



Australian Government

Department of Health

Aged Care Rules – Consolidated Draft Rules Relating to Funding

Public Release – Supporting Document



Purpose

The purpose of this document is to further explain some of the topics in the Rules under the *Aged Care Act 2024* (the new Act) regarding **funding**. It aims to assist stakeholders to provide feedback to the Department of Health and Aged Care (the department) on the new Aged Care Rules (the Rules).

It is not a comprehensive guide to the Rules or a standalone document. Please read it alongside:

- the [new Act](#) and its [Explanatory Memorandum](#)
- the Overview of the [New Aged Care Act Rules consultation – Release 2 – Funding of aged care services \(Chapter 4\)](#)
- the [draft Rules](#) released under Stage 2b.

Context

The department is publishing the exposure draft of the Rules in stages, ahead of the new Act starting from 1 July 2025. The Rules have been prioritised so that new Rules and areas of strong interest are released earlier, to provide the community and sector with more time to consider them and make sure we have them right. A [timeline](#) sets out each topic and its indicative release date for public feedback.

- The Stage 1 release contained the draft [service list](#). This outlined the care and services that will be available to older people under the new laws. Submissions closed on 31 October 2024. A summary of the feedback is available on the [Ageing and Aged Care Engagement Hub](#).
- The Stage 2a release contained draft Rules for Chapter 4 of the new Act. The release focused on funding related to the new Support at Home program, including subsidies, individual contributions and means testing. Submissions closed on 6 December 2024. The department will release a summary of feedback once available.
- Ahead of the Stage 2a release, the department published an Overview of the [New Aged Care Act Rules consultation – Release 2 – Funding of aged care services \(Chapter 4\)](#).

The overview did not include information on different funding arrangements for existing care recipients, known as the *no worse off* principle. The Act was amended while it was in parliament, after the release of Stage 2a, to allow for the *no worse off* principle to be included in the Rules. The *no worse off* principle is an important aspect of funding of aged care services and applies only to financial elements of the new Act, rather than the new laws as a whole.

Rules are being released through the same [consultation page](#) on the department's website.

What is in the Stage 2b release?

This release contains:

- Stage 2a Rules (funding for Support at Home)
- New Stage 2b Rules (funding for other aged care programs)
- New Rules regarding funding for individuals who are already accessing funded aged care services on 1 July 2025 (i.e. the *no worse off* principle).

These Rules are authorised by Chapter 4 of the new Act. Chapter 4 sets out the funding arrangements for individuals accessing aged care services funded by the Australian Government. These services are funded through government contributions (subsidies or grants) and individual contributions and fees. The Rules set out things like:

- how much funding the government will provide
- how much individuals pay (contribute) to providers for the services they are accessing
- how those amounts are calculated for individuals who are already accessing aged care services on 1 July 2025.

Appendix A provides a full list of topics included in this release. It highlights where changes have been made to the Rules since the publication of Stage 2a. It also shows topics of new information for funding rules and topics within Chapter 4 that are excluded from this release.

What is **not** in the Stage 2b release?

While most of the Rules for Chapter 4 will be published in this release, there are some funding topics which the department is still finalising.

Given the amount of changes the government is making to aged care – and how it funds aged care services – it is important to take the time to incorporate the sector’s ongoing feedback and get the detail right to enable:

- meaningful engagement
- an understanding of the changes and what they will mean for providers, workers and older people
- constructive feedback for the department’s consideration.

The following topics are excluded from Stage 2b and will be released at a later date:

- subsidy calculations for older people who entered permanent residential aged care before 1 July 2025
- the Grantee Code of Conduct
- accommodation payments and accommodation contributions, including the new retention amounts for refundable deposits and the indexation applied to a daily accommodation payment (DAP).

Information on subsidy calculations for existing care recipients can be found at Division 44 of the [Aged Care Act 1997](#) and Division 44 of the [Aged Care \(Transitional Provisions\) Act 1997](#).

Further information on the Grantee Code of Conduct and accommodation payments, please refer to the Overview of the [New Aged Care Act Rules consultation – Release 2 – Funding of aged care services \(Chapter 4\)](#).

A hint for reading the Rules

The structure of the Rules (Chapters, Parts, Divisions, Subdivisions) does not follow the same structure as the new Act. However, each provision in the Rules must be authorised by a provision in the new Act.

*For example, the definition of **cost** in section 7 of the new Act is ‘cost, for the delivery of a funded aged care service, has the meaning prescribed by the rules.’ Section 11 of the draft Rules provides that ‘For the purposes of the definition of cost in section 7 of the Act, the cost for the delivery by a registered provider of a funded aged care service for which the subsidy basis is cost means the amount charged by the provider for the delivery of the service.’*

Why is Stage 2a being released again?

