

SUBMISSION TO DEPARTMENT OF HEALTH V4

Aged Care Rules 2024 – Support At Home

By

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1. SUMMARY

Australians enter residential aged care only when they are no longer able to safely remain at home, when they are physically or cognitively no longer capable of performing the activities of daily living (ADLs), and a home care package or their partner and family can no longer meet their care needs.

The Government has stated that their aim is to keep people at home as long as possible before entering residential aged care.

The proposed changes to the Home Care packages, with most of the costs to now be paid by the recipient, will have the opposite effect and flies directly in the face of this publicly pronounced aim.

The case studies released by the Government and the Department of Health completely ignore the plight of participants with a partner at home or in residential aged care.

The vast majority of self-funded retirees work hard throughout their working life, are extremely careful with their spending, have a far from lavish lifestyle, and save hard to fund their retirement so they will not be dependent on the Government pension.

I have prepared my own case study for self-funded retirees of modest means, based on an actual situation, for a married couple with the husband in residential aged care and the wife living at home with a SAH Level 3 package.

- In total, the married couple will pay an additional \$32,031 pa.
- With a current combined income of \$60,000, annual care contribution costs of \$127,399, and other normal living costs of ~\$32,000, their income producing assets will be depleted by ~\$100,000 pa.
- With indexation of aged care fees, over the next 5 years the husband will pay over \$660,000 for his care and accommodation in the nursing home, and the wife will pay over \$60,000 for Home Care.
- The value of their income producing assets will plunge to ~\$150,000 - \$200,000, and they will have insufficient income to pay the husband's annual fees of \$116,709, the wife's Home Care Contributions of \$10,690 pa, and their other normal living expenses.
- The husband will be unable to stay in his current nursing home, and the wife will need to sell the family home.

It is unreasonable that self-funded retirees of modest means, who have worked and saved hard to fund their retirement so they will not be dependent on the Government pension, are being deemed by the Government and Department of Health as being "wealthy", and hence are being financially targeted heavily in both residential aged care and home care funding.

It is also unreasonable to place further financial and emotional stress on self-funded retirees when they have funded their own retirement for so long, and now need a small amount of financial support in their final few years.

For Aged Care, the Government and Department of Health deem a self-funded retiree couple to be wealthy with an income of \$60,000 pa, while younger couples receive child-care support up to a combined income of \$530,000. This is incongruous.

The Department of Health should reconsider, and either reduce or eliminate, the contributions for self-funded retirees of 50% for Personal Care and 80% for Everyday Living.

The assertion by the Department that “moderate contributions for services in the personal care category and everyday living categories services recognise that the government does not typically fund these services for any individual at other stages of life” ignores the reality that very senior citizens can only stay at home if these services are provided. Of course, younger and less frail Australians don’t need these services to be provided by the Government, and self-funded retirees didn’t need these services when they were younger either.

2. CASE STUDY – A Married Couple

| Age pension status | Self-funded retirees |
|---------------------------------------|----------------------|
| Pension income | \$0 |
| Other income | \$80,000 |
| Homeowner or renting | Home owners |
| Home value | \$1.8 million |
| Partner living in home | Yes – Heather |
| Assessable value of home | \$0 |
| Other assets | \$950,000 |
| Accommodation support for George | Not eligible |
| Support at Home for Heather - Class 3 | \$19,797 |

Heather and George

Heather and George are self-funded retirees.

George is almost 94, lives in a nursing home, is immobile and has dementia.

Heather is almost 89, lives in the family townhouse, and currently receives a Home Care Package equivalent to the proposed SAH Level 3 package.

Their combined income of \$60,000, which is higher than normal at present due to higher interest rates, comes solely from Term Deposits and share dividends. When interest rates were lower their income was \$44,000.

Heather currently has limited clinical care requirements, and only needs periodic podiatry.

The only Personal Care services Heather currently requires are VitalCall monitoring in case she has a fall or medical episode when she is home alone, and continence aids.

Heather relies on pre-prepared meals for her daily main meal. She is no longer able to clean her own house or maintain her small garden due to her frailty and the risk of falling over.

| | | The Government's Story | | George & Heather's Actual Situation | | |
|--|---|------------------------|-------------------|-------------------------------------|-------------------|------------------------|
| George's Fees | | Current Cost | After 1 July 2025 | Current Cost | After 1 July 2025 | |
| Basic Daily Care Fee | | \$23,203 | \$23,203 | \$ 23,203 | \$ 23,203 | No Cap |
| Hotelling fee | | \$0 | \$4,581 | \$ - | \$ 4,581 | |
| Means Tested Fee | | \$6,001 | \$6,001 | \$ 6,001 | \$ 6,001 | Lifetime Cap \$130,000 |
| Daily Accommodation Payment | | Omitted | Omitted | \$46,090 | \$62,850 | No Cap |
| Extra Services Fee | | Omitted | Omitted | \$20,075 | \$20,075 | No Cap |
| George's Total Per Year | | \$49,400 | \$62,800 | \$95,369 | \$116,709 | |
| George's increase | | | \$13,400 | | \$21,341 | 22% |
| Heather's Fees | | Total Cost of Services | Current Govt Cost | Current Cost | After 1 July 2025 | |
| Provider Fees | | | | | | |
| - Package Management Fee | Capped at 10% of package from 1 July 2025 | \$1,354 | \$1,354 | \$ - | \$ - | |
| - Care Management Fee | Bundled into individual Services Cost after 1 July 2025 | \$3,478 | \$3,478 | \$ - | \$2,461 | |
| Clinical Care | | | | | | |
| - Podiatry | \$95 every 6 weeks | \$823 | \$823 | \$ - | 0 | |
| Personal Care | | | | | | |
| - Vital Call Monitoring | \$37.22/mth, plus \$80 for 6 mthly reprogramming | \$607 | \$607 | \$ - | \$303 | |
| - Continence Aids | \$15/wk | \$780.00 | \$780 | \$ - | \$390 | |
| Everyday Living | | | | | | |
| - Pre-prepared meals | 5 days/wk @ \$11 ea | \$2,860 | \$2,860 | \$0 | \$2,288 | |
| - House Cleaning | 80% for 2 hrs Fortnightly @ \$75/hr | \$3,900 | \$3,900 | \$0 | \$3,120 | |
| - Lawn Mowing | 80% for 1 hr, 20 times/yr @ \$70/hr | \$1,400 | \$1,400 | \$0 | \$1,120 | |
| - Gutter Cleaning | 2 hrs x 5 times/yr @ \$70/hr | \$700 | \$700 | \$0 | \$560 | |
| - Window cleaning | 2hrs x 4 times/yr @ \$70/hr | \$560 | \$560 | \$0 | \$448 | |
| Heather's Total Per Year | | \$16,462 | \$16,462 | \$0 | \$10,690 | |
| Heather's increase | | | \$0 | | \$10,690 | |
| George & Heather's Total Cost | | | | \$95,369 | \$127,400 | |
| George & Heather's increase | | | | | \$32,031 | 34% |

