
B Cameos

The Commission is proposing a new national care co-contribution scheme as part of its wider package of reforms for Australia's aged care system. This scheme would apply consistently to both community and residential care. Co-contributions would vary according to the price of an aged care service and a person's financial capacity to pay. A lifetime (indexed) stop-loss limit would protect aged care users from high costs arising in situations where they need intensive care for extended periods of time.

This appendix provides information on what people could pay for aged care based on the assumptions used to develop the indicative cost projections (appendix E) and expands on the cameos provided in the overview. Some of the assumptions underpinning this appendix are directly related to specific recommendations made in this report, while the remainder cover some of the more plausible options that are consistent with the recommendations. As such, the cameos presented here provide a broad guide of what people might pay should the Commission's proposals be implemented. They should, however, be treated with caution as they do not attempt to comprehensively address the numerous variations in individual circumstances and may not be reflective of the Government's final design of aged care reform.

The Commission has not included a comparison of the indicative co-contributions under its proposals to the co-contributions that apply under the present aged care system.

- While the Department of Health and Ageing (DoHA) has issued guidance on co-contributions providers could charge for community care packages, the actual amount individuals pay is determined through a negotiation between the care recipient and the provider. Recent information from the Community Care Census highlights that the actual fees charged are well below the maximum permitted. In the case of residential care, the widely varying amounts deposited in accommodation bonds preclude any meaningful comparisons.
- While information is available on the distribution of co-contributions that are currently charged, it is not possible to determine how these co-contributions relate to the income and assets of care recipients. As such, it is not possible to compare what people would pay under the proposed arrangements with the current co-contributions they make.

That said, the Commission notes that the total user co-contributions under its proposed system would be higher than under the present system. This is by design, and reflects the view of the Commission that to enable Australia's aged care system to sustainably provide services to older Australians in the context of an ageing population and increasing expectations of quality, care recipients would need to make a larger overall contribution to the costs of their care.

The structure of this appendix is:

- section B.1 outlines why the Commission did not make specific recommendations on what co-contributions people should make
- section B.2 examines the specific recommendations made by the Commission and their likely financial impact on care recipients
- section B.3 outlines the means tests used in the indicative analysis for this report
- section B.4 outlines how people can determine what they would pay if the proposed reforms were adopted using the assumed means test and safety net arrangements
- section B.5 uses examples to indicate how the various means tests and safety net provisions could interact.

B.1 Why the Commission did not make specific recommendations on co-contribution levels

While the report provides some guidance on the minimum and maximum co-contribution levels that the Commission considers reasonable to apply for aged care, no recommendations were made about what specific means testing arrangements, co-contributions or lifetime stop-loss limit should be applied. The final decision as to the appropriate settings for these arrangements is one for the Government in balancing the relative proportion of private co-contributions and taxpayer funding for aged care services.

The Commission is of the view that further analysis on options for means testing care co-contributions and the stop-loss limit is warranted. However, the evidence base for such analysis currently limits what can be done. Effort should be directed towards obtaining more robust data to support further analysis of the distributional impacts of the proposed means tests.

Government agencies and departments which have relevant expertise and practical knowledge of means testing arrangements are best placed to advise the Government

on the detailed arrangements to be implemented. This should also reduce the scope for unintended outcomes to occur.

For the purposes of this report and the cameos presented in this appendix, an indicative ranges of co-contribution levels were chosen. These ranged from a co-contribution of five per cent for community care for those with limited means (and zero per cent in residential care) to 25 per cent (in either setting) of the cost of care services for those with the greatest income and/or assets. An alternative upper limit of 35 per cent of the cost of care services was also explored. An illustrative assumption of a lifetime stop-loss limit of \$60 000 was also used, although Appendix E also explores other stop-loss limits.

B.2 Relevant recommendations made by the Commission

Several of the Commission's recommendations, if adopted, would change the amount that people could be asked to pay towards their aged care costs. The proposals that are relevant to the cameos are that:

- the contribution that care recipients are expected to make towards their care costs would be determined by a comprehensive means test (that is, a test that incorporates both their income and assets)
- the eligibility of a resident in an aged care facility for a full or part supported resident subsidy would be determined by an assets means test
- a person's share of the equity in their principal residence would be included in the means test to determine the level of care co-contribution they are expected to make
 - a Government backed Australian Aged Care Home Credit scheme would be available to enable people to access their share of the equity in the principal residence and contribute towards a part of the cost of their care and to their accommodation (if in residential care) without needing to sell their home¹
 - as part of this scheme, 'protected persons' (such as a spouse) would be able to continue living in a care recipient's former principal residence
- a lifetime stop-loss limit would be introduced that once reached, would mean that care recipients would not be required to contribute any more towards the cost of their care

¹ Alternatively, a person selling their principal residence could deposit the proceeds in the proposed Australian Age Pensioners Saving Account to protect their access to the Age Pension.

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- the accommodation charge payable to providers for supported residents would be reviewed so it reflects the actual cost of providing a standard level of accommodation (1.5 beds per room on average)
 - individuals already receiving aged care services would not be subject to changes in co-contributions because of grandfathering provisions — they would be subject to the extant rules of the aged care system when they entered care.

In respect to residential care accommodation, the Commission proposes that providers publish prices for periodic charges and, if offered, accommodation bonds. During the transition period, accommodation prices would be monitored by the proposed Australian Aged Care Commission.

As outlined in chapter 7, the Commission considers that the current minimum regulated daily charge for everyday living expenses could remain unchanged for all residential care recipients. In the absence of sufficient information, the Commission did not change the minimum and maximum asset thresholds for the supported residents subsidy, but did expand the range of assets to be included.

B.3 Assumed means tests

As part of the indicative analysis of the proposed reforms, separate means tests were devised:

- a comprehensive means test that for care which would apply equally in community and residential care settings
- a full assets test for the co-contribution to accommodation costs for supported residents in a residential care setting.

An assumption was also made relating to contributions toward everyday living expenses — that it be retained at 84 per cent of the single rate Age Pension.

Co-contributions for care

The assumed co-contributions for care only apply to services delivered through the *Australian Government Aged Care System* (figure 9.5). The Commission anticipates that fees for services delivered through the *Community and Carers Support System* would continue to be set directly between the provider and the client.

The co-contributions for services provided through the *Australian Government Aged Care System* comprise two concepts:

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- the minimum/maximum income and asset thresholds in the means test
 - the minimum/maximum levels of co-contributions.

It should be noted that if the proposed scheme was adopted, that the Commission has recommended that people already receiving care should not be subjected to the new arrangements. Rather, they should continue to be covered by the existing means testing arrangements. Only people who start to receive care after any new arrangements are introduced would be expected to make contributions based on the new arrangements.

Minimum co-contribution to care

The Commission assumed that all recipients would make a minimum co-contribution of 5 per cent of the cost of care provided in a community care setting although hardship arrangements would continue for people experiencing difficulties making even that minimum co-contribution to their care costs. In residential care, the minimum co-contribution for care is assumed to be zero.

Applying a different minimum care co-contribution rate in community and residential settings is appropriate. People with no financial means beyond the Age Pension who are in residential care would be contributing 84 per cent of their pension to everyday living expenses and are thus unlikely to have sufficient capacity to make a contribution to their care costs. Further, some services paid from everyday living contributions by those in residential care (such as meal preparation and cleaning) are also provided as part of community care

The Commission has proposed that co-contributions to care should be proportional to the actual cost of the care being provided. The level of co-contribution to care is based on both a person's income and assets. For this purpose:

- the definition of income is consistent with that used for the Age Pension — including government income support, other pension income and deemed income from financial assets (such as cash, shares and superannuation)
- only assets that are excluded from the Age Pension asset test will be used to determine the asset component of care co-contributions
 - the main assets that would be included in the proposed care co-contribution asset test are the care recipient's share of equity in the principal residence, any accommodation bonds paid to residential care providers and money placed in the proposed Australian Pensioners Savings Account.

