

## **Aged Care Facilities - Impact of the Commonwealth Aged Care Act 1997: State Government Residential**

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**Summary** Specifies conditions of fees payable in NSW Health Aged Care facilities.

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**Applies to** Area Health Services/Chief Executive Governed Statutory Health Corporation, Board Governed Statutory Health Corporations, Affiliated Health Organisations, Community Health Centres, Divisions of General Practice, Government Medical Officers, NSW Dept of Health, Public Health Units, Public Hospitals

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## CIRCULAR

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**IMPACT OF THE COMMONWEALTH AGED CARE ACT 1997:  
GUIDELINES FOR STATE GOVERNMENT RESIDENTIAL AGED CARE  
FACILITIES AND MULTIPURPOSE SERVICES ON RESIDENT FEES AND  
ACCOMMODATION CHARGES AND BONDS**

### 1.0 INTRODUCTION

- 1.1 The Commonwealth's Aged Care Act 1997 came into effect on 1st October 1997. As a result a new set of funding arrangements apply for residential aged care facilities including the introduction of accommodation charges and bonds and income tested resident fees. These new funding arrangements significantly impact on the financial and administrative arrangements of residential aged care facilities operated by and for Health Services and the NSW Department of Health.
- 1.2 Residential aged care refers to nursing home (which provide high care) and hostel (which provide low care) services for the aged. Residential aged care is essentially a Commonwealth responsibility. However, traditionally States and Territories have had a role in a segment of the industry known as state government nursing homes which are now referred to as **residential aged care facilities** by the Commonwealth and as **state government residential aged care facilities** in this circular.
- 1.3 State government residential aged care facilities are predominantly incorporated under three types of arrangements in NSW:

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- (1) residential aged care facilities operated by Health Services;
  - (2) residential aged care facilities operated by not for profit, non-government organisations (NGO) and listed as separate institutions under the third schedule of the Public Hospitals Act 1929; and
  - (3) residential aged care facilities which, in the past, were operated by Health Services or under third schedule arrangements and are now operated by an NGO or operated by an NGO under a contract with a Health Service.
- 1.4 The circular outlines the new funding arrangements as they will apply to state government residential aged care facilities and Multipurpose Services (MPS) in NSW. A separate and more detailed circular relating to MPS will be issued shortly.
- 1.5 The guidelines in this circular do not stand alone but are additional to those outlined in *The Residential Care Manual* issued by the Commonwealth Department of Health and Family Services and other policies and procedures issued by that Department from time to time.
- 1.6 *The Residential Care Manual* and other policies and procedures issued by the Department of Health and Family Services from time to time are to be followed by all NSW Health residential aged care facilities **apart from the exceptions outlined in this circular.**

## 2.0 DAILY RESIDENT FEES

### Summary of Commonwealth Fees

- 2.1 Centrelink (formerly the Department of Social Security) and the Department of Veterans Affairs will no longer pay the residential care allowance (rent assistance) to pensioners in residential aged care facilities. Instead, this amount (currently \$5.30 per day) will be paid directly to the residential aged care facility, as a pensioner supplement.
- 2.2 As a result, there will be two standard rates of resident contribution: the standard pensioner resident contribution and the higher non-pensioner standard resident contribution.
- 2.3 The standard pensioner contribution is 85% of the basic single rate pension and generally applies to full-pensioners and part-pensioners as well as those residents receiving respite care.
- 2.4 The non-pensioner standard resident contribution is at the higher rate of 85% of pension plus the pensioner supplement, indexed and generally applies to self-funded residents. *The Residential Care Manual* outlines full details of the daily fee arrangements as they apply to different categories of residents.



- 2.5 Part-pensioners and non-pensioners may also be required to pay an income tested additional fee of 25 cents for each dollar of private income above the pension free area up to a maximum additional amount of \$12.60 (indexed) and \$36.90 (indexed) respectively depending on assessed income. Income will be assessed by Centrelink and, in the case of veterans, the Department of Veterans Affairs using pension rules. (As outlined below, the Commonwealth's new income tested fee arrangements are not to be applied to residents of state government residential aged care facilities directly operated by Health Services.)
- 2.6 The additional income tested fee will not increase a residential aged care facility's income. Rather it reduces the Commonwealth care subsidy paid to a facility for that resident.
- 2.7 Having conducted an income assessment, Centrelink and Veterans Affairs will advise part-pensioners and non-pensioners of their income assessment, and will pass the income amount on to the Department of Health and Family Services. The Department of Health and Family Services will notify all residents of their fee and will advise the residential aged care facility how much it will be paid for each resident's care, and what fees that resident can be charged. The residential aged care facility will not receive information on residents' income or assets.

**Charging of resident daily fees by state government residential aged care facilities directly operated by Health Services**

- 2.8 The Commonwealth's new income tested fee arrangements **are not** to be applied to residents of state government residential aged care facilities directly operated by Health Services when they commence on 1 March 1998. All residents should be charged in accordance with paragraphs 2.3 and 2.4.
- 2.9 Nothing in this circular affects the ability of a state government residential aged care facility directly operated by a Health Service from charging fees for Additional Services in accordance with the Aged Care Act as set out in the Residential Care Service Agreement.
- 2.10 Resident daily fees, Commonwealth care subsidies and care supplements are to be treated as **General Fund Revenue**.
- 2.11 State government residential aged care facilities directly operated by Health Services are required to comply with all other Commonwealth policy provisions and operational requirements in relation to daily resident fees as outlined in *The Residential Care Manual*.

