

Residential Aged Care Pricing Advice 2024–25

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Residential Aged Care Pricing Advice 2024–25 — July 2024

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Glossary

Words and phrases used in the [National Health Reform Act 2011](#) (Cth) (the NHR Act), [Aged Care Act 1997](#) (Cth) (the Aged Care Act) and [Aged Care \(Transitional Provisions\) Act 1997](#) (Cth) (the Aged Care (Transitional Provisions) Act) have the same meaning when used in the Residential Aged Care Pricing Advice 2024–25 and, in addition:

Abbreviations	Full term
ABS	Australian Bureau of Statistics
ACFR	Aged Care Financial Report
Advice	The Residential Aged Care Pricing Advice 2024–25
Aged Care Act	<i>Aged Care Act 1997</i> (Cth)
AN-ACC	Australian National Aged Care Classification
BCT	Base Care Tariff (a component of the AN-ACC funding model)
BDF	Basic daily fee
Government	The Australian Government
IHACPA	Independent Health and Aged Care Pricing Authority
MMM	Modified Monash Model
NHR Act	<i>National Health Reform Act 2011</i> (Cth)
NWAU	National weighted activity unit
Pricing Authority	The governing body of IHACPA established under the <i>National Health Reform Act 2011</i> (Cth)
RACCS	Residential Aged Care Costing Study
RN	Registered nurse
The department	Department of Health and Aged Care
The Schedule	Schedule 1—Care and services for residential care services of the Quality of Care Principles 2014 under section 96-1 of the Aged Care Act 1997 (Cth)

1. Overview

1.1 The Independent Health and Aged Care Pricing Authority

The Independent Health and Aged Care Pricing Authority (IHACPA) was established under the *National Health Reform Act 2011* (Cth) (the NHR Act) and by virtue of section 131A(1) of the NHR Act is invested with the following functions relevant to the Residential Aged Care Pricing Advice 2024–25 (this Advice):

- a) to provide advice to each relevant Commonwealth Minister in relation to one or more aged care pricing or costing matters, including in relation to methods for calculating amounts of subsidies to be paid under the *Aged Care Act 1997* (Cth) (the Aged Care Act) or the *Aged Care (Transitional Provisions) Act 1997* (Cth) (the Aged Care (Transitional Provisions) Act)
- b) such functions relating to aged care (if any) as are specified in regulations made for the purposes of this paragraph
- c) to conduct, or arrange for the conduct of, one or more of the following activities for the purpose of performing a function mentioned in paragraph (a) or (b):
 - i. the collection and review of data
 - ii. costing and other studies
 - iii. consultations
- d) to do anything incidental to or conducive to the performance of the above functions.

This Advice is an output of the performance of those functions by the Pricing Authority.

In this document, the ‘Pricing Authority’ refers to the governing body, as established under the NHR Act, and ‘IHACPA’ refers to the agency.

1.2 The scope of IHACPA’s pricing advice for residential aged care services for 2024–25

Operating under the NHR Act, the Aged Care Act, and the Aged Care (Transitional Provisions) Act, IHACPA will provide the Australian Government (the Government) with advice on the following:

- a national price for residential aged care, based on funding the cost of care
- the gap between the costs of delivering required hotel services and related revenue received
- any recommended adjustments to the Australian National Aged Care Classification (AN-ACC) funding model, such as national weighted activity unit (NWAU) price weights, Base Care Tariff (BCT) categories and AN-ACC classes.

This Advice will:

- be evidence-based and developed transparently
- be based on services meeting the standard of care required in Government policy and legislation
- aim to account for all costs and revenues for items in Schedule 1- Care and services for residential aged care services¹ of the [Quality of Care Principles 2014](#) under section 96-1 of the [Aged Care Act](#).

¹ Schedule 1—Care and services for residential care services of the [Quality of Care Principles 2014](#) under section 96-1 of the Aged Care Act.