Anyone with annual income equal to or below the single age pension (\$17 443 a year or \$670.90 a fortnight in March 2011 — excluding pensioner supplement) and relevant assets below \$39 000 is expected to pay no more than the minimum co-contribution rate towards their care costs.

Maximum co-contribution to care

The indicative analysis of the proposals was projected separately using two maximum levels of care co-contribution — of 25 and 35 per cent. For the estimates used in the overview (including the total projected Budget cost of the proposed reforms), a co-contribution rate of 25 per cent was used.

Taper rates for care co-contribution

Under the indicative representation of the proposals, people were assumed to pay an additional 1 per cent of their care cost for:

- every \$3373 in annual income above the \$17 443 income threshold
- every \$30 140 in relevant assets above the \$39 000 asset threshold
- these additional co-contributions would be additive, that is: a person with an additional \$3373 in annual income above the income taper and \$30 140 of relevant assets above the asset taper would pay the minimum care co-contribution plus an additional 2 per cent of their care costs (unless they reach the maximum co-contribution rate). That is, the taper rates are the same for the 35 and 25 per cent maximum rates.

Everyday living expenses in residential care

Everyone in residential care is assumed to make a contribution to the cost of their everyday living expenses. This amount is currently set at 84 per cent of the single Age Pension (excluding the pension supplement) and the Commission considers that this arrangement should continue. Based on the single Age Pension in March 2011, the fortnightly contribution to everyday living expenses is assumed to be \$553.05.

Accommodation in residential care

To ensure that people with limited means have access to residential care, the Government has a supported resident safety net arrangement for accommodation costs in residential care. The Commission has recommended changing the current

supported resident arrangements to ensure more equitable treatment of all aged care users.

Currently, for some people who enter residential care, the full value of their house is used to determine the contribution they can make through a bond or an accommodation charge. However, for those with a protected person (most commonly a spouse) still living in their former principal residence, all of the value of the house is excluded.

To overcome this inconsistency, the Commission has recommended that all people entering residential care (as well as those receiving community care services) have access to the Australian Aged Care Home Credit scheme (chapter 8) This would enable people to contribute towards the cost of their care and their residential accommodation without needing to sell their house. This provides a mechanism for ensuring that protected people can continue to live in the care recipient's former principal primary residence (see chapter 7).

For the proposed reforms, it was assumed that all of a person's assets (or their share of equity in shared assets) should be included when determining their eligibility to be a supported resident and thus receive a government subsidy for accommodation. If people have assets below the fully supported resident threshold (\$39 000 in March 2011), then they would make no contribution to their accommodation costs. For assets above this level, they would be assumed to contribute \$1 a day for each additional \$3373 in assets they have above the fully supported resident threshold — until they are responsible for all of their accommodation charges.

The amount that people are assumed to pay if the accommodation charge was \$50 a day is provided in table B.1.

Table B.1 Fortnightly accommodation contributions for different asset levels

Assuming maximum accommodation charge of \$50 per day

<i>Assets (\$)</i>	<i>39 000 and below</i>	<i>40 000</i>	<i>60 000</i>	<i>80 000</i>
Accommodation contribution (\$)	0	6.73	141.35	275.96
<i>Assets (\$)</i>	<i>100 000</i>	<i>120 000</i>	<i>140 000</i>	<i>160 000 and above</i>
Accommodation contribution (\$)	410.58	545.19	679.81	700.00

Source: Commission calculations.

B.4 What people could pay

This section outlines how the proposed reforms — assuming that the indicative means testing arrangements were to be adopted — would affect various people who newly receive care under the reformed arrangements. It is a more expansive treatment of cameos than in schedule C of the overview.

Tables have been prepared that allow people to identify what co-contributions they might be expected to make if the proposed reforms were adopted. Some of the cameos used in the overview are used to guide people through these tables. The relevant cameos are:

- a single person receiving the full Age Pension with no home and assumed to have assets below the \$39 000 threshold
 - this example has been used for the community care cameo 1 and residential care cameo 1
- a couple, with one person receiving care where they are receiving a part rate Age Pension (\$1000 per fortnight each in income inclusive of income from the Age Pension) and have a home worth \$500 000
 - this example has been used for the community care cameo 2, the residential care cameo 2 and interaction over time cameos 1 and 3
- a couple (self funded retirees) with one person receiving care (\$1500 per fortnight in income each inclusive of income from the Age Pension) with a home valued at \$1 000 000
 - this example has been used for the community care cameo 3, residential care cameo 3 and interaction over time cameo 2.

Using each of these cameos, the possible costs for a specified package of care provided in a community setting and a level of residential care are explored.

Possible co-contributions in community care

Tables have been prepared to allow people to identify what the impact of the indicative reforms would be. Two tables have been prepared for each type of community care package, each assuming a different maximum co-contribution rate — table B.2 provides a guide for these assumed care co-contribution tables. To help people navigate through the care co-contribution tables, some indicative cameos

have been prepared using the proposed Community Care Intermediate Package (CCIP) as an example².

Table B.2 Guide to assumed care co-contribution tables

<i>Community care package type</i>	<i>Maximum co-contribution rate of 25 per cent</i>	<i>Maximum co-contribution rate of 35 per cent</i>
CACP	B.3	B.4
CCIP	B.5	B.6
EACH	B.7	B.8
EACH-D	B.9	B.10

The tables indicate the fortnightly co-contribution people would be expected to make towards the cost of their care. In 2009-10, the average annual public cost of different community care packages was:

- \$13 158 per CACP place
- \$43 983 per EACH place
- \$48 505 per EACH-D place.

For the purpose of presenting the cameos, it has been assumed that an appropriate price for a CCIP place would be \$25 000.

Finally, the Commission assumed that any full rate age pensioner with less than \$39 000 in assets would be eligible for a hardship arrangement for community care — the assumption was that such people would pay no more than \$40 per fortnight for community care services.

Community care cameo 1

The first cameo covers a single person who is a full rate age pensioner and does not own a home. It has been assumed that person's only income is the Age Pension (full rate of \$670.40 per fortnight excluding pension supplement) and that he or she has relevant assets of less than \$39 000. As such, using the first row and first column of either table B.5 or B.6, the person would be expected to pay \$40 per fortnight for a CCIP place. This is slightly lower than the minimum 5 per cent of the care costs as it was also assumed that people with limited assets who just receive the full pension would be eligible for hardship provisions (care co-contributions assumed not to exceed \$40 per fortnight).

² The CCIP would be a temporary community care package between CACP and EACH.

Community care cameo 2

For the second cameo, the relevant income is \$1000 a fortnight (the eighth row of tables B.5 or B.6) and the relevant asset level is \$250 000 (half of the value of the home owned by the couple — the seventh column of the tables). In this case the assumed co-contribution would be \$139 per fortnight for a CCIP place — their co-contribution is the same if the maximum co-contribution rate is either 25 or 35 per cent of care costs.

Community care cameo 3

The third cameo covers a self funded retiree receiving services through a CCIP place with income of \$1500 a fortnight (the twelfth row) and the relevant asset level is 500 000 (half of the value of the home owned by the couple — the eleventh column). If the maximum co-contribution was 25 per cent, the assumed fortnightly co-contribution would be \$240 (table B.5). The corresponding figure if the maximum co-contribution rate was 35 per cent would be \$255 per fortnight (table B.6).

