Australian Government
Department of Health, Disability and Ageing

Residential Aged Care Accommodation Pricing Review

Consultation Paper

September 2025

Contents

Part 1: Introduction

At June 30 2024, there were 198,362 older Australians in residential aged care. Over the 2023-24 financial year, the Commonwealth contributed $21.27 billion for the care of these residents. From 2020-21 to 2023-24, the Australian Government's annual funding for residential aged care has increased by $6.72 billion. In 2023-24, the Commonwealth contributed 68.2% of the income received by the residential aged care sector[1].

Overview of accommodation pricing

Accommodation in residential aged care is means tested:

- approximately 19% of residents are *fully supported* residents and do not contribute towards the cost of their accommodation. The government pays an Accommodation Supplement directly to the residential care provider on behalf of the resident;
- approximately 19% of residents are *partially supported* residents and contribute some of the costs of their accommodation. The government pays a partial Accommodation Supplement to cover the remainder of the costs;
- approximately 62% of residents are *non-supported* residents and pay for their aged care accommodation in full. Non-supported residents pay a room price that they agree with their provider before entering care.

Residents who are required to pay some or all of their accommodation costs choose how they pay for their accommodation, between:

- refundable lump sum payments, known as Refundable Accommodation Deposits (RAD). Where a resident is partially supported, this is known as a Refundable Accommodation Contribution (RAC). The resident pays this amount on or after entry to care, and the balance is refunded to them or their estate on their exit;
- non-refundable rental-style payments, known as Daily Accommodation Payments (DAP). Where a resident is partially supported, this is known as a Daily Accommodation Contribution (DAC). These are expressed as a daily fee, paid periodically by the resident to the provider; or
- any combination of the two.

[1] Figures include older Australians in respite and the costs of their care.

Permitted uses apply to lump sums held by providers to ensure that they are invested prudently and support accommodation works and maintenance. More details about permitted uses of refundable deposits is provided by the Aged Care Quality and Safety Commission in the Prudential Fact Sheet - Permitted uses of Refundable Accommodation Deposits.

Aged Care Taskforce and 2025 reforms

The Aged Care Taskforce in 2023 made several recommendations relating to how accommodation in residential aged care is priced.

In response to the Taskforce, the government announced three reforms to accommodation pricing for residents that pay some or all of their accommodation costs.

- From 1 January 2025, the maximum accommodation price a provider can charge was increased from a RAD of $550,000 to $750,000 (or equivalent DAP). This price will be indexed on 1 July each year, and as of 1 July 2025 is $758,627.
    - Providers continue to need prior approval from the Independent Health and Aged Care Pricing Authority (IHACPA) to charge above this amount.
- Providers will deduct a small portion of the refundable deposit balance for residents that enter permanent care from 1 November 2025. While known as *RAD retention*, it will apply to both RADs and RACs.
    - The amount deducted will be calculated at a rate of 2% per annum applied to the daily balance of the refundable deposit and deducted no more than once per month, but at least once in each 3-month period.
    - To protect residents that remain in care for a long time, the retention deductions will be limited to 5 years.
    - Once a retention amount is deducted, it is no longer part of the RAD, so permitted use restrictions no longer apply. This means the provider may use the deducted amount as they choose (for example to meet operational costs). The Accommodation Payment Guarantee Scheme does not apply to deducted amounts including retention deductions.
- The DAPs of new residents that enter permanent residential care from 1 November 2025 will be indexed on 20 March and 20 September each year (the same day the Age Pension is indexed).
    - This will not apply to DACs for partially supported residents, as this is already indexed through the Accommodation Supplement.

For residents in care before 1 November 2025, their existing arrangements for RAD retention and DAPs will not change.

Matters for this review

The Accommodation Pricing Review (the Review) will consider the appropriateness of current settings for the Accommodation Supplement and accommodation pricing. In doing so, the Review will take a resident-focused approach in line with the Statement of Rights as per Part 3.1.23 of the Aged Care Act 2024; and also have regard to the ongoing sustainability of the aged care sector, the fiscal impact of reforms, and the efficient delivery of aged care services over the short and long term.