2. Methodology

2.1 Data sources

In providing the Residential Aged Care Pricing Advice 2024–25 (this Advice), the Pricing Authority has relied on a number of different data sources to inform the design and key parameters of the model. These data sources include the following, provided by the Department of Health and Aged Care (the department), or conducted by the Independent Health and Aged Care Pricing Authority (IHACPA):

- [Resource Utilisation and Classification Study](#) by the University of Wollongong
- Australian National Aged Care Classification (AN-ACC) assessment data
- Aged Care Wage Estimation Tool
- Aged Care Financial Report (ACFR) 2021–22
- Quarterly Financial Report from Quarter 2, Quarter 3 and Quarter 4 2022–23
- Aged Care Funding Instrument 2021–22 claims
- AN-ACC 2022–23 claims
- National Approved Provider System (NAPS) service characteristics
- 2022–23 Aged Care Provider Workforce Survey
- [Residential Aged Care Costing Study \(RACCS\) 2023 dataset](#).

In addition to this, the Pricing Authority has also relied on other publicly available data sources to inform the model, including:

- Australian Bureau of Statistics (ABS) [Consumer Price Index series](#)
- ABS [Wage Price Index series](#)
- ABS [Employee Earnings and Hours, 2021](#)
- ABS [Income and Work: Census, 2021](#)
- Aged Care Quality and Safety Commission [Non-Compliance Decision Log, from 2021–2022](#)
- [Care minutes and 24/7 registered nurse \(RN\) responsibility guide](#)
- [Star Ratings quarterly data extracts](#), from May 2023 and August 2023
- Australian Institute of Health and Welfare GEN [Aged care service lists](#)
- StewartBrown Aged Care Financial Performance Survey (December 2023)
- minimum award wages, from the [Fair Work Ombudsman](#)
- [Annual Wage Review 2023–2024](#)
- the Fair Work Commission [Work Value Case – Aged care industry](#) Stage 2 and 3 decisions.

The Pricing Authority has determined that the data is adequate to carry out its functions under the *National Health Reform Act 2011* (Cth) in 2024–25. As outlined in IHACPA's [Statement of Intent](#) and detailed in this document, this Advice:

- is based on the RACCS 2023 dataset
- includes updated Base Care Tariff (BCT) categories and updated price weights for AN-ACC classes and BCTs, including indexation of the AN-ACC price to the applicable period
- includes an estimate of the gap between the cost of required hotel services and specific types of revenue received.

Residential aged care cost collections

To support evidence-based pricing advice, IHACPA undertakes cost data collections from residential aged care services. IHACPA completed its first RACCS in 2023. This initial costing study of residential aged care services included the collection of cost, time and activity data.

2.2 Methodological considerations

In this Advice, the recommended AN-ACC price is based on the average cost per national weighted activity unit in the 2021–22 financial year, adjusted to account for known cost increases, then indexed to estimate the cost of delivering residential aged care services from 1 October 2024 to 30 September 2025.

The recommended price weights for each AN-ACC class and BCT category are based on the relative costs of care as measured in the RACCS.

Key aspects considered in developing this Advice include:

- minimum care minute requirements, increasing from 1 October 2024
- Fair Work Commission Stage 2 and 3 decisions on the Work Value Case – Aged care industry to increase wages for direct and indirect aged care workers
- superannuation guarantee increase
- indexation of historical cost data to account for underlying price inflation
- changes to the AN-ACC pricing cycle
- allocation of administration costs.

IHACPA has also conducted analysis of any potential gap in funding for hotel costs.

Care minute targets

From 1 October 2023, residential aged care services have been required to meet mandatory care minute targets set at a sector average of 200 minutes per resident per day, including a minimum of 40 minutes of care provided by a RN. From 1 October 2024, these targets will be increased to a sector average of 215 minutes per resident per day, including a minimum of 44 minutes provided by a RN.

In determining the recommended AN-ACC price, IHACPA has adjusted labour costs to account for the cost of meeting the mandated care minute requirements.

Fair Work Commission Work Value Case

The Aged Care Work Value Case, currently before the Fair Work Commission, relates to applications to vary the minimum wages for aged care employees in three awards:

- Aged Care Award 2010 (Aged Care Award)
- Nurses Award 2010 (Nurses Award)
- Social Community, Home Care and Disability Services Industry Award 2010 (SCHADS Award).

On 21 February 2023, in the Stage 2 decision, the Fair Work Commission announced an increase of 15% to the minimum wages of direct care workers, head chefs/cooks and recreational activities officers/lifestyle officers under the three awards.