Table B.3 Assumed care co-contributions in community care for a CACP place

\$ per fortnight assuming a maximum co-contribution rate of 25 per cent of care costs and assumed annual cost of care of \$13 158

		Assets																			
		0	40000	80000	120000	160000	200000	250000	300000	350000	400000	500000	600000	700000	800000	900000	1 million	1.1 million			
Fortnightly income	670	25	25	32	39	46	52	61	69	78	86	103	119	127	127	127	127	127			
	700	26	27	33	40	47	53	62	70	79	87	104	121	127	127	127	127	127	127		
	750	28	29	35	42	49	55	64	72	81	89	106	123	127	127	127	127	127	127	127	
	800	30	30	37	44	51	57	66	74	82	91	108	124	127	127	127	127	127	127	127	
	850	32	32	39	46	52	59	68	76	84	93	110	126	127	127	127	127	127	127	127	
	900	34	34	41	48	54	61	69	78	86	95	111	127	127	127	127	127	127	127	127	127
	950	36	36	43	50	56	63	71	80	88	97	113	127	127	127	127	127	127	127	127	127
	1000	38	38	45	51	58	65	73	82	90	98	115	127	127	127	127	127	127	127	127	127
	1100	42	42	48	55	62	69	77	85	94	102	119	127	127	127	127	127	127	127	127	127
	1200	45	46	52	59	66	72	81	89	98	106	123	127	127	127	127	127	127	127	127	127
	1400	53	53	60	67	73	80	88	97	105	114	127	127	127	127	127	127	127	127	127	127
	1500	57	57	64	70	77	84	92	101	109	117	127	127	127	127	127	127	127	127	127	127
	1600	61	61	67	74	81	88	96	104	113	121	127	127	127	127	127	127	127	127	127	127
	1800	68	68	75	82	88	95	104	112	120	127	127	127	127	127	127	127	127	127	127	127
	2000	76	76	83	89	96	103	111	120	127	127	127	127	127	127	127	127	127	127	127	127
	2500	95	95	102	108	115	122	127	127	127	127	127	127	127	127	127	127	127	127	127	127
	3000	114	114	121	127	127	127	127	127	127	127	127	127	127	127	127	127	127	127	127	127
	3500	127	127	127	127	127	127	127	127	127	127	127	127	127	127	127	127	127	127	127	127
4000	127	127	127	127	127	127	127	127	127	127	127	127	127	127	127	127	127	127	127	127	
4500	127	127	127	127	127	127	127	127	127	127	127	127	127	127	127	127	127	127	127	127	
5300	127	127	127	127	127	127	127	127	127	127	127	127	127	127	127	127	127	127	127	127	

Source: Productivity Commission calculations.

Table B.4 Assumed care co-contributions in community care for a CACP place

\$ per fortnight assuming a maximum co-contribution rate of 35 per cent of care costs and assumed annual cost of care of \$13 158

		Assets																
		0	40000	80000	120000	160000	200000	250000	300000	350000	400000	500000	600000	700000	800000	900000	1 million	1.1 million
Fortnightly income	670	25	25	32	39	46	52	61	69	78	86	103	119	136	153	170	177	177
	700	26	27	33	40	47	53	62	70	79	87	104	121	137	154	171	177	177
	750	28	29	35	42	49	55	64	72	81	89	106	123	139	156	173	177	177
	800	30	30	37	44	51	57	66	74	82	91	108	124	141	158	175	177	177
	850	32	32	39	46	52	59	68	76	84	93	110	126	143	160	177	177	177
	900	34	34	41	48	54	61	69	78	86	95	111	128	145	162	177	177	177
	950	36	36	43	50	56	63	71	80	88	97	113	130	147	164	177	177	177
	1000	38	38	45	51	58	65	73	82	90	98	115	132	149	166	177	177	177
	1100	42	42	48	55	62	69	77	85	94	102	119	136	153	169	177	177	177
	1200	45	46	52	59	66	72	81	89	98	106	123	140	156	173	177	177	177
	1400	53	53	60	67	73	80	88	97	105	114	130	147	164	177	177	177	177
	1500	57	57	64	70	77	84	92	101	109	117	134	151	168	177	177	177	177
	1600	61	61	67	74	81	88	96	104	113	121	138	155	172	177	177	177	177
	1800	68	68	75	82	88	95	104	112	120	129	146	162	177	177	177	177	177
	2000	76	76	83	89	96	103	111	120	128	136	153	170	177	177	177	177	177
	2500	95	95	102	108	115	122	130	138	147	155	172	177	177	177	177	177	177
	3000	114	114	121	127	134	141	149	157	166	174	177	177	177	177	177	177	177
	3500	133	133	139	146	153	160	168	176	177	177	177	177	177	177	177	177	177
	4000	152	152	158	165	172	177	177	177	177	177	177	177	177	177	177	177	177
4500	170	171	177	177	177	177	177	177	177	177	177	177	177	177	177	177	177	
5300	177	177	177	177	177	177	177	177	177	177	177	177	177	177	177	177	177	

Source: Commission calculations

Table B.5 Assumed care co-contributions in community care for a CCIP place

\$ per fortnight assuming a maximum co-contribution rate of 25 per cent of care costs and assumed annual cost of care of \$25 000

		Assets																
		0	40000	80000	120000	160000	200000	250000	300000	350000	400000	500000	600000	700000	800000	900000	1 million	1.1 million
Fortnightly income	670	40	48	61	74	87	99	115	131	147	163	195	227	240	240	240	240	240
	700	50	51	63	76	89	102	118	133	149	165	197	229	240	240	240	240	240
	750	54	54	67	80	92	105	121	137	153	169	201	233	240	240	240	240	240
	800	57	58	71	83	96	109	125	141	157	173	204	236	240	240	240	240	240
	850	61	61	74	87	100	112	128	144	160	176	208	240	240	240	240	240	240
	900	65	65	78	90	103	116	132	148	164	180	212	240	240	240	240	240	240
	950	68	69	81	94	107	120	136	151	167	183	215	240	240	240	240	240	240
	1000	72	72	85	98	110	123	139	155	171	187	219	240	240	240	240	240	240
	1100	79	79	92	105	118	130	146	162	178	194	226	240	240	240	240	240	240
	1200	86	87	99	112	125	138	154	170	185	201	233	240	240	240	240	240	240
	1400	101	101	114	126	139	152	168	184	200	216	240	240	240	240	240	240	240
	1500	108	108	121	134	146	159	175	191	207	223	240	240	240	240	240	240	240
	1600	115	115	128	141	154	166	182	198	214	230	240	240	240	240	240	240	240
	1800	129	130	143	155	168	181	197	213	229	240	240	240	240	240	240	240	240
	2000	144	144	157	170	182	195	211	227	240	240	240	240	240	240	240	240	240
	2500	180	180	193	206	218	231	240	240	240	240	240	240	240	240	240	240	240
	3000	216	216	229	240	240	240	240	240	240	240	240	240	240	240	240	240	240
	3500	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240
	4000	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240
4500	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	
5300	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	

Source: Commission calculations

Table B.6 Assumed care co-contributions in community care for a CCIP place

\$ per fortnight assuming a maximum co-contribution rate of 35 per cent of care costs and assumed annual cost of care of \$25 000

		Assets																
		0	40000	80000	120000	160000	200000	250000	300000	350000	400000	500000	600000	700000	800000	900000	1 million	1.1 million
Fortnightly income	670	40	48	61	74	87	99	115	131	147	163	195	227	259	291	323	337	337
	700	50	51	63	76	89	102	118	133	149	165	197	229	261	293	325	337	337
	750	54	54	67	80	92	105	121	137	153	169	201	233	265	297	328	337	337
	800	57	58	71	83	96	109	125	141	157	173	204	236	268	300	332	337	337
	850	61	61	74	87	100	112	128	144	160	176	208	240	272	304	336	337	337
	900	65	65	78	90	103	116	132	148	164	180	212	244	275	307	337	337	337
	950	68	69	81	94	107	120	136	151	167	183	215	247	279	311	337	337	337
	1000	72	72	85	98	110	123	139	155	171	187	219	251	283	315	337	337	337
	1100	79	79	92	105	118	130	146	162	178	194	226	258	290	322	337	337	337
	1200	86	87	99	112	125	138	154	170	185	201	233	265	297	329	337	337	337
	1400	101	101	114	126	139	152	168	184	200	216	248	280	312	337	337	337	337
	1500	108	108	121	134	146	159	175	191	207	223	255	287	319	337	337	337	337
	1600	115	115	128	141	154	166	182	198	214	230	262	294	326	337	337	337	337
	1800	129	130	143	155	168	181	197	213	229	245	277	308	337	337	337	337	337
	2000	144	144	157	170	182	195	211	227	243	259	291	323	337	337	337	337	337
	2500	180	180	193	206	218	231	247	263	279	295	327	337	337	337	337	337	337
	3000	216	216	229	242	254	267	283	299	315	331	337	337	337	337	337	337	337
	3500	252	252	265	278	290	303	319	335	337	337	337	337	337	337	337	337	337
4000	288	288	301	314	326	337	337	337	337	337	337	337	337	337	337	337	337	
4500	324	324	337	337	337	337	337	337	337	337	337	337	337	337	337	337	337	
5300	337	337	337	337	337	337	337	337	337	337	337	337	337	337	337	337	337	