The Review will provide advice on policy, program, funding, and administrative settings that should:

- provide equity of contribution and outcomes regardless of how a particular individual's aged care accommodation costs are met or where they are located;
- ensure that low means residents have access to high quality accommodation within residential aged care;
- support the capacity of providers to invest in and deliver places in high quality residential aged care homes that will meet the needs of Australia's ageing population;
- foster a sector able to innovate and attract investment; and
- examine the adequacy of accommodation revenue, including the supplement, having regard to the impact of recent reforms, including changes to the Refundable Accommodation Deposits (2% retention and increasing the maximum room price from $550,000 to $750,000 on 1 January 2025).

The full Terms of Reference for this review are detailed at Attachment A.

Matters out of scope for this review

- A subsequent independent legislated review by 2030 will consider the use of refundable deposits. However, some of the matters in scope for this review, such as the relationship between RADs and DAPs, will contribute towards the progressive steps to reduce sector reliance on RADs for capital funding.
- The rate of RAD retention, which has been legislated at 2%.
- Changes to permitted uses of refundable deposits[2]

2. More details about the permitted uses of refundable deposits is provided in the Prudential Fact Sheet - Permitted uses of Refundable Accommodation Deposits.

Submissions

Interested parties may make a submission with responses against all or some of the proposed consultation questions or any other matters they consider relevant for the terms of reference. Submissions are to be made to: accompricingreview@health.gov.au

Submissions are intended to be published. Please advise if you do not want your submission published. A declaration of interests should be enclosed.

Submissions must be received by 5pm AEDST 31 October 2025.

Part 2 – Accommodation Supplement for Supported Residents

Accommodation Supplement

An Accommodation Supplement is paid by government for residents who do not have the means to fully cover the accommodation costs associated with residential aged care. Eligibility for the supplement is determined by Services Australia, based on a combined assets and income test.

In 2023-24 the Commonwealth contributed $1.53 billon to the residential aged care sector via the Accommodation Supplement. This was a 9.5% increase on the previous financial year.

Maximum rates

There are currently three maximum rates of Accommodation Supplement payable for eligible permanent residential care recipients (see Table 1).

The rate of the supplement is impacted by the proportion of residents within a facility who are of low means (fully or partially supported residents). Note the rate of the supplement received by a facility can change month to month depending on the proportion of residents of low means.

Table 1 Accommodation Supplement rates and proportion of services receiving each rate (maximum)

Eligibility	Daily supplement rates (applicable from 20 March 2025)	Proportion of services (among those receiving the Accommodation Supplement at 30 June 2025)
If the service is significantly refurbished or newly built on or after 20 April 2012		
40% or more of the permanent residents in the facility in the relevant payment period are low means care recipients, supported residents, or residents for whom concessional resident supplement is payable	$69.79	62%
Less than 40% of the permanent residents in the facility in the relevant payment period are low means care recipients, supported residents, or residents for whom concessional resident supplement is payable	$52.34	24%
If the service meets building requirements in Schedule 1 of the Aged Care (Transitional Provisions) Principles 2014		

Eligibility	Daily supplement rates (applicable from 20 March 2025)	Proportion of services (among those receiving the Accommodation Supplement at 30 June 2025)
40% or more of the permanent residents in the facility in the relevant payment period are low means care recipients, supported residents, or residents for whom concessional resident supplement is payable	$45.51	10%
Less than 40% of the permanent residents in the facility in the relevant payment period are low means care recipients, supported residents, or residents for whom concessional resident supplement is payable	$34.13	4%
If the service does not meet those requirements		
40% or more of the permanent residents in the facility in the relevant payment period are low means care recipients, supported residents, or residents for whom concessional resident supplement is payable	$38.23	-
Less than 40% of the permanent residents in the facility in the relevant payment period are low means care recipients, supported residents, or residents for whom concessional resident supplement is payable	$28.67	-

The Higher Accommodation Supplement (HAS) refers to the Accommodation Supplement provided to facilities which are built or significantly refurbished on or after 20 April 2012. The intent of the HAS, which was introduced on 1 July 2014, is to:

- encourage the development of additional capacity in the residential care sector; and,
- enhance the quality and amenity of accommodation for care recipients.

Since its introduction, the proportion of services receiving the HAS rose to 86%. However, the Financial Report on the Australian Aged Care Sector 2023-24 (FRAACS) has shown that there has been a decline in residential aged care building as well as a decline in new building development.

