



WA
Aged Care
Financial Solutions



Summer 2023

It's December – the month that always seems to race by as we approach the end of the year and all the festivities it brings. We hope you all have a happy and safe festive season with family and friends.

On the economic news front, there was some good news. Consumer prices eased by more than expected in October. The news that inflation may have been tamed means interest rate rises may be behind us, for now. The positive data also led to a jump in the Australian dollar, taking it to a new four-month high.

Should interest rates plateau, there should not be a material change in the Maximum Permissible Interest Rate from 1 January 2024, or the implied lump sum accommodation payment for Supported Residents, currently \$297,777.

In our last newsletter we noted that a task force is due to report to the Minister for Aged Care, Anika Wells, by the end of this year on future changes to the structure of Aged Care fees and charges. In the past, however, existing Aged Care residents have not been impacted by structural changes after entry to Aged Care.

Just be in touch with either Tricia or myself should you have any queries or like our assistance.

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Star ratings for Aged Care *help make family choices easier*



Moving into aged care can be a challenging time, both for those making the move and families supporting their loved ones. It's understandable that everyone wants to find the most suitable accommodation and the appropriate standard of care, however, it can be confusing to make that choice.

A new star rating system for aged care is giving existing and potential residents and their families helpful insight into the quality and staffing levels of an aged care facility.

Four key performance areas covering residents' experience, staffing levels, compliance and quality measures are each given an individual star rating. These ratings are then combined to provide an overall rating which is made public on the My Aged Care website.

For many people this will be the most consistent measure of whether aged care accommodation meets independent requirements for a good, average or poor facility.

A one-star rating indicates significant improvement needed; two stars indicates improvement needed; three stars indicates an acceptable quality of care; four stars indicates a good quality of care and a five star rating indicates an excellent quality of care.

There has been one round of ratings revealed since the system was launched in December 2022, with about one-third of the 2,700 aged care facilities in Australia receiving four or five stars, two thirds receiving three stars and one-in-10 receiving one or two stars.

How care is measured

Staffing levels in aged care are always of interest. With no staff ratios in aged care, the focus is on 'care minutes' provided

by registered nurses, enrolled nurses and personal care workers.

A new funding model – in place from 1 October 2022 – requires aged care facilities to meet a minimum average care minute target of 200 minutes a day, including 40 minutes registered nurse time. This target will become mandatory from 1 October 2023, and increase to 215 minutes, including 44 registered nurse minutes, from 1 October 2024.

Quality measures

The five crucial areas of care that go into determining the quality star rating include pressure injuries, physical restraint, unplanned weight loss, falls and major injury, and medication management.

The data is collected quarterly, with zero-star ratings given to providers who fail to report on each area.

The compliance rating, which is the responsibility of the existing Aged Care Quality and Safety Commission, provides information on the extent to which a residential aged care service is meeting its responsibilities.

A service that receives a one star compliance rating (which would occur if it was sanctioned or found to be punishing anyone who complained to the Commission) will receive an overall one star rating, regardless of how they perform in other sub-categories. Services that receive a two star compliance rating (if they were issued a compliance notice

under the current system) cannot receive an overall star rating higher than two stars, regardless of how they perform in other sub-categories.

Resident experiences

A resident's experience of a facility carries the highest weighting towards the overall star rating.

To understand the lived experience of residents, 12 questions are asked, for example – 'do staff treat you with respect', 'do you feel safe here', 'do you get the care you need', and 'are the staff kind and caring'. Responses can vary from never to always.

At least 10 per cent of older Australians living in residential aged care will be interviewed face-to-face about their overall experience at their residential aged care home by a third-party vendor each year.

Anyone currently living in or considering a facility with a low rating should feel empowered to ask what management is going to do about improving things.

Be informed

The star ratings are a recommendation of the Aged Care Royal Commission to better inform people living in or considering moving into residential aged care and to provide greater transparency in an effort to lift the overall standards.

They will become an increasingly important tool in the planning and decision-making process.

Give us a call to help you or a loved one plan for current and future needs.

A GUIDE TO Aged Care *at home*



As we get older, most of us want to remain independent and in our own home for as long as possible, but this can be challenging without some help with household tasks and personal care.

Recognising this, the government runs a Home Care Packages program where approved aged care service providers work with individuals to deliver co-ordinated services at home.

Approval for a Home Care Package starts with an assessment by the Aged Care Assessment Team (ACAT). Eligibility for a Home Care Package, or other government subsidised help at home, is based on your care needs as determined through the assessment. You must also be an older person who needs co-ordinated services to help them stay at home or a younger person with a disability, dementia, or other care needs not met through other specialist services.

You can make your own referral via the government's My Aged Care website (<https://www.myagedcare.gov.au/>) or by calling 1800 200 422 and answering some questions.

Financial eligibility

Your financial situation won't affect your eligibility. But once you have been assigned a package, you will need a financial assessment to work out exactly how much you may be asked to contribute.

There are four levels of Home Care Packages – from Level 1 for basic care needs to Level 4 for high care needs.

The annual budgets for the packages are (in round figures) \$10,000 for a Level 1, \$18,000 for a Level 2, \$39,000 for a Level 3 and \$59,000 for a Level 4. The government contribution changes on 1 July each year.

The idea is that a person, using a consumer directed care approach, can decide how they would like to use that money for help which may include equipment such as a walker or services such as household tasks, personal care, or allied health.

Your contribution could be a basic daily fee up to \$12.14 a day, as well as an income tested fee up to \$34.84 a day.ⁱ These fees are adjusted in March and September each year.