Source: Commission calculations

Table B.7 Assumed care co-contributions in community care for an EACH place

\$ per fortnight assuming a maximum co-contribution rate of 25 per cent of care costs and assumed annual cost of care of \$43 983

		Assets																			
		0	40000	80000	120000	160000	200000	250000	300000	350000	400000	500000	600000	700000	800000	900000	1 million	1.1 million			
Fortnightly income	670	40	85	108	130	152	175	203	231	259	287	343	399	423	423	423	423	423			
	700	88	89	111	134	156	179	207	235	263	291	347	403	423	423	423	423	423	423		
	750	95	95	118	140	163	185	213	241	269	297	353	410	423	423	423	423	423	423	423	
	800	101	102	124	147	169	191	219	248	276	304	360	416	423	423	423	423	423	423	423	
	850	107	108	130	153	175	198	226	254	282	310	366	422	423	423	423	423	423	423	423	
	900	114	114	137	159	182	204	232	260	288	316	372	423	423	423	423	423	423	423	423	423
	950	120	121	143	166	188	210	238	267	295	323	379	423	423	423	423	423	423	423	423	423
	1000	126	127	149	172	194	217	245	273	301	329	385	423	423	423	423	423	423	423	423	423
	1100	139	140	162	185	207	229	257	286	314	342	398	423	423	423	423	423	423	423	423	423
	1200	152	152	175	197	220	242	270	298	326	354	410	423	423	423	423	423	423	423	423	423
	1400	177	178	200	223	245	267	295	324	352	380	423	423	423	423	423	423	423	423	423	423
	1500	190	190	213	235	258	280	308	336	364	392	423	423	423	423	423	423	423	423	423	423
	1600	202	203	225	248	270	293	321	349	377	405	423	423	423	423	423	423	423	423	423	423
	1800	228	228	251	273	296	318	346	374	402	423	423	423	423	423	423	423	423	423	423	423
	2000	253	254	276	299	321	343	372	400	423	423	423	423	423	423	423	423	423	423	423	423
	2500	316	317	339	362	384	407	423	423	423	423	423	423	423	423	423	423	423	423	423	423
	3000	380	380	403	423	423	423	423	423	423	423	423	423	423	423	423	423	423	423	423	423
3500	423	423	423	423	423	423	423	423	423	423	423	423	423	423	423	423	423	423	423	423	
4000	423	423	423	423	423	423	423	423	423	423	423	423	423	423	423	423	423	423	423	423	
4500	423	423	423	423	423	423	423	423	423	423	423	423	423	423	423	423	423	423	423	423	
5300	423	423	423	423	423	423	423	423	423	423	423	423	423	423	423	423	423	423	423	423	

Source: Commission calculations

Table B.8 Assumed care co-contributions in community care for an EACH place

\$ per fortnight assuming a maximum co-contribution rate of 35 per cent of care costs and assumed annual cost of care of \$43 983

		Assets																
		0	40000	80000	120000	160000	200000	250000	300000	350000	400000	500000	600000	700000	800000	900000	1 million	1.1 million
<i>Fortnightly income</i>	670	40	85	108	130	152	175	203	231	259	287	343	399	456	512	568	592	592
	700	88	89	111	134	156	179	207	235	263	291	347	403	459	515	572	592	592
	750	95	95	118	140	163	185	213	241	269	297	353	410	466	522	578	592	592
	800	101	102	124	147	169	191	219	248	276	304	360	416	472	528	584	592	592
	850	107	108	130	153	175	198	226	254	282	310	366	422	478	534	591	592	592
	900	114	114	137	159	182	204	232	260	288	316	372	429	485	541	592	592	592
	950	120	121	143	166	188	210	238	267	295	323	379	435	491	547	592	592	592
	1000	126	127	149	172	194	217	245	273	301	329	385	441	497	553	592	592	592
	1100	139	140	162	185	207	229	257	286	314	342	398	454	510	566	592	592	592
	1200	152	152	175	197	220	242	270	298	326	354	410	467	523	579	592	592	592
	1400	177	178	200	223	245	267	295	324	352	380	436	492	548	592	592	592	592
	1500	190	190	213	235	258	280	308	336	364	392	448	505	561	592	592	592	592
	1600	202	203	225	248	270	293	321	349	377	405	461	517	573	592	592	592	592
	1800	228	228	251	273	296	318	346	374	402	430	486	543	592	592	592	592	592
	2000	253	254	276	299	321	343	372	400	428	456	512	568	592	592	592	592	592
	2500	316	317	339	362	384	407	435	463	491	519	575	592	592	592	592	592	592
	3000	380	380	403	425	448	470	498	526	554	582	592	592	592	592	592	592	592
	3500	443	444	466	489	511	534	562	590	592	592	592	592	592	592	592	592	592
4000	507	507	530	552	574	592	592	592	592	592	592	592	592	592	592	592	592	
4500	570	570	592	592	592	592	592	592	592	592	592	592	592	592	592	592	592	
5300	592	592	592	592	592	592	592	592	592	592	592	592	592	592	592	592	592	

Source: Commission calculations

Table B.9 Assumed care co-contributions in community care for an EACH-D place

\$ per fortnight assuming a maximum co-contribution rate of 25 per cent of care costs and assumed annual cost of care of \$48 505

		Assets																
		0	40000	80000	120000	160000	200000	250000	300000	350000	400000	500000	600000	700000	800000	900000	1 million	1.1 million
Fortnightly income	670	40	94	119	143	168	193	224	255	286	317	379	440	466	466	466	466	466
	700	97	98	123	148	172	197	228	259	290	321	383	445	466	466	466	466	466
	750	104	105	130	155	179	204	235	266	297	328	390	452	466	466	466	466	466
	800	111	112	137	162	186	211	242	273	304	335	397	459	466	466	466	466	466
	850	118	119	144	169	193	218	249	280	311	342	404	466	466	466	466	466	466
	900	125	126	151	176	200	225	256	287	318	349	411	466	466	466	466	466	466
	950	132	133	158	183	207	232	263	294	325	356	418	466	466	466	466	466	466
	1000	139	140	165	190	214	239	270	301	332	363	425	466	466	466	466	466	466
	1100	153	154	179	203	228	253	284	315	346	377	439	466	466	466	466	466	466
	1200	167	168	193	217	242	267	298	329	360	391	453	466	466	466	466	466	466
	1400	195	196	221	245	270	295	326	357	388	419	466	466	466	466	466	466	466
	1500	209	210	235	259	284	309	340	371	402	433	466	466	466	466	466	466	466
	1600	223	224	249	273	298	323	354	385	416	447	466	466	466	466	466	466	466
	1800	251	252	277	301	326	351	382	413	444	466	466	466	466	466	466	466	466
	2000	279	280	304	329	354	379	410	441	466	466	466	466	466	466	466	466	466
	2500	349	350	374	399	424	449	466	466	466	466	466	466	466	466	466	466	466
	3000	419	419	444	466	466	466	466	466	466	466	466	466	466	466	466	466	466
	3500	466	466	466	466	466	466	466	466	466	466	466	466	466	466	466	466	466
	4000	466	466	466	466	466	466	466	466	466	466	466	466	466	466	466	466	466
4500	466	466	466	466	466	466	466	466	466	466	466	466	466	466	466	466	466	
5300	466	466	466	466	466	466	466	466	466	466	466	466	466	466	466	466	466	

