



9. New Basic Daily Fee Arrangements

From 20 March 2008, the Australian Government will simplify and improve the fairness of fees and charges in aged care.

As currently, aged care providers will be able to ask all residents to pay a *Basic Daily Fee*, as a contribution towards accommodation costs and living expenses, like meals, cleaning, laundry, heating and cooling.

The level of a resident's Basic Daily Fee is negotiated between the resident and/or their representative, and the aged care provider. However, the Australian Government sets the maximum level of the Basic Daily Fee.

Maximum fee (new residents)

The maximum Basic Daily Fee for all permanent residents who enter an aged care home on or after 20 March 2008 will be 85 per cent of the annual single basic age pension. It is estimated that this maximum will be \$32.08 per day in March 2008.

This amount will also continue to be the maximum Basic Daily Fee for all respite residents.

Existing residents

Permanent residents in an aged care home on 19 March 2008 (including residents on leave) will continue to be subject to the current rules governing the Basic Daily Fee while they remain in that aged care home or do not spend more than 28 days out of aged care.

The maximum Basic Daily Fee for most pensioner existing residents will also be 85 per cent of the annual single basic age pension, as currently.

An existing resident who is a self funded retiree or a pensioner who paid a 'big' accommodation bond will continue to be subject to a higher maximum Basic Daily

Fee. It is estimated that this higher maximum will be \$40.00 per day in March 2008.

Indexation

The maximum levels of the Basic Daily Fee will be indexed on 20 March and 20 September each year in line with movements in the basic age pension.

As currently, providers will be able to increase the Basic Daily Fee paid by a resident during their episode of care, as the maximum levels of the Basic Daily Fee increase.

Transitional arrangements

The Australian Government will pay providers a Transitional Accommodation Supplement in respect of some new residents who enter low level care between 20 March 2008 and 19 September 2011.

Initially, this Transitional Accommodation Supplement will fully offset the loss of Pensioner Supplement and largely offset the loss of the additional Basic Daily Fee for these residents. This will allow providers time to adjust to the new arrangements.

The rate of the supplement will depend on the resident's entry date.

Hardship provisions

The Australian Government will continue to pay a Hardship Supplement to providers in respect of residents who cannot pay their Basic Daily Fee.

Providers will continue to be required to reduce the Basic Daily Fee of a resident by the amount of any Hardship Supplement that they receive in respect of the resident.

As currently, a Hardship Supplement will not be payable in respect of a resident who is:

- an ex-hostel resident paying a variable fee agreed to under the *Aged or Disabled Persons Care Act 1954*; or
- receiving care on an extra service basis.

In general, residents need to apply for a Hardship Supplement. However, there are five classes of people for whom an amount of Hardship Supplement is automatically paid.

Class A Hardship Supplement

This supplement is paid in respect of residents under 21 years of age who receive an income support payment and whose total income is below the amount of the single age pension.

These residents are financially disadvantaged because their income is less than the single age pension but they may be asked to pay up to the standard Basic Daily Fee. This supplement is designed to overcome this financial disadvantage. It will continue to be paid in respect of all eligible residents.

Class B Hardship Supplement

This supplement is paid in respect of a small number of residents under 16 years of age who are dependent children and whose total income is below the amount of the single age pension.

These residents are financially disadvantaged because their income is less than the single age pension but they may be asked to pay up to the standard Basic Daily Fee. This supplement is designed to overcome this financial disadvantage. It will continue to be paid in respect of all eligible residents.

Class C Hardship Supplement

This supplement is paid in respect of self-funded retiree residents who receive an income that is just above the pension income test cut-off.

Under the current arrangements, these residents are financially disadvantaged as they are required to pay a higher Basic Daily Fee. This supplement has the effect of gradually tapering in the higher Basic Daily Fee.

From 20 March 2008, this supplement will continue for existing residents.

However, as all new residents will be subject to the same maximum Basic Daily Fee this supplement will not be paid in respect of new residents from 20 March 2008.

Class D Hardship Supplement

This supplement is paid in respect of residents who were in receipt of an income support payment on 30 September 1997 that was lost as a result of the aged care arrangements that commenced on 1 October 1997.

It is designed to raise the income of these residents to an amount equivalent to their pre-1 October 1997 income. It will continue to be paid while these residents remain in their aged care home.

Class E Hardship Supplement

These residents were living in a hostel prior to 30 September 1997. The alignment of nursing home and hostel fees under the aged care arrangements that commenced on 1 October 1997 increased the Basic Daily Fee of these residents by \$0.80 per day.

A Hardship Supplement of \$0.80 per day will continue to be paid in respect of these residents to offset this increase.

Individual hardship determinations

As currently, a resident may also apply to the Secretary of the Department of Health and Ageing for a determination that paying the Basic Daily Fee, or an Income-Tested Fee, or Accommodation Bond or Accommodation Charge would cause financial hardship.