the MPIR changes every quarter. You will have to amend your handout material and your web site. I presume that MyAgedCare will automatically update their site.
13. For level 2 prices you can change your RAD at any time but remember to update MyAgedCare also. It will take up to 3 working days before the site is updated.
14. Current residents remain on their current arrangement.

Payment Methods

1. RAD only.
2. DAP only.
3. RAD & DAP combination.
4. RAD & DAP drawdown.
5. RAD & Other Fees (daily care fees and MTF) drawdown.

An example of a drawdown

Month	Days	Daily DAP & DCF	Deduction	Refundable Balance	Difference Between Published Price & Balance
MPIR	6.63%			\$275,000.00	\$175,000.00
1	31	\$78.29	\$2,426.92	\$272,573.08	\$177,426.92
2	30	78.73	2,361.86	270,211.23	179,788.77
3	31	79.16	2,453.88	267,757.34	182,242.66
4	31	79.60	2,467.70	265,289.64	184,710.36
5	28	80.05	2,241.44	263,048.20	186,951.80
6	31	80.46	2,494.22	260,553.98	189,446.02
7	30	80.91	2,427.35	258,126.63	191,873.37
8	31	81.35	2,521.93	255,604.70	194,395.30
9	30	81.81	2,454.32	253,150.38	196,849.62
10	31	82.26	2,549.95	250,600.43	199,399.57
11	31	82.72	2,564.31	248,036.12	201,963.88
12	30	83.19	2,495.56	245,540.55	204,459.45

Another matter

The resident **may be asked** to pay the gap between the published RAD and the RAD calculated based on resident's assets? If the published price (RAD) was \$400,000 and the person net assets (assets less \$45,000) were \$300,000, the difference (\$100,000) could be drawn down monthly from the RAD if the RAD has been paid otherwise the DAP will have to be included on the monthly account along with the daily care fee.

Assets less than Published Price

Month	Days	Daily DAP	Deduction	Refundable Balance	Difference Between Published Price & Balance
MPIR	6.63%			\$300,000.00	\$100,000.00
1	31	\$18.16	\$563.10	\$299,436.90	\$100,563.10
2	30	18.27	548.00	298,888.90	101,111.10
3	31	18.37	569.35	298,319.55	101,680.45
4	31	18.47	572.56	297,746.99	102,253.01
5	28	18.57	520.06	297,226.93	102,773.07
6	31	18.67	578.71	296,648.22	103,351.78
7	30	18.77	563.20	296,085.02	103,914.98
8	31	18.88	585.14	295,499.88	104,500.12
9	30	18.98	569.45	294,930.43	105,069.57
10	31	19.09	591.64	294,338.79	105,661.21
11	31	19.19	594.97	293,743.81	106,256.19
12	30	19.30	579.02	293,164.79	106,835.21

Accommodation Prices ⁽¹⁾

Suburb	Mosman & Neutral Bay
The Garrison Hostel	Single rooms - \$350,000
Montana Aged Care Facility	Single rooms with & without ensuite - \$395,000; double rooms - \$380,000
Glengarry Hostel	Classic rooms - \$550,000; Premium rooms – Price(s) pending*
Bupa Mosman	Premium rooms - \$750,000; Superior rooms - \$650,000; Classic rooms - \$600,000
Sirius Cove NH	14 different room types – all prices - \$188,300 – DAP - \$34.20
Lansdowne Gardens x 2	Prices pending*
James Milson	All rooms - \$550,000

Accommodation Prices (2)

Suburb	Randwick & Waverley
Mildford House NH	5 prices – all \$200,000
Brigidine House	All rooms \$500,000
Summit Care Randwick & Waverley	Category 1 - \$325,000; Category 2 - \$250,000; Category 3 - \$200,000
Montefiore Home	Classic rooms - \$825,000; Deluxe - \$950,000; Suite - \$1,400,000
Mount St Joseph's home	All rooms \$250,000
St Joseph's Aged Care	All rooms \$550,000

Accommodation Prices (3)

Town	
Cobar - Lilliane Brady Hostel	All rooms \$200,000
Cobar - Lilliane Brady NH	Rooms A&B - \$160,000; Rooms C&D - \$170,000; Rooms E,F,H & K - \$195,000
Tenterfield - Haddington Hostel & NH	All rooms in both services \$235,000

Income tested fees for home care

- Calculated by Centrelink/DVA.
- Advice to providers will be the same as current for ITF in residential care.
- The ITF is the lower of the capped amount or the amount determined by Centrelink/DVA or the actual care costs (subsidy & primary supplements)
- 2 annual cap amounts.
- Part pensioners with income in excess of \$24,731.20 and less than \$47,882 the capped amount is \$5,000 per annum or \$13.74 per day.
- SFR with income in excess of \$47,882 the capped amount is \$10,000 or \$27.47 per day.
- Where the income The ITF is determined at \$0.50 for every \$1.00 in excess of the income free amount (\$24,731.20) but less than \$47,882
- If the resident income is in excess of the \$47,882 the calculation is the ITF applicable for the first threshold (\$13.74) + \$0.50 for every \$1.00 in excess of the income free amount (\$47,882).
- The ITF commences from the date the CR is accepted for home care. It rolls over 12 months later, not on 30 June.