Source: Commission calculations

Table B.10 Assumed care co-contributions in community care for an EACH-D

\$ per fortnight assuming a maximum co-contribution rate of 35 per cent of care costs and assumed annual cost of care of \$48 505

		Assets																
		0	40000	80000	120000	160000	200000	250000	300000	350000	400000	500000	600000	700000	800000	900000	1 million	1.1 million
Fortnightly income	670	40	94	119	143	168	193	224	255	286	317	379	440	502	564	626	653	653
	700	97	98	123	148	172	197	228	259	290	321	383	445	507	568	630	653	653
	750	104	105	130	155	179	204	235	266	297	328	390	452	514	575	637	653	653
	800	111	112	137	162	186	211	242	273	304	335	397	459	521	582	644	653	653
	850	118	119	144	169	193	218	249	280	311	342	404	466	528	589	651	653	653
	900	125	126	151	176	200	225	256	287	318	349	411	473	535	596	653	653	653
	950	132	133	158	183	207	232	263	294	325	356	418	480	542	603	653	653	653
	1000	139	140	165	190	214	239	270	301	332	363	425	487	548	610	653	653	653
	1100	153	154	179	203	228	253	284	315	346	377	439	501	562	624	653	653	653
	1200	167	168	193	217	242	267	298	329	360	391	453	515	576	638	653	653	653
	1400	195	196	221	245	270	295	326	357	388	419	481	542	604	653	653	653	653
	1500	209	210	235	259	284	309	340	371	402	433	495	556	618	653	653	653	653
	1600	223	224	249	273	298	323	354	385	416	447	509	570	632	653	653	653	653
	1800	251	252	277	301	326	351	382	413	444	475	536	598	653	653	653	653	653
	2000	279	280	304	329	354	379	410	441	472	503	564	626	653	653	653	653	653
	2500	349	350	374	399	424	449	480	511	541	572	634	653	653	653	653	653	653
	3000	419	419	444	469	494	518	549	580	611	642	653	653	653	653	653	653	653
	3500	489	489	514	539	564	588	619	650	653	653	653	653	653	653	653	653	653
4000	559	559	584	609	633	653	653	653	653	653	653	653	653	653	653	653	653	
4500	628	629	653	653	653	653	653	653	653	653	653	653	653	653	653	653	653	
5300	653	653	653	653	653	653	653	653	653	653	653	653	653	653	653	653	653	

Source: Commission calculations

Possible co-contributions in residential care

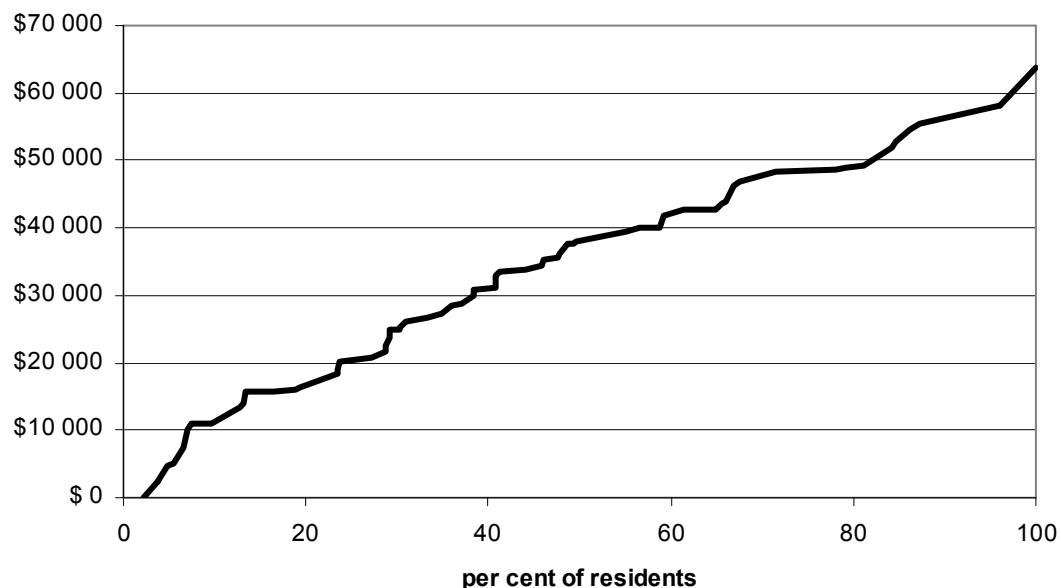
There are three components of cost relating to residential care:

- a basic contribution to everyday living expenses, which is assumed to be paid by everyone in residential care — it is based on 84 per cent of the single full rate Age Pension and would amount to \$553.05 per fortnight for everyone
- the cost of care provided
- accommodation costs.

For residential care, the annual cost of the care component was assumed to be \$35 000. The best guide to the current cost of care in residential settings can be obtained by using the Aged Care Funding Instrument (ACFI). Under that instrument, residents are categorised into one of 65 price points. On an annual basis, these prices will range from \$0 to just under \$64 000 when the transition to the ACFI system is completed in September 2011.

Figure B.1 indicates the distribution of these annualised ACFI prices using the ACFI classification of permanent residents as at 30 June 2009. Using this approach, the median annual care cost was just over \$35 000.

Figure B.1 Cost of care in residential settings
Distribution of annualised 2010-11 ACFI prices



^a Based on ACFI classifications as at 30 June 2009 and ACFI prices prevailing in 2010-11 assuming no cap on prices. The existing cap is due to be removed in July 2011.

Data source: DoHA (2009g).

Accommodation costs

Under the proposals for residential care, people would have a choice in how they pay for the accommodation component of their aged care services — by a periodic accommodation charge, a bond or a combination of the two. While these options are available at present, it is expected that more people will choose to pay for their accommodation through an accommodation charge (rather than a bond) under the proposed reforms than do so under current arrangements. As such, where combined costs are provided for the residential care cameos, it has generally been assumed that all people will choose to pay an accommodation charge.

Residential care cameo 1

For the single full age pensioner who does not own a home (with income \$670.40 per fortnight and no assets) their care co-contribution (table B.11 for a maximum 25 per cent co-contribution or B.12 for a maximum co-contribution of 35 per cent) would be zero and their accommodation co-contribution as a supported resident (table B.1) would also be zero. As such, this person would only pay the charge for their everyday living expenses (currently \$553.05 per fortnight).

Residential care cameo 2

For the second cameo, it is assumed that a person has a fortnightly income of \$1000 and the assets that are counted towards the care co-contribution are \$250 000 (half the value of the couple's home). If it is assumed that they have no other assets (such as investments, superannuation etc), then given their asset level, they would not be eligible for a supported resident subsidy. Accordingly, their accommodation cost would be \$700 per fortnight (assuming an accommodation charge of \$50 per day). Alternatively, they could be asked for an accommodation bond of up to \$211 000 and not pay an accommodation charge.

If they choose to pay an accommodation bond, the amount of the bond will still be considered an asset for determining their care co-contributions.

Assuming that the annual cost of the residential care component was \$35 000, then their fortnightly co-contribution to care would be \$128 per fortnight under both a 25 and 35 per cent maximum care co-contribution (from tables B. 11 and B. 12 respectively).

They would also be expected to pay the charge for everyday living expenses of \$553.05 per fortnight.

Their total co-contributions for all components of their residential aged care would be \$681.52 per fortnight plus the payment of a once off bond of up to \$211 000 or \$1381.52 per fortnight if paying by periodic accommodation charge.