The Stage 3 Fair Work Commission decision on 15 March 2024 dealt with further wage adjustments for direct and indirect care employees and a detailed consideration of the classification definitions and structures in the three awards.

IHACPA notes that any future Fair Work Commission decisions on minimum wage rises, including those for RNs and enrolled nurses, may impact pricing advice, including the recommended AN-ACC price and price weights.

Superannuation guarantee increase

The [Superannuation Guarantee \(Administration\) Act 1992](#) (Cth) stipulates increases in the minimum superannuation guarantee by 0.5% each year from 1 July 2021 until 1 July 2025.

Indexation of historical cost data to account for underlying price inflation

IHACPA has received ACFR data from the department, which includes service information on income and expenses for care, hotel, and accommodation services, labour costs and hours worked, as well as occupied and available bed days.

The most recent ACFR received by IHACPA is the 2021–22 report. Together with the RACCS, these data sources provide a basis for calculating the various cost components associated with the delivery of residential aged care and residential respite care services. Indexation is used to inflate the 2021–22 ACFR to estimate costs of service delivery in 2024–25.

Changes to the AN-ACC pricing cycle

In this Advice, IHACPA has advised on the recommended AN-ACC price from 1 October 2024 to 30 September 2025. This takes into consideration changes made by the Australian Government (the Government) to the AN-ACC pricing cycle.

In recognition of this change, IHACPA has added a loading to the recommended AN-ACC price to account for differences between the current AN-ACC price and the cost of care over the three months from 1 July 2024 to 30 September 2024, including the Annual Wage Review 2023–24.

Allocation of administration costs

The total administration costs are reported under the following categories of the ACFR:

- corporate recharge
- administration employee labour costs
- other administration costs
- WorkCover premium for administration staff
- fringe benefits tax
- quality, compliance and training external costs
- insurances.

The administration costs have been apportioned between care, hotel and accommodation as:

- 37.0% care
- 33.6% hotel
- 29.4% accommodation.

This apportionment is based on financial reporting from the [December 2023 Aged Care Financial Performance Survey Report by StewartBrown](#).

Funding for hotel costs

The Government has requested that IHACPA account for all costs and revenues for items in Part 1 of Schedule 1 - Care and services for residential aged care services², and provide advice on the potential gap between the costs of delivering required hotel services and specific types of revenue received. This is detailed in Section 4.

2.3 Technical specifications

The Residential Aged Care Pricing Advice 2024–25 Technical Specifications are provided separately to this document and detail the underlying technical methodology used to develop this Advice.

² Schedule 1—Care and services for residential care services of the [Quality of Care Principles 2014](#) under section 96-1 of the [Aged Care Act 1997](#) (Cth)

3. Residential Aged Care Pricing Advice 2024–25

3.1 The scope of the Australian National Aged Care Classification Pricing Advice 2024–25

A key element of the Independent Health and Aged Care Pricing Authority's (IHACPA) residential aged care and residential respite care pricing advice relates to the Australian National Aged Care Classification (AN-ACC) funding model.

The Australian Government (the Government) introduced the AN-ACC funding model for residential aged care and residential respite care subsidies from 1 October 2022, replacing the Aged Care Funding Instrument.

Elements of care in scope for the AN-ACC funding model are specified in Part 2 and Part 3 of Schedule 1—Care and services for residential care services of the [Quality of Care Principles 2014](#) under section 96-1 of the [Aged Care Act 1997](#) (Cth).

The three components of IHACPA's Residential Aged Care Pricing Advice 2024–25 (this Advice) include the recommended:

- AN-ACC price, which is a single price per national weighted activity unit (NWAU)
- AN-ACC price weights, measured in NWAU
- adjustments to the Base Care Tariff (BCT) categories.

3.2 The recommended AN-ACC price

The Pricing Authority recommends the AN-ACC price for the period 1 October 2024 to 30 September 2025 to be **\$280.01** per NWAU. This price takes into consideration the changes made by Government to the AN-ACC pricing cycle and includes a loading to account for cost increases over the three months from 1 July 2024 to 30 September 2024 compared to the current AN-ACC price.