The re-release of Stage 2a will support stakeholders to view the Chapter 4 Rules holistically and guide their feedback. As the feedback received from the Stage 2a Rules is still being analysed and considered, the content of this release has not changed from the original release in November 2024.

What is the *no worse off* principle?

On 12 September 2024 the government [announced](#) that the new Act would include a *no worse off* principle. This will provide certainty to individuals already in aged care that they will not need to make a greater contribution to their care. The *no worse off principle* applies **only to the funding** of aged care services in the new Act and not to other areas of the new laws.

Support at Home

The new Support at Home program will replace the Home Care Packages Program and Short-Term Restorative Care Program from 1 July 2025. The Commonwealth Home Support Program will transition to the new program no earlier than 1 July 2027.

Contributions

Anyone who received approval for a Home Care Package on or before 12 September 2024 will have a lower individual contribution rate for Support at Home even if they have not started using or been assigned that package by 1 July 2025. Additionally, should they move to residential care, they will pay the current means tested care fee instead of the new hotelling contribution or non-clinical contribution.

For these individuals, the current lifetime cap (\$82,000) will apply to contributions for Support at Home. Once this cap is reached, individuals will no longer contribute. Any amounts of income tested care fee paid by the individual previously in home care will count towards the Support at Home lifetime cap.

Subsidies and unspent funds

Any individuals who are approved for a Home Care Package before the new Act commences will maintain the same level of funding. They will also retain any unspent funds they may have. If these individuals have another assessment, and are entitled to a higher level of funding, they will move to the new Support at Home classification when one becomes available but will maintain their same contribution rates and their unspent funds.

Examples

Two examples are provided below to show how the *no worse off* principle will work in practical terms for individuals on a pension. Please note these are examples only and not a comprehensive list of Support at Home scenarios.

Example for a Support at Home program – Part Pensioner, approved HCP prior to 12 September 2024

Daniel received approval for a Home Care Package on 1 May 2024. He started receiving services on 15 December 2024. Under the existing legislation, based on his income, he is expected to pay a daily [income tested care fee](#) even if he doesn't receive services every day.

When the new Act commences, Daniel will be *no worse off*. He will no longer be expected to pay the income tested care fee. He will instead pay an individual contribution for each service he uses.

For example, if Daniel's non-pension income was \$40,000 per annum, he will pay, as a new participant, a contribution rate of:

- 9.2% instead of 21.6% for independence services
- 9.2% instead of 40.6% for everyday living services.
- 0% for clinical services.

Daniel's total monthly contribution amount may change depending on the services he uses. As an example, if he uses lots of services one month and then fewer the next, his total contribution amount may vary. However, his contribution rate will remain the same at 9.2%.

The *no worse off* contribution arrangements mean he will pay a lower contribution rate than a new participant accessing the same services and will remain on the lower rates no matter how long he remains in Support at Home, even if he is reassessed and changes package levels.

No Worse Off Principle

Individuals will not pay more in fees than previously assessed, if, as of 12 September 2024, (when the government introduced the Aged Care Bill to Parliament) they were:

- *receiving a Home Care Package*
- *approved for Home Care Package and on the National Prioritisation system*
- *approved for a Home Care Package but not yet on the National Prioritisation system (waitlist).*

This principle applies for their lifetime, even if they leave and later return to care. This includes:

- *no fees if previously assessed to not pay any income-tested care fee*
- *lower Support at Home rates if previously assessed to pay an income-tested care fee.*

Example for a Support at Home program – Part Pensioner, approved HCP after 12 September 2024:

Boris was approved for a Home Care Package after 12 September 2024. He started receiving services on 15 November 2024. At that time, he started paying a daily income tested care fee based on his income, regardless of how much he used those services. As Boris's non-pension income is \$40,000 per annum, from 1 July 2025, his contribution rate will be:

- 21.6% for independence services
- 40.6% for everyday living services
- 0% for clinical services

Under the new Act, the lifetime cap of \$130,000 will apply to contributions for Support at Home. Once this cap is reached Boris will no longer contribute. Any contributions for support made by Boris in his previous Home Care Package will count towards Support at Home lifetime cap.

Example for a Support at Home – Full Pensioner, approved HCP prior 12 September 2024:

Emily was already receiving a Home Care Package on 12 September 2024 (when the government introduced the Aged Care Bill to Parliament). As a full rate pensioner, she **does not pay** a daily income care fee.