Residential care cameo 3

For the third cameo — a self funded retiree is assumed to have income of \$1500 a fortnight and a home valued at \$500 000 (half of the value of the home owned by the couple \$1 000 000) — the assumed care co-contribution is \$290 per fortnight — the same in tables B.11 and B.12. Everyday living expenses would continue to be \$553.05 per fortnight and the accommodation cost (at \$50 per day) would be \$700 per fortnight. The total fortnightly contribution to residential care costs would be \$1430.97.

Table B.11 Assumed care co-contributions in residential care^a

\$ per fortnight assuming a maximum co-contribution rate of 25 per cent of care costs and assumed annual cost of care of \$35 000

		Assets																
		0	40000	80000	120000	160000	200000	250000	300000	350000	400000	500000	600000	700000	800000	900000	1 million	1.1 million
Fortnightly income	670	0	0	18	36	54	72	94	117	139	161	206	251	295	337	337	337	337
	700	3	3	21	39	57	75	97	120	142	164	209	254	298	337	337	337	337
	750	8	9	26	44	62	80	102	125	147	169	214	259	303	337	337	337	337
	800	13	14	31	49	67	85	107	130	152	174	219	264	308	337	337	337	337
	850	18	19	36	54	72	90	112	135	157	179	224	269	313	337	337	337	337
	900	23	24	41	59	77	95	117	140	162	184	229	274	318	337	337	337	337
	950	28	29	47	64	82	100	122	145	167	189	234	279	323	337	337	337	337
	1000	33	34	52	69	87	105	128	150	172	194	239	284	328	337	337	337	337
	1100	43	44	62	80	97	115	138	160	182	205	249	294	337	337	337	337	337
	1200	53	54	72	90	107	125	148	170	192	215	259	304	337	337	337	337	337
	1400	74	74	92	110	128	146	168	190	212	235	279	324	337	337	337	337	337
	1500	84	84	102	120	138	156	178	200	223	245	290	334	337	337	337	337	337
	1600	94	94	112	130	148	166	188	210	233	255	300	337	337	337	337	337	337
	1800	114	114	132	150	168	186	208	230	253	275	320	337	337	337	337	337	337
	2000	134	135	152	170	188	206	228	251	273	295	337	337	337	337	337	337	337
	2500	185	185	203	221	239	256	279	301	323	337	337	337	337	337	337	337	337
	3000	235	235	253	271	289	307	329	337	337	337	337	337	337	337	337	337	337
	3500	285	286	304	322	337	337	337	337	337	337	337	337	337	337	337	337	337
4000	336	336	337	337	337	337	337	337	337	337	337	337	337	337	337	337	337	
4500	337	337	337	337	337	337	337	337	337	337	337	337	337	337	337	337	337	
5300	337	337	337	337	337	337	337	337	337	337	337	337	337	337	337	337	337	

^a The indicated co-contributions are only for the care component of residential services and do not include contributions for everyday living costs or accommodation.

Source: Commission calculations.

Table B.12 Assumed care co-contributions in residential care^a

\$ per fortnight assuming a maximum co-contribution rate of 35 per cent of care costs and assumed annual cost of care of \$35 000

		Assets																
		0	40000	80000	120000	160000	200000	250000	300000	350000	400000	500000	600000	700000	800000	900000	1 million	1.1 million
Fortnightly income	670	0	0	18	36	54	72	94	117	139	161	206	251	295	340	385	429	471
	700	3	3	21	39	57	75	97	120	142	164	209	254	298	343	388	432	471
	750	8	9	26	44	62	80	102	125	147	169	214	259	303	348	393	437	471
	800	13	14	31	49	67	85	107	130	152	174	219	264	308	353	398	442	471
	850	18	19	36	54	72	90	112	135	157	179	224	269	313	358	403	447	471
	900	23	24	41	59	77	95	117	140	162	184	229	274	318	363	408	452	471
	950	28	29	47	64	82	100	122	145	167	189	234	279	323	368	413	457	471
	1000	33	34	52	69	87	105	128	150	172	194	239	284	328	373	418	462	471
	1100	43	44	62	80	97	115	138	160	182	205	249	294	339	383	428	471	471
	1200	53	54	72	90	107	125	148	170	192	215	259	304	349	393	438	471	471
	1400	74	74	92	110	128	146	168	190	212	235	279	324	369	413	458	471	471
	1500	84	84	102	120	138	156	178	200	223	245	290	334	379	424	468	471	471
	1600	94	94	112	130	148	166	188	210	233	255	300	344	389	434	471	471	471
	1800	114	114	132	150	168	186	208	230	253	275	320	364	409	454	471	471	471
	2000	134	135	152	170	188	206	228	251	273	295	340	385	429	471	471	471	471
	2500	185	185	203	221	239	256	279	301	323	346	390	435	471	471	471	471	471
	3000	235	235	253	271	289	307	329	351	374	396	441	471	471	471	471	471	471
	3500	285	286	304	322	339	357	380	402	424	447	471	471	471	471	471	471	471
4000	336	336	354	372	390	408	430	452	471	471	471	471	471	471	471	471	471	
4500	386	387	404	422	440	458	471	471	471	471	471	471	471	471	471	471	471	
5300	467	467	471	471	471	471	471	471	471	471	471	471	471	471	471	471	471	

^a The indicated co-contributions are only for the care component of residential services and do not include contributions for everyday living costs or accommodation.

Source: Commission calculations

B.5 How the means tests and safety net arrangements could interact

The cameos presented in section B.4 provide an insight into how the means tests might operate at a point in time for care co-contributions and, for those in residential care, for the supported resident subsidy. However, they do not provide an indication of how the means test would operate over time and how the tests interact with the lifetime stop-loss arrangement. This section uses some of the cameos presented in B.4 to demonstrate these interactions.

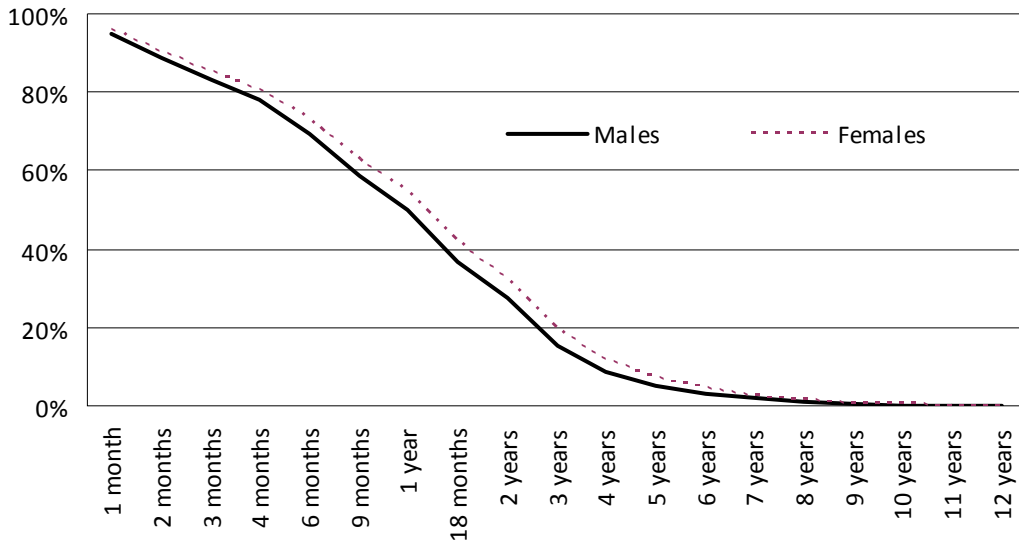
In order to make these comparisons, some additional simplifying assumptions were made:

- it was assumed that the only assets a person owned was a share of the equity in their principal residence
- a person would draw down from their assets to pay for accommodation fees and for the additional component of care fees that arise from the care asset test, but pay all other fees from their income
- incomes, fees and initial asset values are assumed to remain at the same nominal value through the years of the analysis.

