

ACCOMMODATION BONDS

What is an accommodation bond?

An accommodation bond is an amount of money that you may be asked to pay for your entry:

- to an aged care facility to receive low level care; or
- to an “extra service” aged care facility to receive either high or low level care.

An extra service facility is a facility that provides a higher standard of accommodation and services than is usual. In return, a higher daily fee is also payable.

Do I have to pay a bond?

The following people are not required to pay an accommodation bond:

- residents whose assets are worth less than 2.25 times the annual single age pension (\$39,000 as at 20/3/11);
- users of respite care;
- anyone who is suffering financial hardship (this is decided by the Department of Health and Ageing); and
- residents entering high level care other than in an extra service facility (these residents may be asked to pay an accommodation charge instead).

A facility cannot legally ask you to pay an accommodation bond unless:

- the facility is “certified”. (This means that the facility’s buildings meet certain requirements.); and
- you and the facility sign an “accommodation bond agreement” before, or within 21 days after, your entry.

What information should I be given?

If a facility wants to charge you an accommodation bond for your entry to the facility it must give you certain information before you enter. This information includes:

- the minimum value of assets you must be left with after paying a bond (\$39,000 as at 20/3/11);
- the amounts of bonds charged by the facility;

- the amount of the bond to be retained by the facility (the retention amount);
- the three payment options (that is, by lump sum, periodic payments or a combination of lump sum and periodic payments);
- the interest rate on the bond if you agree to pay it by lump sum and there is a delay in paying it;
- the interest rate if you pay the bond wholly or partly by periodic payments;
- that other amounts you owe (including interest) may be deducted from the bond before it is refunded;
- how and when the bond will be refunded; and
- the prudential arrangements applying to the bond.

How are my assets assessed?

Centrelink or the Department of Veterans’ Affairs (DVA) assesses the value of the assets of new or prospective residents. This helps to work out the maximum amount of accommodation bond (if any) you may be asked to pay.

The assessment of your assets will take place before you enter a facility if that’s possible. A *Request for an Assets Assessment* form should be completed and sent to Centrelink or DVA (in the case of veterans) who will make a decision about the assessed net value of your assets.

Centrelink or DVA will also decide your resident status, that is, whether you are a “fully supported”, a “partially supported” or a “non-supported” resident if you are entering permanent care for the first time on or after 20 March 2008, or whether you are a “concessional” or an “assisted” resident or neither of these if you first entered permanent care before 20 March 2008. (For an explanation of these terms see our fact sheet called *Introduction to Aged Care*.) You will be given written notice of these decisions and told for how long they will be valid.

You do not have to fill out this form, but if you don’t you may be asked to pay a bond that would leave you with less than the minimum amount of assets.

What are my assets?

Assets include the net value of all your property such as cash, cars, bank deposits, investments, shares, etc: The value of your home will be included unless at the time your assets are assessed or the date you enter a facility (whichever is the earlier):

- your spouse/partner or dependent child is living in the home; or
- your carer, who is eligible for an income support payment, has lived there for at least two years; or
- your close relative, who is eligible for an income support payment, has lived there for at least five years.

If your assets are assessed before you enter a facility and your circumstances change between the time of the assessment and the date you enter care, you may ask for a new assessment if you want to. Any changes after you enter care are not relevant.

How much will I have to pay?

Although the amount of a bond is negotiable, the law says that you must be left with assets of at least 2.25 times the annual single age pension (\$39,000 as at 20/3/11) after the bond is paid.

You and the facility need to agree on the amount of the bond when discussing the financial payments the facility expects you to make if you accept an offer to live in that facility. If a specific bond amount cannot be determined before entry, perhaps because you are still waiting for your assets assessment to be completed, you and the facility should at least agree on the maximum amount of bond the facility could ask you to pay. Even if you choose to pay the bond by periodic payments, you and the facility still need to agree on the amount of bond you would have paid if you were paying it as a lump sum. This amount, known as the “lump sum equivalent”, is used to work out how much the periodic payments will be.

You can only be asked to agree to pay a bond when you enter the facility and you cannot later be asked to pay more than you originally agreed to pay even if your financial circumstances improve after you enter the facility.

How do I pay the bond?

You can choose to pay it by a lump sum, by periodic payments or a combination of both. *We suggest you get financial advice about what arrangement is best for you.*

If you choose to pay the bond as a lump sum, you don't have to make any payments until six months after you move in. But keep in mind that if you don't pay when you move in, the facility can charge you the interest it could be expected to have received if you had paid immediately.

If a facility asks you or anyone else to provide a guarantee or to sign any legal document that would give them security over any property make sure you get legal advice. Another person must not be required to pay the bond as a condition of you entering the facility.

Paying by periodic payments

If you decide to pay the bond by periodic payments you will probably be asked to pay fortnightly or monthly (you cannot be asked to pay more regularly than weekly).

The amount of each payment will be based on

- the lump sum equivalent;
- the interest that the facility could be expected to have received if the bond had been paid as a lump sum;
- the relevant retention amount; and
- the frequency of the payments.

After the equivalent of five years of retention amounts have been paid, this component is removed from the payment, leaving only the interest to be paid.

Do I get a written agreement?