Expect a wait

Demand for packages is high, with a wait of 3-6 months for a low-level package and 6-9 months for a higher level package.

It's not unusual to be approved for a high-level package but be offered or 'assigned' a lower level package as an interim measure.

Once approved for a Home Care Package, you must appoint a provider approved by the government, whose role is to administer, and manage the package for you.

The provider will charge a fee for their services which is deducted from the Home Care Package. This essentially reduces the amount of money from the package that can be spent on services. Administration costs can be 10-15 per cent of the package and case management another 10 per cent, or thereabouts.

The services offered and the way they are delivered can vary between providers, so comparing offers is important.

How much help you get from a package will depend on your care needs and fees, but generally a Level 1 package might provide two or three hours of help a week, a Level 2 about four hours, a Level 3 package about 8 hours and a Level 4 about 12 hours.

A recent Fair Work Commission ruling mandating minimum two-hour shifts for casual home care workers, while improving conditions for low-paid workers, is also expected to lead to increased costs for providers and ultimately Home Care Package recipients.

Self-managed home care

One way to get more hours of help and have a greater say in who delivers it, is to self-manage your Home Care Package. As well as saving the case management fee you can generally negotiate directly with workers the hours worked and the rate of pay.

You still need an approved provider to administer the package, with the fee being about 10-15 per cent.

There are currently five providers offering a self-managed option. One way to find support workers to assist with your care needs is through one of several online platforms where carers register their willingness to help, along with their hourly rates.

If you are weighing up your aged care options for yourself or a loved one, and would like to discuss financing arrangements, please get in touch.

ⁱ <https://www.myagedcare.gov.au/home-care-package-costs-and-fees>

HOW TO GIVE BACK



Australia is a giving country, but we often give in kind rather than financially.

Whenever there is a disaster here or overseas, Australians rush to donate their time, household goods and cash. However, we still lag other countries when it comes to giving money.

According to Philanthropy Australia, our total financial giving as a percentage of Gross Domestic Product is just 0.81 per cent, compared with 0.96 per cent for the UK, 1 per cent for Canada, 1.84 per cent for New Zealand and 2.1 per cent for the US.ⁱ

Currently the number of Australians making tax deductible contributions is at its lowest levels since the 1970s.ⁱⁱ Despite this, the Australian Tax Office reports that deductible donations claimed by individuals rose from \$0.74 billion in 1999-2000 to \$3.85 billion in 2019-20.ⁱⁱⁱ

Considering an estimated \$2.6 trillion will pass between generations over the next 20 years, the opportunities for increasing our financial giving abound. Philanthropy Australia wants to double structured giving from \$2.5 billion in 2020 to \$5 billion by 2030.^{iv}

Many ways to give

There are many ways of being philanthropic such as small one-off donations, regular small amounts to say, sponsor a child, donating to a crowd funding platform or joining a giving circle.

For those with much larger sums to distribute, a structured giving plan can be one approach.

Structured giving

You can choose a number of ways to establish a structured giving plan including through a public or private ancillary fund (PAF), a private testamentary charitable trust or giving circles.

Whichever way you choose, there are attractive tax incentives to encourage the practice.

The type of vehicle will depend on:

- the timeframe of your giving
- the level of engagement you want
- whether you want to raise donations from the public
- whether you want to give in your lifetime or as a bequest
- whether you want to involve your family to create a family legacy.

Private ancillary fund

A private ancillary fund is a standalone charitable trust for business, families and individuals. It requires a corporate trustee and a specific investment strategy. Once you have donated, contributions are irrevocable and cannot be returned. To be tax deductible, the cause you are supporting must be a body identified as a Deductible Gift Recipient by the Australian Tax Office.

The benefits of a PAF are that contributions are fully deductible, and the deductions can be spread over five years. The assets of the fund are exempt from income tax.

The minimum initial contribution to a PAF is at least \$20,000. The costs of setting up a PAF are minimal and ongoing costs are usually about 1-2 per cent of the value of the fund.

Each year you must distribute 5 per cent of the net value of the fund to the designated charity.^v

Testamentary charitable trust

An alternative to a PAF is a testamentary charitable trust, which usually comes into being after the death of the founder. The governing document is either a trust deed or the Will.

With a testamentary charitable trust, trustees control all the governance, compliance, investment and giving strategies of the trust. The assets of the trust are income tax exempt. The minimum initial contribution for such a fund is usually \$500,000 to \$2 million.^{vi}

Philanthropy through structured giving still has a long way to go in Australia. The latest figures for total giving in Australia is \$13.1 billion, of which \$2.4 billion is structured giving. Currently the number of structured giving entities stands at just over 5400.^{vii}

As the baby boomers pass on their wealth to their families, there is a wide opening for some of this money to find their way into charities and causes through structured giving.

If you want to know more about structured giving and what is the right vehicle for you to help the Australian community at large, then give us a call to discuss.

^{i,iii} <https://www.philanthropy.org.au/wp-content/uploads/2022/11/7480-PHA-Giving-Trends-and-Opportunities-2023-1.2.pdf>

ⁱⁱ <https://www.socialventures.com.au/sva-quarterly/insights-to-grow-philanthropic-giving-for-not-for-profits/>

^{iv,vii} <https://www.philanthropy.org.au/our-impact/a-blueprint-to-grow-structured-giving/>

^{v,vi} <https://www.philanthropy.org.au/guidance-and-tools/ways-to-give/choosing-the-right-philanthropic-structure/>