2.1 George and Heather's Life

George and Heather have been married for 68 years.

Having lived through World War II and the deprivations of the war and post war periods, they understood the value of making provision for their future.

They worked hard throughout their working life, were extremely careful with their spending, had a far from lavish lifestyle, and saved hard to fund their retirement so they would not be dependent on the Government pension. They were fortunate to have a few short trips to parts of Europe in their retirement.

In 2005 George and Heather sold their family home and downsized to a townhouse. The move was intended to generate extra funds for their retirement, but the selling costs, NSW stamp duty, and the high price of townhouses compared to stand-alone properties yielded very little financial benefit.

In 2022 George, then 92 years old, was placed in residential aged care when his dementia made it impossible for Heather to continue to care for him at home. In December 2022 George fell over in his aged care room and broke the neck of his femur. George had a hip replacement, but has never walked more than a few steps again.

Heather has continued to live in the townhouse, and has recently been allocated a Home Care Package roughly equivalent to the proposed SAH Level 3 package.

2.2 The Facts About George and Heather's Current Situation

George and Heather are self-funded retirees with a combined annual income of \$60,000.

George currently pays \$95,369 pa for his nursing home place.

Unless George and Heather sell their home, they have insufficient assets to pay the current Maximum Refundable Accommodation Deposit (RAD) of \$550,000, and still have enough income to live, so George must pay the Daily Accommodation Payment (DAP).

George's DAP, based on a \$550,000 RAD, is \$126.67/day or \$46,090 pa.

George pays an Extra Service Fee of \$55.00/day, so his total fees are \$95,369 pa.

Of the \$261.28/day, only \$30.40/day or \$11,097 pa is counted towards the Lifetime Means Tested Fee Cap of \$82,018.

Over 5 years George would pay over \$476,845 for his care and accommodation in the nursing home and will need to sell the family home.

Heather has a HCP equivalent to the proposed Level 3 SAH package.

2.3 The Facts about George and Heather's Situation under the Aged Care Bill 2024

George and Heather's care packages will be grandfathered under the recently legislated Aged Care Act 2024.

However, if George was needing to enter residential aged care in 2025, and Heather was applying for a Support at Home package now, the financial impact on them would be much worse:

- George's new DAP, based on the new \$750,000 RAD, is \$172.19/day or \$62,850 pa.
- The new DAP is CPI indexed, and will increase to at least \$69,350 pa within 5 years.
- George will actually pay \$319.75/day, or \$116,709 pa, for his care and accommodation when all fees are included, an increase of \$21,341 pa.
- With George's Extra Service Fee of \$55.00/day, his total fees are \$357.88/day or \$130,625 pa.
- Of the \$319.75/day, only \$54.57/day, or \$19,917 pa, is counted towards the Lifetime Means Tested Fee Cap of \$130,000.

- Heather will now pay \$10,690 of the total home care package expenses of \$16,462.

According to the *Financial Report on the Australian Aged Care Sector 2022-23* the Total Daily Cost across all providers of residential aged care was \$349.30/day/person in 2022-23.

It is important to note that:

- The cost of \$349.30 per day per resident is based on the accounting profit/loss for the providers, not their tax accounts.

- Providers are able to manipulate some accounting entries, such as depreciation, amortization and impairment, and to set up their corporate structures, which could include overseas management fees, leasing fees and financing arrangements to parent or subsidiary companies, to minimise their profits.

At \$319.75/day, it is highly likely that George and Heather will be fully funding the real recurring cost of George's residential care.

In total, George and Heather will pay an additional \$32,031 pa.

With a current combined income of \$60,000, annual care contribution costs of \$127,399, and other normal living costs of ~\$32,000, George and Heather's income producing assets are being depleted by ~\$100,000 pa.

With indexation of aged care fees, over the next 5 years George will pay over \$660,000 for his care and accommodation in the nursing home, and Heather will pay over \$60,000 for Home Care.

The value of George and Heather's incoming assets will plunge to ~\$150,000 - \$200,000, and they will have insufficient income to pay George's annual fees of \$116,709, Heather's Home Care Contributions of \$10,690 pa, and their other normal living expenses.

George will be unable to stay in his current nursing home, and Heather will need to sell the family home.