Aged care 101: how to tackle Centrelink forms

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If there is one piece of the aged care puzzle that is enough to send many families and potential residents into a heightened state of anxiety, it is revealing their financial affairs to Centrelink for the first time.

This generally comes at the start of the process for entering residential aged care in the form of the Permanent Residential Aged Care Request for a Combined Assets and Income Assessment form (146 questions and 28 pages), in which you are required to document all income and assets for you and your partner.

This includes bank statements, loans documents, share certificates, superannuation statements and schedules, term deposits, house valuations, any form of income, funeral bonds, declaration of gifts and information about valuable stamp, jewellery, coin or art collections and any other assets of value.

The purpose of this form is to help the government determine how much an individual entering care should pay towards the cost and how much the government will contribute.

Depending on a person's ability to pay and the cost of their care as determined by the facility using the Aged Care Funding Instrument process, the means-tested fee will be up to $245.62 a day – which is the actual cost of care to the government.

Fee combination
Self-funded retirees and anyone receiving a part pension should expect to pay a means-tested fee. This fee is in addition to the mandatory basic daily care fee (currently $50.16c a day and based on 85 per cent of the full age pension) and any additional services fee.

Full pensioners may also pay a means-tested fee if they have assessable assets above $165,271.20.

The income side of the equation is based on income above $26,660.40 a year for a single person and $26,192.40 a year each for a member of a couple.

Exemptions apply to: full means-tested pensioners who do not own their own home or where there is still a spouse or protected person living in the home; where the income and assets are below the relevant thresholds; residents with dependent children; former prisoners of war; and where a financial hardship determination has been made.

The maximum means-tested care fee that can be charged is $26,964.71 a year or $64,715.36 over a lifetime (ie, about 2.5 years). If your means-tested care fee is $100 a day, you will hit the cap of $26,964.71 after 269 days of living in the facility. After that, you won't be charged a means-tested fee until your anniversary for receiving care. Then the fee starts again. After about 2.5 years you will pay no further means-tested care fee at all.

Two scenarios
Hitting the cap could come even sooner if you were receiving a Home Care Package before moving to residential aged care and were paying an income-tested care fee related to that. This payment counts toward your annual and lifetime caps.
But let's return to the form.

Two scenarios often play out among individuals and families when faced with having to fill this in. The first is that the form is completed and submitted well before a person goes into care.

However, as the initial fee notification from the government is only valid for 120 days, the form may have to be updated with new information on current values if that period has lapsed before making the move.

The second scenario is to take the option at question 10 in the form to not provide income and asset details and pay the maximum aged care fees applicable.

Some people would rather take this option, pay the full whack and avoid Centrelink – but it is important to be aware of the repercussions.

As Aged Care Steps technical director Jacqui Hayes explains, ignoring the form could mean paying the full cost of care without a government subsidy.

Cashflow hiccup

You will reach the annual fee cap of $26,964 within 110 days and pay no further fee for the remaining 255 days of the year (based on your anniversary of receiving care).

Going back to the example of a means-tested fee of $100 a day, in both cases the maximum you will pay is $26,964 a year for the first two years at least.

However, not filling out the form may result in cash flow issues because the fee becomes payable over 110 days, not 269 days, says Hayes. Then, if you pass away or leave the facility within the first 269 days, you would have paid more than you need to.

Hayes explains that if you left at day 200, you would have paid $26,964 if not completing the form, or $20,000 if had you filled out the form. The benefit to you or the estate of completing the form is $6964, she says.

Hayes says because of the endless combinations of income and assets that could apply to potential residents, it is difficult to say when someone should opt out of completing the form. To have a fee that is the same as the maximum cost of care, someone would need to have about $6 million in financial assets. Her suggestion is, unless you are a multi-millionaire, fill out the form.

According to the 2018-19 federal budget, about 170,000 consumers and their families who undertake the financial assessment for home or residential aged care every year could benefit from improvements in the means-testing process. Thankfully the government plans to introduce a shortened version of the form for those with straightforward financial affairs from May 2019, as well as something for the more complex situations.

This will benefit many of the increasing number of ageing Australians applying to go into residential care.
Bina Brown is a director of aged care solutions company Third Age Matters.

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