Understanding residential aged care fees and government funding FAQs

Residential Aged Care

Who can assist an older person to fill in the lengthy means (income and assets assessment) form?

An Aged Care Specialist Officer (ACSO) is part of My Aged Care face-to-face services which can support an older person in completing their means (income and assets) assessment.
If a person cannot complete a means assessment form due to physical or mental disability, a third party may complete and sign the form on their behalf. The third party must register with Services Australia or the Department of Veterans' Affairs (DVA) as a nominee to act on the person's behalf.

How did the commencement of the new Aged Care Act on 1 November 2025 affect current resident fees?

The government has confirmed that if you are permanently living in a Mercy Health home on or before 31 October 2025, a **'no worse off'** principle will apply. This means that your current payment arrangements for your daily care and accommodation will stay the same, as long as you remain in residential aged care.

The only change is for residents who currently pay for and receive additional services through Mercy Plus. These arrangements will end on 1 November 2026, unless Mercy Health transitions earlier. If you wish to continue receiving additional services after this time, you will need to enter into a new agreement under **Higher Everyday Living Fee (HELF)**. We will provide you with plenty of time to review the changes and understand what they mean for you before any decision is required.

If you were a resident before 1st November 2025, what will the difference in costs be?

Fees for residential aged care services are means-tested (based on assets and income). As such, the difference between being admitting before or after 1 November 2025 can be minimal for some people, or quite significant.
In general, residents assessed as low means, will typically pay the same fees, regardless of when they are admitted.
Residents with higher means are expected to pay more if admitted after 1 November 2025.
For residents with higher means, this increased cost may occur in four main ways:

Accommodation costs
- If you choose to pay for your accommodation as a **Refundable Accommodation Deposit (RAD)**, monthly retentions now apply.
- If you pay a **Daily Accommodation Payment (DAP),** this fee is now indexed twice a year.

Means-tested care fees
- For residents assessed as eligible to pay means-tested fees, two new fees now apply instead of the former Means Tested Care Fee:

- a **Hotelling Contribution**, which has no cap, and
- a **Non-Clinical Contribution**, which has a lifetime cap only.

Does the Means Tested Care Fee have a cap? What are the current caps for Means Tested Care Fees?

Yes, the Means Tested Care Fee is unique as it has both annual and lifetime caps. As of 1 January 2026, the current annual cap is $35,238.11 and the current lifetime cap is $84,571.66. This cap is indexed. The current cap is available at ***https://www.myagedcare.gov.au/changes-fees-contributions-and-accommodation-costs-while-aged-care-home***.

How is the accommodation deposit handled for a married couple when both partners are seeking residential aged care?

Fees for residential aged care services are means-tested (based on assets and income). For a couple (e.g., Person 1 and Person 2), the asset and income thresholds used to calculate these fees depend on whether one person is entering care, or both. If the couple owns their own home and only one person moves into care, the family home is not counted as an asset, as the other partner still needs somewhere to live. In this situation, the assessment will consider the couple's other assets and income.

If both partners are moving into residential care, the assessment may differ. In some cases, the financial outcome can vary depending on whether both partners enter permanent care on the same day or on different days.

We would recommend seeking financial advice when making these decisions. It is also important to confirm with the prospective aged care home whether they can accept a supported resident, as not all homes do, or it may have a limited number of designated rooms. This can vary between aged care providers.

Is the retention on the RAD/RAC for the whole five years?

The retention is calculated daily and deducted monthly. If a resident passed away after less than five years in care, then the retention ceases at that point.

Now that a retention applies to RAD/RACs, should residents consider paying the DAP instead?

This depends on the individual's situation. The DAP is currently calculated at 7.65% and indexed twice a year on the same date as the pension. Unless you receive 7.65% returns on your investment, the RAD/RAC may still be the better option.

I am moving into permanent care soon and I am eligible for grandfathering because I was approved for home care before the 12 September 2024. The new means test looks cheaper per day than the old means test. Can I opt in to the new rules?

Yes, you can opt in to the new rules. However, we suggest talking to an expert first to ensure you understand the difference in fees. The old means test could be calculated up to $403.80 per day and the new means test up to $127.45 per day. You also need to consider the annual and lifetime caps. There may be up to a $11,000 saving under the old means test.

I am a self-funded retiree, and I do not want to submit the means test form to Services Australia, is that okay?

Yes, it is your choice whether you submit the form or not. However, by not completing the form, you could be liable for the maximum means-test fee. If you choose not to submit your financial information to Services Australia, we still suggest completing the first 14 questions on the form, as this will advise Services Australia that you have moved into care but are not submitting your financial information. If you are not a self-funded retiree, we highly recommend completing the form.

Can I gift my house or assets to my children to help reduce my fees in aged care?

Yes, you can gift your assets, but any such gifts are still counted among your assets for five years.
Gifting a property you live in is never recommended as:

- the person receiving the house will be liable to pay stamp duty, and
- if you receive a pension, you will lose some or all your pension for five years, as the house would then be counted as an asset for pension purposes when it was previously exempt.