Under the *no worse off* principle, Emily will **continue to pay no fees** toward her home care costs under Support at Home. Emily will **continue to pay no fees** no matter how long she remains in Support at Home, even if she is reassessed and changes package levels.

In addition, if Emily enters residential care, even after 1 July 2025, she is eligible to pay a means tested care fee rather than the new hotelling or non-clinical care contributions.

No Worse Off Principle

Anyone who was approved for home care as at 12 September 2024 (when the government introduced the Aged Care Bill to Parliament) but has not been means tested by 1 July 2025 will have their income assessed under the current home care means testing arrangements.

This will determine if they would have been required to pay a daily income care fee and whether the no worse off principle will apply (as per above example). Anyone who is approved for a Home Care Package after 12 September 2024 will transition to the standard Support at Home rates from 1 July 2025.

[Click here to learn more about Support at Home.](#)

Residential care

Anyone who has entered mainstream permanent residential care before 1 July 2025 will continue to pay their current fees. They will not be subject to the new retention amounts for refundable deposits or have indexation applied to their daily accommodation payments (DAPs), except in very specific circumstances.

The department has previously published case studies to show [how different Australians would contribute to their residential care](#).

The Rules differentiate between contribution classes and accommodation classes:

- an individual's **contribution class** (means testing, subsidy, fees, charges or contributions arrangements) is set for life, no matter if they leave care for any period, unless they specifically choose to opt in to the post-1 July 2025 arrangements.
- an individual's **accommodation class** may change if they leave care for more than 28 days, and they may be subject to DAP indexation and refundable accommodation deposit (RAD) or refundable accommodation contribution (RAC) retentions.

If an individual already in care on 1 July 2025 chooses to opt in to the new arrangements, their accommodation arrangements will not change until they move to a different approved residential care home and enter into a new accommodation agreement.

Specialist aged care programs

For any individuals accessing services that are being delivered under a specialist aged care program before the new Act commences, there are minimal changes to their funding arrangements. As a result, the Rules will not contain additional transitional rules for these programs.

This includes individuals in any of the following programs:

- Commonwealth Home Support Program (CHSP)
- Transition Care Program (TCP)
- Multi-Purpose Service Program (MPSP)
- National Aboriginal and Torres Strait Islander Flexible Aged Care Program (NATSIFACP)

Some individuals who currently access services through one of the specialist aged care programs have also received an approval for a Home Care Package. These individuals may be waiting for a Home Care Package to become available or may have opted to be removed from the waitlist. If these individuals choose to access services through Support at Home from 1 July 2025 or mainstream residential care, they will be subject to the *no worse off* arrangements outlined above.

If an individual is on leave from mainstream permanent residential care immediately before commencement of the new Act, including if they are on leave to access TCP services, they will be subject to the *no worse off* contribution and accommodation arrangements in residential care.

However, individuals who are accessing residential care through MPSP or NATSIFACP, and do not have a home care approval as at 12 September 2024, will not be eligible for the *no worse off* arrangements should they enter mainstream residential care after the new Act commences.

Glossary

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| Commonwealth Home Support Program (CHSP) | <p>A program that provides entry-level support for older individuals. It helps older people live independently and safely at home.</p> <p>The Commonwealth Home Support Program will transition to the Support at Home Program no earlier than 1 July 2027.</p> |
| Daily Accommodation Contribution (DAC) | <p>A contribution, expressed as a daily amount, paid by an individual to a provider towards the cost of a room (or part of a room) in an approved residential care home, when they are a low means individual.</p> <p>A means assessment determines whether an individual is eligible for government support with their accommodation costs and, if applicable, how much DAC an individual is required to pay.</p> <p>An individual may alternatively choose to pay their accommodation contribution as a Refundable Accommodation Contribution (RAC) or a combination of a RAC and DAC.</p> |
| Refundable Accommodation Contribution (RAC) | <p>A refundable lump sum contribution paid by an individual to a provider towards the cost of a room (or part of a room) in an aged care home, when they are a low means individual.</p> <p><i>A RAC is the equivalent of a Daily Accommodation Contribution (DAC) expressed as a lump sum.</i></p> |
| Daily Accommodation Payment (DAP) | <p>A payment, expressed as a daily amount, paid by an individual to a provider for the cost of room (or part of a room) in an approved residential care home.</p> <p><i>A DAP is the equivalent of a Refundable Accommodation Deposit (RAD) expressed as a daily amount.</i></p> |
| Refundable Accommodation Deposit (RAD) | <p>A refundable lump sum payment paid by an individual to a provider for the cost of room (or part of a room) in an approved residential care home.</p> <p>The amount is equivalent to the agreed room price set by the provider – the Government does not contribute towards the individual's accommodation costs.</p> |
| Retention Amount | <p>A non-refundable amount that a provider must deduct from the refundable deposit – (RAD or RAC) of an individual that commences accessing ongoing funded aged care services through an approved residential care home on or after 1 July 2025.</p> <p>Retention deductions are calculated based on a rate of 2% per annum applied to the refundable deposit balance each day. RAD retention deductions are capped at a period of 5 years.</p> |