You cannot be asked to pay a bond unless you (or your authorised representative) and the facility sign an “accommodation bond agreement” before, or within 21 days after, your entry. The information that must be set out in the agreement includes:

- the amount of bond you have agreed to pay;
- your proposed date of entry, or date of entry, to the facility;

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- the payment method you have chosen (lump sum, periodic payments or both);
- when the bond is payable;
- the retention amount and when these amounts will be deducted from the bond;
- the retention amounts payable if you are provided with care for not more than two months;
- the conditions that will apply if you agree to pay the bond but you do not enter the facility;
- any financial hardship provisions that apply;
- the rate of interest payable if the bond is paid wholly or partly as a lump sum after your entry date, is paid by periodic payments, or has not been paid when it was due to be paid;
- the way interest charges are calculated;
- the interest payable if you pay the bond as a lump sum but leave the facility within two months of entry;
- the interest payable if you agree to pay the bond by a lump sum but leave the facility without paying it;
- other amounts that may be deducted from the bond;
- when the bond will be refunded and how the refund will be worked out.

If you have chosen to pay the bond wholly or partly by periodic payments, the agreement must also state:

- the amount of the lump sum equivalent;
- the amount and frequency of each payment;
- how much of each payment represents interest and how much represents a retention amount; and
- that you have the right to switch to paying the bond as a lump sum at any time.

Is the money safe?

Prudential Standards have been implemented to strengthen the management and security of bonds paid to providers. Providers are required to give you (or your representative) certain information.

Within seven days of entering into an accommodation bond agreement the provider must give you:

- a copy of the agreement; and
- a written guarantee that your bond (less retention amounts) will be repaid.

Within four months after the end of each financial year, the provider must give you a written statement in respect of that year that includes:

- the number of bond balances that were not refunded on time;
- a statement about whether the provider complied with the applicable Prudential Standards;
- a copy of the audit opinion on whether the provider has complied with the applicable Prudential Standards; and
- a copy of the entry in the bond register relating to you as at the end of the financial year.

On request, the provider must give you within seven days of the request:

- a copy of the current entry in the bond register relating to you; and
- the most recent statement of the facility's audited accounts (or of the organisation's audited accounts if the facility is operated as part of a broader organisation).

If you have been approved for residential care by an ACAS and are considering entering a particular facility, you may request from that facility:

- a statement detailing the number of bond balances that, in the previous financial year, were not refunded on time;
- a statement detailing whether the provider complied with the applicable Prudential Standards in the previous financial year;
- a copy of the audit opinion on whether the provider has complied with the Prudential Standards in the previous financial year; and
- the most recent statement of the facility's audited accounts (or of the organisation's audited accounts if the facility is operated as part of a broader organisation).

The Government has also established a Guarantee Scheme and guarantees the refunding of bond balances if a provider becomes bankrupt or insolvent and is unable to repay bond balances.

Who gets the interest on the bond?

The interest goes to the facility. It must be used for specific purposes such as improving the

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quality and range of services or improving the buildings.

Will I get any of the bond back?

If you have paid a lump sum usually you will get some back. The law allows the facility to keep a “retention amount” for every month or part of a month that you live in the facility up to a total of five years. (The only exception to this rule is if you stay for two months or less, in which case the facility can keep three months worth of retention amounts.) If you move to another facility that charges bonds before you have lived in the first facility for five years, the period continues on in the second facility – it does not start again.

The maximum monthly retention amount that the facility can keep depends on the amount of bond you pay. The monthly amount does not change during the five years if you continue to live in the same facility.

Refunding the bond balance

If you leave a facility to enter another facility:

- if you give more than 14 days notice, you must be given the bond balance on the day you leave;
- if you give notice within 14 days prior to leaving, you must be given the bond balance within 14 days after you give notice;
- if you give no notice prior to leaving, you must be given the bond balance within 14 days after you leave.

If you leave a facility to move back to your own home or the home of a carer, you must be given your refund within 14 days after you leave.

If a resident dies, the facility must pay the bond balance within 14 days after being shown the grant of probate or letters of administration.

A facility is required to pay interest on a bond balance from the day a resident leaves (or dies) until the day that the bond balance is repaid. Two interest rates apply. A base interest rate is payable for the period between the day after the day on which the resident leaves (or dies) and the

date the bond balance is refunded or the date the time frame for refunding the bond balance expires, whichever is the earlier. If the bond balance has not been refunded within the required time frame, a higher interest rate applies for the period after the expiration of that time frame until the bond balance is refunded. (Rules for calculating the rate of interest are set out in the *User Rights Principles 1997*.)

Apart from the retention amounts, the facility may also deduct from the bond any interest or other amounts that you owe to the facility under the accommodation bond agreement or any other agreement.

What if I move to another facility?

If you paid a bond and then move to another facility to receive low level care, or to an extra service facility (for either low or high level care), within 28 days of leaving the first facility, the maximum bond you can be asked to pay to the second facility is the amount of the refund that you are entitled to from the first facility. The balance of the five year retention period (if any) will carry over to the second facility.

If you paid a bond and then move to another facility (other than an extra service facility) to receive high level care you may, with the agreement of the second facility, either:

- have the bond balance refunded to you and have your assets assessed to see if you may be asked to pay an accommodation charge to the second facility; or
- transfer the bond balance to the second facility. The balance of the retention period (if any) will carry over to the second facility.

Contact ERA

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