**Charging of resident daily fees by state government residential aged care facilities listed as separate institutions in the third schedule of the Public Hospitals Act.**

- 2.12 In the case of state government residential aged care facilities listed as separate institutions in the third schedule of the Public Hospitals Act, decisions relating to daily resident fees rest with the institution itself and are to be in accordance with *The Residential Care Manual*.
- 2.13 Resident daily fees, Commonwealth care subsidies and care supplements are to be treated as **General Fund Revenue**.

**Charging of resident daily fees by state government residential aged care facilities operated by NGOs on behalf of a Health Service**

- 2.14 In the case of state government residential aged care facilities operated by NGOs on behalf of Health Services, decisions relating to daily resident fees rest with the NGO itself and are to be in accordance with *The Residential Care Manual*.

**3.0 ACCOMMODATION CHARGES AND ACCOMMODATION BONDS**

- 3.1 Under the Commonwealth's changed funding arrangements there are two types of accommodation payments in residential aged care facilities:
- (1) People entering nursing home level care can be asked to pay an accommodation charge; and
  - (2) People entering hostel level care or entering an extra service facility (or an exempt facility) can be asked to pay an accommodation bond.

For financially disadvantaged residents not required to pay an accommodation charge or bond, the Commonwealth will provide a Concessional Resident Supplement of either \$7 or \$12 a day to the nursing home or hostel depending on the proportion of concessional residents in the certified facility. In the case of Assisted Residents, certified facilities will receive \$3.50 a day. A Transitional Resident Supplement of \$1.50 per day for Concessional Residents will be paid to facilities which do not meet certification

**Levying of accommodation charges and bonds by Multi Purpose Services and state government residential aged care facilities directly operated by Health Services**

- 3.2 Certified state government residential aged care facilities operated by Health Services **may not** levy accommodation charges.

- 3.3 For MPS the following arrangements will apply from the date of this circular:
- (1) No MPS may levy an accommodation bond for high care residents.
  - (2) No new MPS may levy an accommodation bond for low care residents (except for those MPS already operational or approved for planning by the Department which charge an accommodation bond - these MPS may continue to charge an accommodation bond for low care residents in accordance with the Commonwealth's Aged Care Act 1997).
- 3.4 Concessional Resident Supplements (including assisted residents) and Transitional Resident Supplements received by state government residential facilities operated by Health Services are to be lodged in a separate General Fund Capital Works Account titled "Nursing Home Capital". These funds are to be used for the purposes listed in *The Residential Care Manual*. Interest earned on these funds is also to be credited to this account.
- 3.5 Revenue arising from Concessional and Transitional Resident Supplements will be used to upgrade state government residential aged care facilities in accordance with a program of works to be developed collaboratively by the NSW Department of Health and Health Services in which these facilities are located. Authority to determine and approve, in accordance with *The Residential Care Manual*, what monies can be expended from the "Nursing Home Capital" General Fund Account rests with the Chief Executive Officer of the Health Service subject to the agreement of the General Manager, Finance and Commercial Services, NSW Department of Health.
- 3.6 Residential aged care facilities directly operated by Health Services have a key role in providing residential care for Concessional Residents. It is envisaged that in the future preference will be given to Concessional Residents by these facilities.

**Levying of accommodation charges by state government residential aged care facilities listed as separate institutions in the third schedule of the Public Hospitals Act.**

- 3.7 In the case of certified state government residential aged care facilities listed as separate institutions in the third schedule of the Public Hospitals Act, decisions relating to the charging or otherwise of accommodation charges rest with the institution itself, effective from the date of this circular.
- 3.8 Where a state government residential aged care facility listed as a separate institutions in the third schedule of the Public Hospitals Act decides to levy accommodation charges it is to do so in accordance with the Aged Care Act 1997, User Rights Principles 1997, and the Residential Aged Care Manual issued by the Commonwealth Department of Health and Family Services.

- 3.9 Listed hereunder are monies that are to be lodged in a separate General Fund Capital Works Account titled "Nursing Home Capital" which are to be used for the purposes listed in *The Residential Care Manual*:
- (1) accommodation charges;
  - (2) amounts received from the Commonwealth namely:
    - c Concessional Resident Supplement (including assisted residents)
    - c Transitional Resident supplement;
  - (3) interest earned on funds held within the "Nursing Home Capital" Account.
- 3.10 Revenue arising from accommodation charges and Concessional and Transitional Resident Supplements will be used to upgrade state government residential aged care facilities in accordance with a program of works to be developed collaboratively by the NSW Department of Health and Health Services in which these facilities are located. State government residential aged care facilities listed as separate institutions in the third schedule of the Public Hospitals Act are expected to expend income generated by charging accommodation charges and from the receipt of Concessional Resident Supplements for capital improvements identified in this program of works.
- 3.11 State government residential aged care facilities listed as separate institutions in the third schedule of the Public Hospitals Act are expected to comply with all other instructions relating to accommodation charges outlined in the Residential Aged Care Manual.