There are a range of factors to consider as to whether current policy parameters relating to the HAS remain appropriate. It could be argued that services that have been determined as significantly refurbished have an end date added to the HAS based on the type of refurbishment work.

For a service that has completed internal/external refurbishments such as care recipient rooms, common areas, including lounge and dining areas, and external common areas such as gardens and outdoor sitting areas, or extensions to a facility, the supplement could have an end date of 15 years or less. This is based on the average life of assets as described by the Australia Tax Office and the effective life of depreciating assets, see Retirement village and accommodation for the aged operation – 86011 to 86012.

Other stakeholders have advised on the importance of providers having a policy of major internal refurbishment every 8 to 10 years (March 2022 Aged Care Financial Performance Survey Sector Report), although this option of having a 10-year end date could put financial strain on smaller providers to fund major refurbishments every 10 years.

Other considerations: Design principles and standards

Introduced on 1 July 2024 in response to recommendation 45 of the Royal Commission into Aged Care Quality and Safety, the National Aged Care Design Principles and Guidelines are currently voluntary. There are a range of design resources that are already available in Australia. However, there is no indication they have been widely utilised in designing or building residential aged care accommodation.

Other considerations: Alignment with the costs of accommodation

The underlying policy supporting the Accommodation Supplement is to ensure that all residents, regardless of means, have access to quality accommodation. Ensuring that all the costs related to accommodation are effectively captured can be difficult and involve how providers depreciate and refresh their significant assets.

The recent Financial Report on the Australian Aged Care Sector 2023-24 showed that total per resident per day income for accommodation was $51.45, with related expenses sitting at $59.88 (inclusive of administration cost), both below the current maximum value of the Accommodation Supplement of $69.79. Understanding how these figures align with each other, whether the management of RADs affects reported income, and ensuring all expenditure is captured will form key parts of the Review.

Consultation questions

1. Outline how you think the Accommodation Supplement could be reformed to ensure quality accommodation for residents of low means.

2. Should the value of the Accommodation Supplement be universal or tiered such as by location or proportion of residents or other basis?

3. Should the Higher Accommodation Supplement be staggered over time, so that as the accommodation facilities age the

supplement is reduced (with the full value payable again after a new renovation)?

4. How suitable is the current incentive structure to encourage providers to accept low means residents (a discount on the Accommodation Supplement based on a single threshold of 40% supported residents)? How could those incentives be preserved or enhanced?

5. How can the Accommodation Supplement be reformed to support an uplift in the quality of accommodation?

6. Outline how the Accommodation Supplement pricing impacts on incentives for capital investment in residential aged care.

7. In what ways could the Accommodation Supplement be reformed to better incentivise capital investment in residential aged care?

8. To what extent is the current rates of the Accommodation Supplement sufficient to cover providers' capital and operational costs relating to accommodation?

9. How does the costs of providing accommodation vary across different operating environments, such as differences in location?

Part 3: Pricing for Non-Supported Residents

This part seeks views on two keys areas of accommodation pricing reform in respect of those who pay some or all of their own accommodation costs:

- approach to the Maximum Permissible Interest Rate (MPIR)
- making the daily payment the default way of expressing accommodation prices.

Suitability of the Maximum Permissible Interest Rate (MPIR) as a measure of payment equivalence

The approach used to establish payment equivalence between the lump sum (RAD or RAC) and daily accommodation amounts (DAP or DAC) is to use the MPIR as an equivalence variable. The Aged Care Taskforce recommended that further consideration be given to the appropriateness of using the MPIR for this purpose.

The MPIR is also used to calculate interest payable to residents or their estates on the late refund of an accommodation bond or a refundable deposit after a resident exits care. This use of the MPIR is not under consideration here.

How the MPIR is used to set equivalence

The concept of equivalence ensures that there is a corresponding daily payment amount for any given lump sum. This means the price that a resident agrees for their accommodation can be easily converted between a RAD and a DAP using the following formula:

DAP = RAD x MPIR / 365

For example, a RAD of $450,000 at an MPIR of 4.07% would result in a DAP of:

DAP = $450,000 x 0.0407 / 365 = $50.18

It also allows for the calculation of the DAP in combination payments. In these cases, the required DAP can be effectively worked out by substituting the RAD value in the formula above with the ‘unpaid’ portion of the RAD.