Example of a calculation of an ITF

Total Assessable Income	\$ 65,000.00
Income Free Area	\$ 24,731.20
Income Threshold	\$ 47,881.60
Home Care (base subsidy + supplements)	\$ 37.38
Income Tested Fee	$\$13.74 + 50\% \times (\$65,000 - \$47,881.60)/364 = \37.25 per day
Maximum SRS	\$ 27.47
CR pays	\$ 27.47
Supported Resident Supplement	\$ 9.91
Total	$\$27.47 + \$9.91 = \$37.38$

Means tested amount for residential care

- Calculated by DVA/Centrelink.
- Advice to providers will be the same as current for ITF
- 2 components, an Income Tested Amount & Asset Tested Amount.
- The method of calculating is to add the ITA & ATA less the maximum Supported Resident Supplement (currently \$52.29) and the result is Means Tested Amount.
- The maximum MTA is the lower of the MTA or the actual care costs (base subsidy & primary Supplements).
- The ITA calculation is the same as for the ITF in home care.
- The ATA is made up as follows:
 - 1st Threshold – \$45,000 – asset free amount
 - 2nd Threshold – assets between \$45,000 & \$154,179 – 17½%
 - 3rd Threshold – assets between \$154,179.20 & \$372,538 – 1%
 - Assets greater than \$372,537.60 – 2%

Calculation of MTA

Total Assessable Income	\$ 65,000.00
Assets – Home capped @ \$154,179	\$1,344,500.00
Income Free Area	\$ 24,731.20
Income Tested Amount	$50\% \times (\$65,000 - \$24,731.20)/364 = \$55.31$ per day
Asset Tested Amount	$\$154,179 - \$45,000 = \$109,179.20 \times 17.5\% =$ $\$19,106.36$ A
	$\$372,538 - \$154,179 = \$218,359 \times 1\%$ $= \$2,183.59$ B
	$\$1,344,500 - \$372,538 = \$971,962 \times$ $2\% = \$19,439.24$ C
ATA (A+B+C)/364	$\$40,729.19 \div 364 = \111.89
Sub-total ITA +ATA	$\$55.31 + \$111.89 = \$167.20$
MSRS	\$ 52.49
Means Tested Fee – (Sub-total – MSRS)	$\$167.20 - \$52.49 = \underline{\underline{\$114.71}}$

RACs & DACs

- Paid by partly supported residents ie a person who has assets between \$45,000 and \$154,179.20.
- The process is to determine the DAC and this is then converted to the RAC
- The DAC is based on Means Tested Amount and the maximum supported resident (accommodation) supplement for the facility.
- If the MTA is less than the maximum SRS for the facility the means tested amount is the DAC and the difference is the Supported Resident Supplement.
- If the MTA is greater than the maximum SRS for the facility the means tested amount is the DAC and there is no supported resident supplement payable.
- A partly supported resident will not be required to pay a Means Tested Fee.
- They will pay the daily care fee, currently \$46.50 per day.

Examples of DACs

Scenario with no RAC Paid Accommodation contribution limited to Accommodation Supplement applicable to the service on the day	MTA = \$40.75	MTA = \$24.57
No significant refurbishment MSRS = \$34.20	1	2
Accommodation Contribution	\$ 34.20	\$ 24.57
Accommodation Supplement	\$ 0.00	\$ 9.63
Total to provider	\$ 34.20	\$ 34.20
Significant Refurbishment MSRS = \$52.49	3	4
Accommodation Contribution	\$ 40.75	\$ 24.57
Accommodation Supplement	\$ 11.74	\$ 27.92
Total to provider	\$ 52.49	\$ 52.49

Conversions of DACs above to RACs.

DAC	\$34.20	\$24.57	\$40.57	\$52.48
X 365	\$12,483.00	\$8,986.05	\$14,873.75	\$19,155.20
÷ 6.63% = RAC	\$188,280.54	\$135,264.70	\$224,349.17	\$288,917.04