These cameos are presented for people receiving a single type of care for up to 10 years. To place these illustrative examples in context, historical data on the probable length of time spent on a community care package (figure B.2) or in residential care (figure B.3) have been provided. The historical data indicates that the majority of care recipients spend less than two years in any given type of care. While some aged care users do use a combination of care types, the probability of someone receiving ten years of care (regardless of the type) is likely to be low (appendix E). Thus, while very few people will use aged care for 10 years, an analysis of the impact of the proposed arrangements for such a length of time allows the interaction of the various means tests and safety nets to be illustrated.

Figure B.2 Probability of remaining on a community care package after a length of time

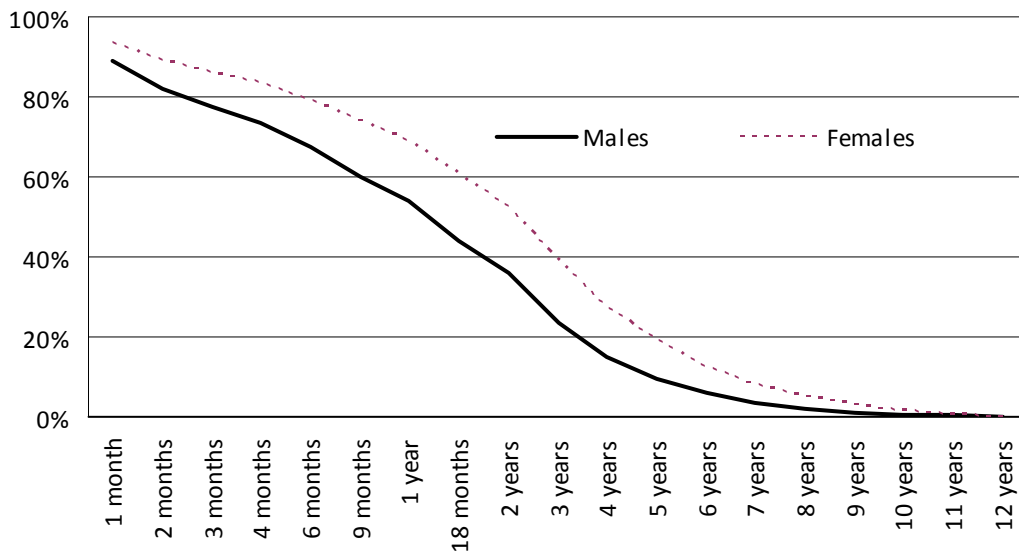
Per cent of all people who were enrolled on a CACP, EACH or EACH-D package for at least some of the period July 1997 to December 2009



Data source: DoHA Aged Care Data Warehouse (supplied on 29 October 2010).

Figure B.3 Probability of remaining in residential care after a length of time

Per cent of all people who were in residential care for at least some of the period July 1997 to December 2009



Data source: DoHA Aged Care Data Warehouse (supplied on 24 September 2010).

Interaction over time cameo 1

For the first cameo examining the interaction of means tests and safety nets over time, a person is assumed to have a fortnightly income of \$1000, initial assets of \$250 000 and to be using residential care (annual care component of \$35 000).

This is consistent with the residential care cameo 2 where the person was assumed to have:

- an initial co-contribution to care of \$128 per fortnight
 - this payment would apply under either a 25 or 35 per cent maximum rate of care co-contribution
- an initial accommodation charge of \$700 a fortnight (table B.1)
- a contribution to everyday living expenses of \$553.05 per fortnight (section B.3).

This cameo demonstrates how the asset test tapers result in a slowing of co-contributions over time.

From table B.13, it can be seen that as a person draws down on their assets to meet their care co-contribution, their co-contributions decline. The reduction in care co-contributions is virtually continuous over time reflecting a decline in the value of their assets under the comprehensive means test. In addition, the person would pay a reducing cost for accommodation until they have been in residential care for at least six years as they would become eligible for a share of the supported resident subsidy.

The annual draw down in assets to contribute towards care and accommodation is initially assumed to be around \$21 000 a year, but declining to around \$9 000 if a person remains in residential care for the full 10 years. As can be seen in figure B.4, most of this draw down in assets is to pay for accommodation. Broadly speaking, the proposed means test arrangements for accommodation are the same as those that currently apply for people entering high care, non-extra service residential care places if there is no protected person living in their principal residence.

Table B.13 Interaction over time cameo 1: Impact of means tests and safety nets over time

Nominal dollars for a person with fortnightly income of \$1000

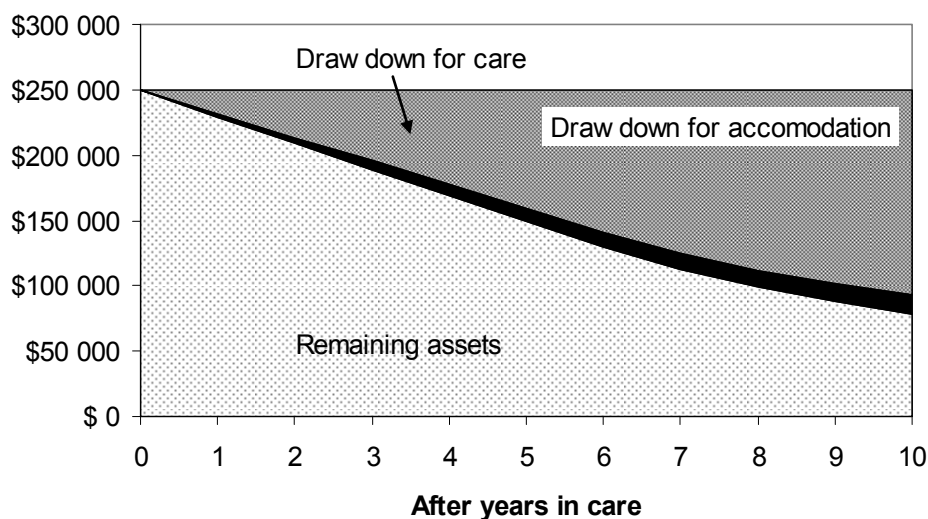
	<i>Assets at start of year</i>	<i>Assets at end of year</i>	<i>Fortnightly care co-contribution</i>	<i>Cumulative lifetime care costs^a</i>	<i>Fortnightly accommodation charge</i>
Year 1	250 000	229 350	128	3315	700
Year 2	229 350	208 940	118	6390	700
Year 3	208 940	188 767	109	9229	700
Year 4	188 767	168 828	100	11 834	700
Year 5	168 828	149 120	91	14 205	700
Year 6	149 120	129 641	82	16 349	700
Year 7	129 641	112 727	74	18 267	610
Year 8	112 727	98 968	66	19 988	496
Year 9	98 968	87 778	60	21 549	404
Year 10	87 778	78 675	55	22 981	328

^a The fortnightly care co-contributions have been rounded to the nearest dollar. As such, the addition to lifetime care costs may not be equal to 26 times the indicated fortnightly care co-contribution.

Source: Productivity Commission calculations.

Figure B.4 Interaction over time cameo 1: Assumed draw down of assets

To contribute to care and accommodation in residential care



Data source: Commission calculations.

For this example, the person does not make sufficient care co-contributions in their lifetime to reach the indicative lifetime stop-loss limit of \$60 000.

How long would it take to reach the lifetime stop-loss limit?

As the co-contributions for care and payments for accommodation reduce as people's assets are drawn down, it would take the person represented in this cameo 50 years to reach the \$60 000 lifetime stop-loss limit for care co-contributions and before their assets were reduced to such an extent that the Government would be responsible for all of their accommodation charges. This example demonstrates how people on moderate income and assets would make only modest payments over their lifetime under the means test arrangements that have been assumed to apply under the proposed reforms.