What are the must-do steps before moving into residential aged care?

If you receive a pension from the Department of Veterans' Affairs or Centrelink, check your individual record. Most people received their pension at 65 or 67 and have not updated their financial information since. Services Australia will assess your fees based on what they have on record. If they think you have more assets than you do, you may end up paying more in aged care fees than you should.
Speak to an expert to make sure you are getting the best outcome based on your current circumstances. You can speak to a financial advisor, or to a representative from Centrelink or Services Australia.

Why is the new means test lifetime limit so high?

The lifetime limit for means-tested fees is now higher because any means-tested fee contributions you make while receiving Support at Home (the new home care model) will count towards that lifetime limit. If you reach your lifetime limit while receiving home care, you will not need to pay any further means-tested fee contributions if or when you move into residential aged care.

What happens if a resident who had assets and/or income has no funds left to pay for their accommodation and services?

Services Australia offers financial hardship assistance which can help residents with different types of fees and charges.
To be eligible, a resident must:

- have assets valued at no more than $45,969.30 (excluding unrealisable assets)
- not have gifted:
  - more than $10,000 in the current financial year or any of the previous four financial years, or

- more than $30,000 in the past five financial years (comprising the current financial year and the previous four financial years).

Beyond the eligibility criteria, an assessment for financial hardship assistance considers a range of other factors including **unrealisable assets** and **essential expenses**.

RAC- Additional Services/Higher Everyday Living

What are additional services?

Additional Services are optional, non-standard services that enhance a resident's lifestyle and comfort beyond what is funded by the government.
At Mercy Health, this is called Mercy Plus.

What is included in Mercy Plus?

Mercy Plus includes services such as our club menu, which offers residents greater choice of meals, monthly bus outings and more. If you are currently paying for Mercy Plus, you can find the full list of services detailed in your Agreement.

Why is food choice considered additional?

All aged care homes are required by the government to provide meals that are of adequate variety, quality, and quantity.

Offering a greater level of choice, such as a club menu, goes beyond what aged care providers are funded for. This is why it can be offered as an Additional Service. In homes that do not offer Additional Services, a club menu would not be available.

It is important to note that special diets required for medical, cultural, or religious reasons are not considered Additional Services and are always provided as part of standard care. However, personal or lifestyle preferences such as choosing non-genetically modified or organic food, are considered Additional Services.

What if I do not want to use one or more service in Mercy Plus?

At this time, residents who pay for Mercy Plus cannot select or opt out of individual services within their service bundle. We are preparing to transition our Mercy Plus to Higher Everyday Living before 1 November 2026. Prior to this change, we will contact residents directly to explain your options and provide details of the new agreement, including plenty of time to review the information before any decisions are required.

How will my services change when I move from Mercy Plus to Higher Everyday Living?

We recently completed a survey of residents across our homes to better understand which Mercy Plus services they would like to continue.

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Using this feedback, we are now working closely with our operations team to determine how these services can be delivered in each home. As part of this approach, services will move to an exclusive model, meaning that only residents who pay for a service will be able to access their chosen services.

I am paying for Mercy Plus; will I have to pay for Higher Everyday Living?

The choice of which services you access will be entirely up to you. It is important to note that at present Mercy Plus is delivered in a communal way, meaning all residents can access the services regardless of how much they pay. With the introduction of Higher Everyday Living, the government requires that services paid for by residents are not provided communally.
This means that under Higher Everyday Living, only residents who choose to pay for a particular service will be able to access that service.

How will Mercy Health price these services?

At Mercy Health, we are fortunate to operate as a not-for-profit organisation, which allows us to price services based on the actual cost of delivery. It is important, however, that these costs appropriately reflect the labour required to deliver services, to ensure our ongoing financial sustainability. We have a responsibility to balance affordability with sustainability so that Mercy Health can continue to serve our communities and fulfil our mission for many years to come.

Support at Home (SaH)

Is there a minimum balance required before I can request additional services or overtime support?

There is no minimum amount required in your budget before you can request additional services. This should be discussed with your care partner, who can help determine what options are available to you.

If your SaH funding is not sufficient to cover the services you need, there may be other options available, including privately funded services, which we can also assist you to explore.

Why have fees for services such as cleaning almost doubled under this new system?

Under the previous Home Care Package guidelines, providers were permitted to charge a Package Management fee. This fee covered administrative and financial management of a client’s Home Care Package. It included activities such as managing the client’s budget, processing invoices from other service providers, making payments, providing financial statements, and ensuring compliance with national aged care regulations.
As part of SaH, these requirements still apply. However, aged care providers are now required to build these costs into the hourly rates charged for services, rather than listing them separately. This government-mandated change is why it may appear that service fees have increased significantly, when in fact the costs have been restructured into the hourly rate.