

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.