Interaction over time cameo 2

For the second cameo, the person is assumed to use residential care (with an assumed annual cost of care component of \$35 000). They are assumed to have initial assets of \$500 000 and fortnightly income of \$1500.

This is consistent with the residential care cameo 3 where the person was assumed to have:

- an initial co-contribution to care of \$290 per fortnight
 - this payment would apply under either a 25 or 35 per cent maximum rate of care co-contribution
- an initial accommodation charge of \$700 a fortnight (table B.1)
- contribution to everyday living expenses of \$553.05 per fortnight (section B.3).

This cameo demonstrates how the lifetime care cost stop-loss limit moderates the cost of care for people paying high co-contributions for extended periods of time.

Once again, the draw down of assets to pay for their accommodation and make co-contributions for their care costs leads to a reduction in fortnightly care co-contributions each year (table B.14). However for this cameo, the person's assets remain significantly higher than the asset test threshold for government supported resident accommodation subsidies. The relative contribution of the care co-contributions and accommodation payments to the asset draw down are demonstrated in figure B.5. In this instance, the lifetime co-contribution to care exceeds the assumed stop-loss limit of \$60 000 in the person's tenth year of care, thus also slowing the rate of draw down of their assets.

Table B.14 Interaction over time cameo 2: Impact of means tests and safety nets over time

Nominal dollars for a person with fortnightly income of \$1500

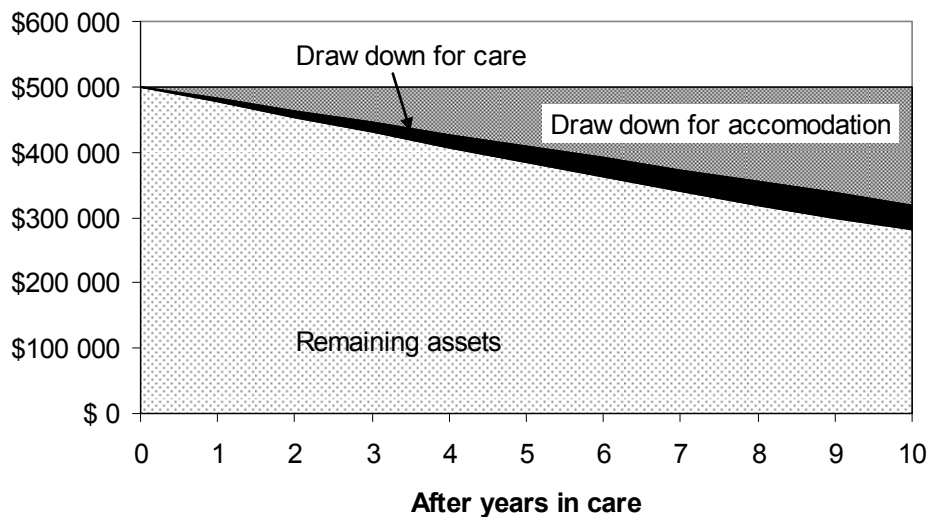
	<i>Assets at start of year</i>	<i>Assets at end of year</i>	<i>Fortnightly care co-contribution</i>	<i>Cumulative lifetime care costs ^a</i>	<i>Fortnightly accommodation charge</i>
Year 1	500 000	476 447	290	7 529	700
Year 2	476 447	453 168	279	14 784	700
Year 3	453 168	430 159	269	21 769	700
Year 4	430 159	407 417	258	28 486	700
Year 5	407 417	384 939	248	34 940	700
Year 6	384 939	362 722	238	41 133	700
Year 7	362 722	340 763	228	47 067	700
Year 8	340 763	319 059	218	52 747	700
Year 9	319 059	299 034	209	58 175	700
Year 10	299 034	280 834	0	60 000	700

^a The fortnightly care co-contributions have been rounded to the nearest dollar. As such, the addition to lifetime care costs may not be equal to 26 times the indicated fortnightly care co-contribution.

Source: Commission calculations.

Figure B.5 Interaction over time cameo 2: Assumed draw down of assets

To contribute for care and accommodation in residential care



Data source: Commission calculations.

Interaction over time cameo 3

For the third cameo examining the interaction of means tests and safety nets over time, a person is assumed to have a fortnightly income of \$1000, initial assets of \$250 000 and to be receiving a CCIP place (annual cost \$25 000). As the care recipient is receiving care in their own home (and not in residential care), their accommodation expenses are not included in this cameo.

This is consistent with the community care cameo 2 where the person was assumed to have an initial co-contribution to care of \$140 per fortnight. This payment would apply under either a 25 or 35 per cent maximum rate of care co-contribution (tables B.5 and B.6).

The annual draw down in assets to contribute to the care co-contributions is initially assumed to be around \$1740 per year, but declining slightly to around \$1620 if the care recipient continues to receive the same care services for the full 10 year period (table B.15). Even after ten years of continuous care, the cumulative care co-contributions are little more than half of the stop-loss limit. There is only a very small cumulative impact of the draw down in the person's assets from the care co-contribution (figure B.6).

Table B.15 Interaction over time cameo 3: Impact of means tests and safety nets over time

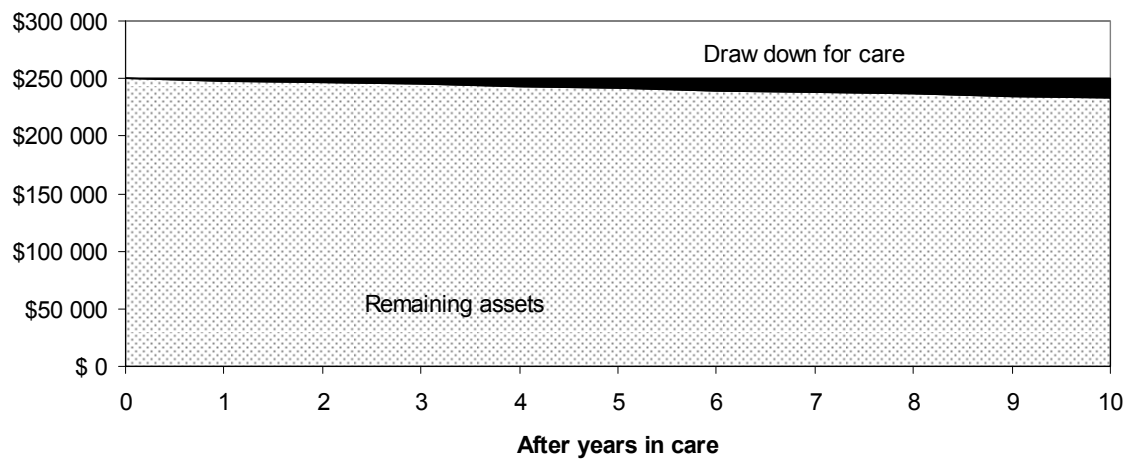
Nominal dollars for a fortnightly income of \$1000

	<i>Assets at start of year</i>	<i>Assets at end of year</i>	<i>Fortnightly care co-contribution</i>	<i>Cumulative lifetime care costs ^a</i>
Year 1	250 000	248 250	139	3618
Year 2	248 250	246 515	139	7221
Year 3	246 515	244 793	138	10 810
Year 4	244 793	243 087	137	14 385
Year 5	243 087	241 394	137	17 946
Year 6	241 394	239 715	136	21 492
Year 7	239 715	238 051	136	25 025
Year 8	238 051	236 400	135	28 544
Year 9	236 400	234 763	135	32 049
Year 10	234 763	233 139	134	35 540

^a The fortnightly care co-contributions have been rounded to the nearest dollar. As such, the addition to lifetime care costs may not be equal to 26 times the indicated fortnightly care co-contribution.

Source: Commission calculations.

Figure B.6 **Interaction over time cameo 3: Assumed draw down of assets**
To contribute to care expenses



Data source: Commission calculations.