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| Multi-Purpose Service Program (MPSP) | A program that combines Australian Government funding for access to aged care services with state and territory funding for access to health services. The program allows small rural and remote communities to offer flexible aged care services that meet the needs of their community. |
| National Aboriginal and Torres Strait Islander Flexible Aged Care program (NATSIFACP) | A program tailored to provide funded aged care services to meet the needs of Aboriginal and Torres Strait Islander peoples, allowing them to remain close to home and community. |
| Transition Care Program (TCP) | A program that provides short-term care for up to 12 weeks to optimise the functioning and independence of older people after a hospital stay. |

Appendix A

The table below highlights where changes have been made to the Rules for funding of aged care services since publication of Release 2a. It also shows topics of new information for funding rules.

| Rules references | Act references | Changes since 2a was published |
|---|---|---|
| Chapter 1—Introduction | N/A | |
| Part 1—Preliminary | N/A | no change |
| Part 2—Definitions | N/A | changes related to new provisions |
| Chapter 7—Funding of aged care services— Commonwealth contributions | Chapter 4, Part 2 | inclusion of <i>no worse off</i> principle and residential care and specialist aged care programs, does not include Grantee Code of Conduct |
| Part 2—Subsidy for home support | Chapter 4, Part 2, Division 1 | inclusion of transitional rules and <i>no worse off</i> principle |
| Part 3—Subsidy for assistive technology | Chapter 4, Part 2, Division 2 | inclusion of transitional rules and <i>no worse off</i> principle |
| Part 4—Subsidy for home modifications | Chapter 4, Part 2, Division 3 | inclusion of transitional rules and <i>no worse off</i> principle |
| Part 5—Secondary person-centred supplements for home support, assistive technology and home modifications | Chapter 4, Part 2, Divisions 1-3, sections 197, 214, 223 | Bill amendments reflected |
| Part 6—Unspent Commonwealth portions and home care accounts | Chapter 4, Part 2, Division 3A | N/A - new |
| Part 7—Subsidy for residential care | Chapter 4, Part 2, Division 4 | N/A – new Does not include redrafted calculators for existing subsidy arrangements |
| Part 8—Reduction amounts—compensation payment reduction | Chapter 4, Part 2, Divisions 1-3, 4, sections 199, 216, 225, 233, 241 | inclusion of transitional rules and residential care |
| Part 9—Subsidy for certain specialist aged care programs | Chapter 4, Part 2, Division 5 | N/A - new |
| Part 10—Subsidy claims and payment | Chapter 4, Part 2, Division 6 | N/A - new |
| Part 11—Grants | Chapter 4, Part 2, Division 7 | N/A – new – excluded from this release |
| Chapter 8—Funding of aged care services—individual fees and contributions | Chapter 4, Part 3 | inclusion of residential care, specialist aged care programs, transitional rules and <i>no worse off</i> principle |
| Part 2—Individual fees and contributions | Chapter 4, Part 3 | inclusion of <i>no worse off</i> principle, residential care and specialist aged care programs |
| Division 1—Fees and contributions payable in a home or community setting | Chapter 4, Part 3, Division 1 | inclusion of <i>no worse off</i> principle |

| Rules references | Act references | Changes since 2a was published |
|--|-------------------------------|---|
| Division 2—Fees and contributions payable in an approved residential care home | Chapter 4, Part 3, Division 2 | N/A - new |
| Division 3—Fees and contributions for specialist aged care programs | Chapter 4, Part 3, Division 3 | N/A - new |
| Chapter 9—Funding of aged care services—accommodation payments and accommodation contributions | Chapter 4, Part 4 | N/A – new – excluded from this release |
| Chapter 10—Funding of aged care services—means testing | Chapter 4, Part 5 | inclusion of <i>no worse off</i> principle and residential care |
| Part 2—Means testing | Chapter 4, Part 5 | inclusion of <i>no worse off</i> principle and residential care |
| Division 1—Means testing in a home or community setting | Chapter 4, Part 5, Division 1 | inclusion of <i>no worse off</i> principle |
| Division 2—Means testing in approved residential care home | Chapter 4, Part 5, Division 2 | N/A - new |