Calculation of DAC with Lump Sum RAC

Scenario with RAC of \$70,000	
Resident's Assets	\$120,000
Less Minimum Assets	\$ 45,000
Net Assets	\$ 75,000
x First Threshold (17½%) ÷ 364 = Means Tested Amount (MTA)	\$ 36.06 per day
Resident pays a Lump Sum (RAC) of \$70,000	
DAC = \$70,000 x 6.63% ÷ 365	\$ 12.72 per day
Daily DAC on top of Lump Sum (\$36.06 - \$12.72)	\$ 23.34 per day
Resident pays RAC of \$70,000 & DAC of \$23.34 per day	
	MTA = \$36.06
No significant refurbishment MSRS = \$34.20	5
Accommodation Contribution	\$ 23.34 per day
Accommodation Supplement (\$34.20 - \$36.06 (MTA) = (\$1.86)	\$ 0.00
Total to provider	\$ 23.34 per day
Significant Refurbishment MSRS = \$52.49	6
Accommodation Contribution	\$ 23.34 per day
Accommodation Supplement (\$52.49 - \$36.06 (MTA) = \$16.43)	\$ 16.43 per day
Total to provider	\$ 39.77 per day

Examples from Aged Care Finance Solutions ⁽¹⁾

The following examples are based on the new rules for Aged care that come into effect on 01/07/2014.

They compare the effect of selling the family home to fund the aged care costs compared to not selling the home and using an aged care loan to fund those costs.

Each comparison presents the effect measured by -

1. The difference in the new 'Aged Care Means Tested' fee.
2. The effect on pension or other entitlements
3. The difference in income or 'Cash Flow' for the person entering care, for the duration of their care.
4. The difference in the projected value of that person's estate, after 5 years from their entry into care.
- 5.

Example 1 – 'Charles'

Charles is an 80 year old single man entering Aged Care in August 2014. He is in receipt of a full Aged Pension and owns his home worth \$600,000. He has \$60,000 in cash and investments. Charles is entering a Facility that requires a Bond (RAD) of \$350,000

Example #1 from Aged Care Finance Solutions ⁽²⁾

Option 1 - Sell The Home Solution – Assumptions	Option 2 Equity Release Solution – Assumptions
Charles sells the house for \$600,000, pays the 'RAD' of \$350,000	Retained the home and borrowed \$210,000
Invests the surplus funds of \$250,000 in a term deposit at 3.75% p.a.	Pays the \$210,000 as a part lump sum of the \$350,000 RAD
Pension will be reduced by the deemed income from the invested funds	Rents the house out at \$500.00 PW- uses that income to pay his DAP charge
Charles uses his \$60,000 cash to meet his means tested fee payments.	Rental income and asset value of the house are exempt from pension calculations

Example #1 from Aged Care Finance Solutions – the Comparison ⁽³⁾

Item	Option 1 - Sell The Home Solution	Option 2 Equity Release Solution	Difference
Daily Means Tested fee	\$ 28.58	\$ 9.72	\$ 18.86
Pension payment (F/N)	\$ 725.59	\$ 842.80	\$ 117.21
Net income per month (Cash Flow)	\$ 263.12	\$ 1,506.03	\$ 1,242.91
Value of Estate after 5 years	\$ 660,000.00	\$ 774,926.55	\$ 114,926.55

Example #1 from Aged Care Finance Solutions – the Comparison ⁽⁴⁾

Charles saved \$18.86 per day off his 'means tested fee; retained his full pension payment; had an extra\$1,242.91 per month net income and increased the value of his estate by \$ 114,926.55.

Example #2 from Aged Care Finance Solutions ⁽¹⁾

Paul is a 85 year old single man entering Aged Care in August 2014. He is in receipt of a full Aged Pension and owns his home worth \$800,000. He has \$30,000 in cash and no other investments. The facility requires a Bond Payment (RAD) of \$550,000.

Example #2 from Aged Care Finance Solutions (2)

Option 1 - Sell The Home Solution – Assumptions	Option 2 Equity Release Solution - Assumptions
Sells the house for \$800,000, pays the 'RAD' of \$550,000	Elects to retain the home and borrow an Aged Care loan of \$320,000
Invests the surplus funds of \$250,000 in a term deposit at 3.75% p.a.	Pays the \$320,000 as a part lump sum of the \$550,000 RAD
Pension will be reduced by the deemed income from the invested funds	Rents the house out at \$500.00 PW and uses that income to pay DAP
Invests \$30,000.00 in Term Deposit at 3.75%	The rental income and asset value of the house are exempt from pension calculations

Example #2 from Aged Care Finance Solutions – the Comparison ⁽³⁾

Item	Option 1 - Sell The Home Solution	Option 2 Equity Release Solution	Difference
Daily Means Tested fee	\$ 37.20	\$ 12.47	\$ 24.73
Pension payment (F/N)	\$ 745.78	\$ 842.80	\$ 97.02
Net income per month (Cash Flow)	(\$ 48.34)	\$ 737.95	\$ 786.29
Value of Estate after 5 years	\$ 830,000.00	\$ 899,865.77	\$ 69,865.67

Example #1 from Aged Care Finance Solutions – the Comparison ⁽⁴⁾

Paul saved \$24.73 per day off his ‘means tested fee; retained his full pension payment; had an extra \$786.29 per month net income* and increased the value of his estate by \$ 69,865.67.

***The net income under the ‘Sell The Home” option is minus \$48.34.**

Questions?



Thank You