The MPIR that applies in the above formula is the MPIR that was in place on the date the price is agreed. A fixed MPIR for each resident is intended to provide certainty of accommodation costs and protects the provider and resident from rate fluctuations.

Equivalence works in a similar way for partially supported residents. In these cases, the equivalent Refundable Accommodation Contribution (RAC) is worked out from the Daily Accommodation Contribution (DAC), as follows:

RAC = DAC / MPIR x 365

For example, a DAC of $50 per day at an MPIR of 4.07% would result in a RAC of:

RAC = $50 /4.07% x 365 = $448,402.95

The MPIR that applies in the above formula is the MPIR that was in place on the date the person enters care, as it is the means assessment on the date of entry that determines if the person is partially supported.

Changes to the Calculation of Equivalence in the Aged Care Act 2024

The concept of equivalence does not change with the new Act. However, there have been some minor changes to calculation methodologies to address combination payments under the accommodation reforms.

The new detailed methodology, outlined in the Final draft of the new Aged Care Rules, will recognise already deducted retention amounts. This is because retention deductions are amounts of lump sum that have been permanently paid to the provider to meet the costs of accommodation. The adjustments to the methodology prevent residents from effectively being double charged with a daily payment.

Adjustments to the calculation methodology also recognise new DAP indexation arrangements. The new methodology requires providers to calculate the proportion of the agreed price that has not been met by a RAD – this represents the proportion of the agreed price that must be met by DAP. This amount is then indexed.

How the MPIR is set

The calculation of the MPIR is set in legislation[3]. The MPIR is published by the Department of Health, Disability and Ageing, with the rate updated on the first day of January, April, July, and October each year.

MPIR = Annual rate of the General Interest Charge (GIC) - 3%

The ATO defines the GIC as “a uniform interest rate applied to unpaid tax liabilities and other amounts”. The GIC rate is updated quarterly and is based on the 90-day Bank Accepted Bills rate plus a margin.

The MPIR changes over time because it is based on the GIC, which in turn reflects movements in the broader economy. While the MPIR is not directly linked to the cash rate, it is influenced by the market interest rate, which in turn is influenced by the cash rate.

Factors to consider in any possible change to RAD/DAP equivalence

In considering whether the current approach to setting equivalence (via the MPIR) remains appropriate, it is important to assess the implications from both a resident and provider perspective.

Considerations for providers

Notionally, the MPIR should ensure that providers are not advantaged by a resident selecting a particular payment type. The intention is that MPIR measures a rate of return that is equivalent to what the provider could achieve from investing a lump sum in one of the permitted uses of a RAD. This may be the borrowing costs avoided by using lump sums to pay down debt.

The actual returns are likely to vary between individual providers as their circumstances will be different. As such, there is unlikely to be a universal MPIR that perfectly equates to the appropriate rate of return for all providers.

There are risks for providers if government makes changes to the MPIR. If the MPIR is too low, it would make daily payments much more attractive to residents. While over time this would support a reduction in reliance on RADs, if done suddenly may increase liquidity concerns and restrict access to capital for upgrades and developments in the short term.

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[3] see section 6 of the Fees and Payments Principles 2014

Considerations for residents

Setting equivalence appropriately and transparently to enable residents and their families to make an informed choice is also important.

Some residents will not have sufficient liquid or realisable assets to pay a RAD or RAC and will need to pay the daily rate at whatever level is required. For these residents, it is important that the MPIR is not set at a level that is too high, resulting in them paying relatively more than their lump sum-paying peers for their accommodation.

For those who do have the ability to choose, a range of factors may impact the choice between lump sum or daily payment. These include:

- the opportunity cost of the lump sum, such as the rate of return a resident could expect to receive if they invested the lump sum elsewhere
- impacts on age pension entitlements, with aged care lump sums being exempt from the age pension means test
- the expected length of stay – with residents that expect to stay longer being more likely to pay by lump sum.

