

2004-2005-2006

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

SENATE

AGED CARE AMENDMENT (RESIDENTIAL CARE) BILL

SUPPLEMENTARY EXPLANATORY MEMORANDUM

Amendments to be Moved on Behalf of the Government

(Circulated by authority of the
Minister for Ageing, Senator the Honourable Santo Santoro)

AGED CARE AMENDMENT (RESIDENTIAL CARE) BILL

OUTLINE

The proposed government amendment amends the *Aged Care Amendment (Residential Care) Bill 2006*.

The amendment

The *Aged Care Amendment (Residential Care) Bill 2006* amends the *Aged Care Act 1997* to, *inter alia*, harmonise aged care and pension requirements in relation to income streams.

This amendment restricts the application of the proposed new subsections 44-10(1A) and (1B) of the *Aged Care Act 1997* to income streams purchased on or after 20 September 2007.

This amendment responds to concerns raised in consultations with the community that prospective residents who purchased an income stream on or after 20 September 2004 could be disadvantaged by the proposed new subsections 44-10(1A) and (1B), as residential care providers would be able to take 50 per cent of the asset value of such an income stream into account when determining the level of the accommodation payment that the prospective resident could be asked to pay even though the prospective resident was not able to commute the income stream into an asset with which to pay the accommodation payment.

The amendment retains the 100 per cent exemption that currently applies to complying income streams for aged care purposes until 20 September 2007. Income streams purchased on or after 20 September 2007 will be treated for aged care assets test purposes as they are treated for pension assets test purposes under the *Veterans' Entitlements Act 1986* and the *Social Security Act 1991*.

Financial Impact

The financial impact of this amendment will have no significant impact upon the finances of the Commonwealth.

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NOTES ON CLAUSES

Item 1

This item restricts the application of the proposed new subsection 44-10(1A) to income streams purchased on or after 20 September 2007.

Item 2

This item restricts the application of the proposed new subsection 44-10(1B) to income streams purchased on or after 20 September 2007.