AGED CARE REFORM – IMPROVING THE QUALITY AND VIABILITY OF THE SYSTEM

The Government has recently announced and introduced legislation into Parliament to implement the long-awaited aged care reforms. Surprisingly, these reforms have received bipartisan support, enhancing the chances of successful legislation. However, changes could still arise during the implementation phase.

The intention is for most of the reforms to be effective from 1 July 2025; however, there will be grandfathering provisions for those in the current system on 30 June 2025.

The reforms will impact residential aged care and home care based on the principle that those who can afford to pay more will do so. This is unsurprising following the 2021 Royal Commission Final Report, which emphasised the need to improve the quality and viability of the system. Half of all facilities currently run at a loss, so the reforms are primarily about generating additional funding.

Due to the extent of the changes, this note will only include the residential care changes, which are as follows:

Maximum accommodation price that can be charged without approval increasing to $750,000 and subject to indexation

Currently, the maximum an aged care facility can charge for a room is $550,000 without seeking approval from the Independent Health and Aged Care Pricing Authority to charge more.

From 1 January 2025, facilities will only need approval if they charge over $750,000. The maximum charge will also be subject to CPI indexation on 1 July each year.

Hotelling supplement contribution in addition to the basic daily care fee

Those deemed able to afford it will be required to pay the hotelling supplement contribution of up to $12.55 per day (indexed). The Government currently covers the hotelling supplement for non-care costs like catering and cleaning. From 1 July, the resident will pay for a portion or the entire fee if they have more than $238,000 in assessable assets or assessable income of more than $95,400.

The basic daily care fee will remain at 85% of the basic age pension.

Abolishing the means-tested care fee and the introduction of the non-clinical care contribution

From 1 July 2025, the current means-tested care fee for new residents will be replaced with the non-clinical care contribution. This change highlights that the Government will cover clinical care, such as nursing, while residents will pay for other non-clinical services.

Although still means-tested, the new fee will be structured differently. Instead of an annual cap, residents will pay a maximum daily fee of $101.16. There will also be a lifetime cap of $130,000, and after four years in care, the fee will no longer be payable, regardless of how much has been paid.

Replacement of additional services fee and extra services fee to higher everyday living fee

A new higher everyday living fee will replace the current additional services fee and extra services fee.

New residents can only agree to the higher everyday living fee after entering care. A cooling-off period and regular opportunities to review the fees and services will also apply.

Retention amounts deducted from the refundable accommodation deposit/contribution

From 1 July, aged care facilities can retain 2% p.a. from the accommodation payment, debited monthly, with a cap of 5 years. In another way, if the resident stays in the facility for five years, the facility can retain 10% of the accommodation payment.

Phasing out the refundable accommodation deposit (RAD) by 2035

Subject to a review of the sector in the year 2029-30, the Government supports the recommendation to phase out RADs by 2035 and transition to ongoing payments only.

Indexation of daily accommodation payments

If a new resident from 1 July 2025 chooses to pay the accommodation payment as a daily payment, starting from 1 July 2025, the amount will be indexed twice a year in line with CPI. Currently, the amount is fixed at entry.

If you have any questions or would like to discuss these changes further, please contact your Bell Potter adviser.

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