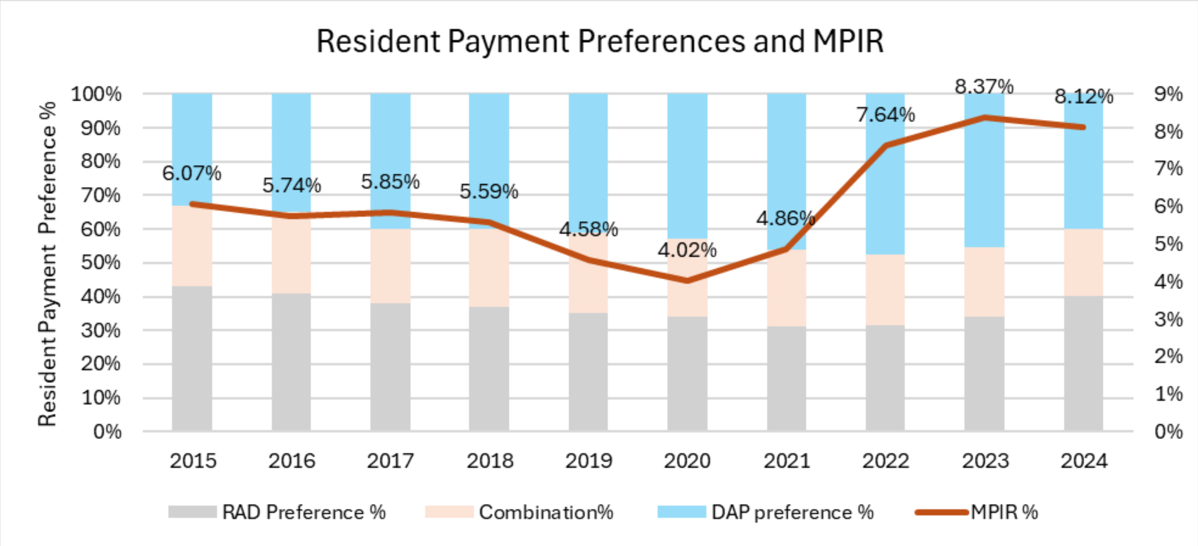
Many of these factors interact with each other, and with the MPIR. For example, a resident would compare the return they would attract from an alternative investment with the amount of daily payment they avoid which is determined by the MPIR. They would also consider the impacts that holding an alternative investment would have on their age pension entitlements when compared to an aged care lump sum.

From 1 November 2025, residents may also factor the introduction of the RAD/RAC retention arrangements into these considerations.

Impact of MPIR on choice of payment

An examination of data reveals that changes to the MPIR impact the choice of payments that residents make. Chart 1 below shows that when MPIR is low, the cost of paying a DAP is lower and more residents chose this option. As the MPIR rose sharply from 2022 onwards, DAPs became more expensive and RAD preferences rose again.

Figure 1 Relationship between MPIR and resident accommodation payment preferences, 2015–2024



Changes in the MPIR also impact the relativities between daily accommodation payments and the Accommodation Supplement. While rare, when the MPIR is at low rates this can result in non-supported residents paying less for their accommodation as a DAP than the government would pay in Accommodation Supplement for a supported resident in the same room.

Previous policy considerations

The Aged Care Taskforce noted that MPIR approach has resulted in DAPs reflecting interest rates rather than the cost of providing accommodation, creating volatility for providers in how residents pay for their accommodation. It said a pricing model would need to be relatively stable to provide income certainty for providers and improve equity of outcomes between RAD and DAP payers.

The Royal Commission into Aged Care Quality and Safety (2021) noted that RADs and DAPs were not economically equivalent, creating incentives which depend on the changes in the MPIR, but did not suggest an alternative to the MPIR. Instead, the Royal Commission was more focused on phasing out RADs from 1 July 2025[4].

The Aged Care Financing Authority's (ACFA) *Review of the Current and Future Role of Refundable Accommodation Deposits in Aged Care* (2020) commissioned

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[4] Royal Commission into Aged Care Quality and Safety: Recommendation 142

research by Macquarie University into the suitability of the MPIR. In that work, a discussion group of “RAD reliant” providers said the MPIR did not reflect the cost of accommodation and that the weighted average cost of capital (WACC) should replace the MPIR. Macquarie University noted some issues with this approach:

- the MPIR was not introduced to cover the cost of capital. It was designed to create an equivalent income to providers between a RAD and DAP
- there is not a universal WACC, so an MPIR based on an average WACC would provide a competitive advantage to providers with a lower WACC
- the MPIR is also applied to the accommodation price, which is typically greater than the cost of building a room
- applying a WACC to the margin between the accommodation price and build cost of the room may be unfair to the resident.