**Levying of accommodation charges by state government residential aged care facilities operated by NGOs on behalf of a Health Service.**

- 3.12 In the case of certified state government residential aged care facilities operated by NGOs on behalf of Health Services, decisions relating to the charging or otherwise of accommodation charges rest with the NGO itself, effective from the date of this circular.
- 3.13 Where a state government residential aged care facility operated by an NGO on behalf of a Health Service decides to levy accommodation charges it is to do so in accordance with the Aged Care Act 1997, User Rights Principles 1997, and the Residential Aged Care Manual issued by the Commonwealth Department of Health and Family Services.

#### **4.0 ADMINISTRATION FEES**

- 4.1 Except in the case of respite care and as provided for in the Residential Care Manual, the Commonwealth Department of Health and Family Services has advised that facilities cannot charge any pre-admission fees or administrative fees to cover administrative work resulting from compliance with the provisions of the Aged Care Act 1997, User Rights Principles 1997 and associated legislation.

#### **5.0 SUMMARY OF CHARGING ARRANGEMENTS**

- 5.1 Attachment 1 summarises the charging arrangements detailed in sections 2, 3 and 4 above.

#### **6.0 AGREEMENTS BETWEEN RESIDENTS AND RESIDENTIAL AGED CARE FACILITIES**

- 6.1 In accordance with the Aged Care Act, a formal agreement between the resident and the approved provider must be offered to all new residents before they enter the facility.
- 6.2 The NSW Department of Health has developed a model Residential Care Service Agreement (incorporating an additional service agreement), and a model respite agreement for use by state government residential aged care facilities. Copies of these agreements are provided at Attachments 2 and 3.
- 6.3 The sections of the model residential care and respite care agreements relating to the resident's care plan, capacity of the facility to provide high level care services, additional services, and the rules and regulations of a residential aged care facility are to be developed by each facility. These schedules must be consistent and comply with the Aged Care Act 1997, User Rights Principles 1997 and associated legislation.
- 6.4 The Department intends to review and update the model Residential Care Service Agreement and the model respite agreement on a regular basis. In addition, it is proposed to develop a set of model rules and regulations in collaboration with and for use by state government residential aged care facilities operated by Health Services.

#### **7.0 FINANCIAL STATEMENTS**

- 7.1 Section 23.19 of the User Rights Principles 1997 requires an approved provider, if asked, to give a care recipient, or a care recipient's representative, the following information about the financial viability of the residential care service:

- the most recent statement of the care service's audited accounts; or
- if the service is operated as part of a broader organisation, the most recent statement of the audited accounts of the organisation's aged care component.

The Commonwealth Department of Health and Family Services has advised the NSW Department of Health that in the case of state residential aged care facilities which are part of a larger NSW Department of Health organisation, a copy of the organisation's audited accounts is sufficient to be provided to the care recipient or their representative to meet section 23.19 of the User Rights Principles.

## **8.0 CHARGING ARRANGEMENTS FOR PUBLIC HOSPITAL INPATIENTS WHO ARE APPROVED CARE RECIPIENTS**

- 8.1 At this time, charging arrangements and fee levels remain unaltered for public hospital inpatients (usually nursing home type) who are “approved care recipients”. Approved care recipients are those patients issued with a form 2624 (formerly an NH5 in the case of nursing homes or a form 197 in the case of hostels).
- 8.2 The Commonwealth Aged Care Act has created significant uncertainties for the community and elderly. The NSW Department of Health will be monitoring the impact of the Act on access to acute hospital beds and residential aged care facilities. Health Services are asked to ensure that patients are not unduly affected by the impact of the Act on the public health system. In particular, Health Services are asked to ensure that individual needs and circumstances are taken into account when planning for the discharge and admission of older people into residential aged care facilities.

Michael Reid  
**Director-General**

**Attachment 1**  
**Summary of charges under the Commonwealth Aged Care Act 1997**  
**as they apply to state government residential aged care facilities (Circular 98/ )**

<b>Charge</b>	<b>State government residential aged care facilities operated directly by Health Service</b>	<b>State government residential aged care facilities listed in the third schedule of the Public Hospitals Act</b>	<b>State government residential aged care facilities operated by an NGO and/or under contract with a Health Service</b>	<b>Multipurpose Service</b>
<b>Can the facility charge the income tested component of a resident's daily fee as assessed by the Commonwealth?</b>	No	Yes	Yes	No
<b>Can the facility charge accommodation charges?</b>	No	Yes	Yes	No
<b>Can the facility charge accommodation bonds?</b>	N/A	N/A	N/A	(1) Existing and MPS sites approved by the Department and currently in planning: Yes  (2) MPS sites approved by the Department from the date of this circular: No
<b>Can the facility charge administration fees?</b>	No	No	No	No
<b>Can the facility charge respite booking fees?</b>	Yes	Yes	Yes	Yes