The Tune Review (2017) noted the purpose of the MPIR is to ensure a broadly equivalent income stream for providers compared with what they might earn if the consumer had given them a lump sum payment, or to cover the cost of borrowing that capital funding. It said using a specified, consistent interest rate supports consumer preferences and consumers can more easily compare accommodation prices across different rooms and aged care homes.

Consultation questions

10. What factors should be considered in setting an equivalence mechanism and rationale for each?

11. What is an appropriate rate of return on lump sum for providers? Is this an appropriate level for setting an MPIR?

12. How does this change with economic conditions? Does the MPIR link to the General Interest Charge represent an appropriate way of adjusting equivalence in line with economic conditions?

13. Would a Weighted Average Cost of Capital be an appropriate equivalence mechanism? If so, how should this be derived?

14. Is there a case for an equivalence range rather than a single point of equivalence defined by the MPIR and why? How might this work?

15. Should the government introduce a mandated minimum accommodation payment that prevents providers receiving less revenue from non-supported residents than they do from supported residents?

Daily payments as the default room price

What makes RADs the 'default' payment type?

Before considering whether daily prices should be set as the default payment type, it is useful to understand why RADs may be considered the default payment type currently.

Aged Care legislation does not explicitly define a default payment type and residents can freely choose between lump sums (either a RAD or RAC), daily payments (either a DAP or DAC) or a combination based on their own preferences and financial circumstances.

However, in many cases, RADs are the primary reference point with DAPs then calculated based on the RAD:

- the formula for equivalence calculates the DAP as a function of the RAD
- the maximum accommodation price is described as a RAD
- when submitting prices to My Aged Care it is the RAD that is fixed. When the MPIR changes, My Aged Care recalculates the advertised DAP for each room. However, the RAD only changes if a provider submits a new price.

While the Aged Care Taskforce recommended exploring this option further, both to simplify pricing for residents and to support positioning the sector to phase out RADs, it is a more complex proposition than simply reversing the current MPIR formula. If a decision was made to set DAPs as the default payment type a number of legislative amendments would be required, including the way the Maximum Accommodation Payment Amount is described in legislation.

What are the impacts of changing the default payment type to DAP?

While the default payment method does not limit resident choice, it does send a signal that may influence consumer behaviour and perception. There are several implications worth exploring further.

MPIR-related price movements would shift from the DAP to the RAD

Under current arrangements, a shift in the MPIR has an immediate flow-on to DAPs as a result of the MPIR (unless providers make deliberate changes to pricing).

When the MPIR changes, the relevant RAD will remain fixed but equivalent DAPs will change for:

- all rooms published on My Aged Care
- the maximum accommodation price above which IHACPA approval is required.

It is important to note that a change in the MPIR does not impact the costs of accommodation for residents already in care. The MPIR that applies to an individual is fixed from either their price agreement day for non-supported residents or their start day for partially supported residents. This protects residents from unexpected shifts in pricing after their entry into residential care.

Setting the DAP as the default, therefore, moves the MPIR-related fluctuations in pricing from daily payments to refundable lump sums. This may be more similar to what occurs in real estate markets, however, in these markets typically both rents and prices increase over time. The degree of volatility in the current MPIR approach would see greater fluctuations than in housing markets, including times where the lump sum prices may decline. In these situations, there may be liquidity risks as a provider is required to refund a RAD where the new RAD does not cover the amount owning.

Accommodation costs may be simpler to understand

If DAPs were the default, it may be easier for prospective residents to understand the costs associated with residential aged care. All other costs are expressed as a daily amount (basic daily fee, hotelling contribution and non-clinical care contribution). Expressing room prices as DAPs by default would make total aged care costs easier to understand and would make price comparisons between providers more meaningful.

In contrast, RADs are shown as larger upfront lump-sum payments. This can make it difficult to understand true costs and to ‘like for like’ comparisons between different providers. This can be confusing for many residents and families especially when trying to understand the full cost of aged care.

From November 2025, RADs will no longer be fully refundable with providers being required to take retention deductions at a rate of 2% per annum. This change will increase the complexity of RADs, as residents will need to understand not only the lump sum they are paying, but also how much of it may be retained and how this affects the amount refunded to them.

Setting the DAP as the default may allow residents to understand these costs before they are required to understand RADs and DAPs.

Consultation questions

16. What are the advantages and disadvantages of moving the MPIR-related fluctuations in pricing from the DAP to the RAD?

17. Would setting DAPs as the default make accommodation pricing easier to understand for prospective residents and their families?

18. Are there other relevant factors to consider in relation to setting the DAP as the default payment type?

19. Do you think the DAP should be set as the default payment type? Why?

Attachment A: Terms of Reference

Purpose

On 12 September 2024, the Australian Government released its response to the Aged Care Taskforce (Taskforce) final report which included a number of reforms to ensure the viability and quality of aged care. As part of that response, the government committed to a review of Accommodation Pricing, which has been legislated in the Aged Care Act 2024 (Act).

The Taskforce, established in 2023, was tasked with developing options for a fair and sustainable funding model for aged care, to ensure older people in Australia can access safe, high quality, person-centred care. The Taskforce final report made a number of recommendations to strengthen accommodation funding arrangements, recognising the need to improve the financial viability of providers in relation to accommodation.

The Accommodation Pricing Review (the Review) will consider the appropriateness of current settings for the Accommodation Supplement and accommodation pricing. In doing so, the Review will take a resident-focused approach in line with the Statement of Rights as per Part 3.1.23 of the Aged Care Act 2024; and also have regard to the ongoing sustainability of the aged care sector, the fiscal impact of reforms, and the efficient delivery of aged care services over the short and long term.

The Review will provide advice on policy, program, funding, and administrative settings that should:

- provide equity of contribution and outcomes regardless of how a particular individual's aged care accommodation costs are met or where they are located;
- ensure that low means residents have access to high quality accommodation within residential aged care;
- support the capacity of providers to invest in and deliver places in high quality residential aged care homes that will meet the needs of Australia's ageing population;
- foster a sector able to innovate and attract investment; and
- examine the adequacy of accommodation revenue, including the supplement, having regard to the impact of recent reforms, including changes to the Refundable Accommodation Deposits (2% retention and increasing the maximum room price from $550,000 to $750,000 on 1 January 2025).

Accommodation Supplement design and incentives

The Review will consider the rate and design of the Accommodation Supplement to offer high quality accommodation and provide incentives for access, including:

- Whether the current rates are adequate to cover providers' capital and operational costs (including to support worker capability and development) in delivering quality accommodation to supported residents, accounting for differences in operating environments.
- The suitability of the current incentive structure to encourage providers to accept low means residents (a discount on the Accommodation Supplement based on a single threshold of 40% supported residents).
- The case to reform quality incentives in the Accommodation Supplement to support an uplift in the quality of accommodation so that it better meets community expectations, including the potential to introduce incentives linked to the National Aged Care Design Principles and Guidelines.
- The impact of the Accommodation Supplement pricing on incentives for capital investment in residential aged care.
- Ensuring Commonwealth funding remains equitable, effective and sustainable.

Accommodation pricing

At the same time as the supplement settings are reviewed, broader consideration will be given to accommodation price settings. Several factors will be considered, including:

- The case for using daily prices as the default way to express accommodation prices (reversing the Refundable Accommodation Deposit (RAD)/Daily Accommodation Payment (DAP) relationship). This would make prices easier to understand for incoming residents and simplify price setting for providers.
- The appropriateness of the Maximum Permissible Interest Rate (MPIR) as the metric for setting the relationship between the price of RADs and DAPs.
- Whether there is a need for a mandated minimum room price for non-supported residents.

Independent Panel

The Minister will appoint an Independent Panel of eminent persons to conduct the review.

- The independent panel will be provided with secretarial support from within the Department of Health, Disability and Ageing.

Public consultation

Public consultation will be completed during the review on the substance of the issues outlined in the Terms of Reference. The Independent Reviewer/s may invite and publish submissions and seek information from any persons or bodies. The reviewer/s may seek meetings with key stakeholders, which can be held either in person or online. The reviewer/s may seek comment on draft aspects of the report.

Consultation will take place with:

- Key community and stakeholder organisations reflecting a diversity of backgrounds
- Experts in both residential aged care and the housing sector
- Providers of residential aged care
- Members of the public

Timing

The Review will report to the Minister by no later than May 2026 and be tabled in the Parliament no later than 1 July 2026.

Phone **1800 318 209**

Visit **health.gov.au/aged-care-act-consultation**

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