The recommended AN-ACC price from 1 October 2024 is calculated by indexing the average cost per NWAU of \$214.21 in 2021–22, adjusted to meet the minimum care minute requirements, by a total of 30.2%. This indexation rate is a combination of:

- the Fair Work Commission Stage 2 and 3 decisions (13.1%)
- superannuation guarantee increase (1.3%)
- inflation and wage rises, including the Annual Wage Review 2023–24 (13.5%).

\$1.18 is then added to the price to cover the difference in funding had the AN-ACC price been updated from 1 July 2024.

This price is intended to be multiplied by the total AN-ACC NWAU to calculate the total AN-ACC subsidy.

Fair Work Commission Work Value Case

In determining the recommended AN-ACC price, IHACPA has accounted for wage adjustments for direct and indirect care workers from 1 January 2025 resulting from the Fair Work Commission Work Value Case Stage 3 decision. The recommended AN-ACC price for the period 1 October 2024 to 30 September 2025 is a weighted average of the price from 1 October 2024 to 31 December 2024, prior to the wage increases taking effect, and the price from 1 January 2025 to 30 September 2025 including adjustments for the Stage 3 decision. This methodology is detailed in the Residential Aged Care Pricing Advice 2024–25 Technical Specifications.

3.3 Recommended AN-ACC price weights and BCT categories

Recommended AN-ACC price weights

The Pricing Authority has reviewed the AN-ACC price weights (AN-ACC class, respite class and BCT category) based on resident-level cost data from the Residential Aged Care Costing Study 2023 and other relevant evidence, in order to make the following recommendations on AN-ACC price weights to inform Government funding from 1 October 2024.

Variable component (classification funding) – permanent residents

AN-ACC class	Resident description	NWAU price weight
Class 1	Admit for palliative care	0.80
Class 2	Independent without compounding factors	0.19
Class 3	Independent with compounding factors	0.37
Class 4	Assisted mobility, high cognition, without compounding factors	0.25
Class 5	Assisted mobility, high cognition, with compounding factors	0.44
Class 6	Assisted mobility, medium cognition, without compounding factors	0.40
Class 7	Assisted mobility, medium cognition, with compounding factors	0.55
Class 8	Assisted mobility, low cognition	0.64
Class 9	Not mobile, higher function, without compounding factors	0.52
Class 10	Not mobile, higher function, with compounding factors	0.70
Class 11	Not mobile, lower function, lower pressure sore risk	0.66
Class 12	Not mobile, lower function, higher pressure sore risk, without compounding factors	0.66
Class 13	Not mobile, lower function, higher pressure sore risk, with compounding factors	0.80
Class 98	Default class for residents entering for permanent care to receive palliative care	0.80
Class 99	Default class for residents entering for permanent care (other than entry for palliative care)	0.64

Variable component (classification funding) – residential respite residents

Respite class	Resident description	NWAU price weight
Respite Class 1	Independently mobile	0.365
Respite Class 2	Assisted mobility	0.479
Respite Class 3	Not mobile	0.691
Class 100	Default class for residents entering for respite care	0.479

BCT categories

IHACPA reviewed the existing BCT categories covering non-specialised services in the Modified Monash Model (MMM) 1-5. IHACPA's analysis showed variability in costs across MMMs and that the existing BCTs do not adequately address these differences in terms of funding.

This Advice includes replacing the current BCT categories for non-specialised metropolitan, regional and rural services (Standard MMM 1-4 and Standard MMM 5) with three BCT categories, those being Standard MMM 1, Standard MMM 2-3 and Standard MMM 4-5. IHACPA has not proposed changes to the Standard MMM 6-7 or specialised services BCT definitions (Specialised homeless and Specialised Aboriginal or Torres Strait Islander MMMs 6 and 7).

Fixed component BCT for services where funding is calculated on the basis of occupied places – both permanent and residential respite residents

BCT category	Funding basis	NWAU price weight
Standard MMM 1	Occupied places	0.50
Standard MMM 2 – 3	Occupied places	0.55
Standard MMM 4 – 5	Occupied places	0.57
Specialised homeless	Occupied places	0.74

Fixed component BCT for services where funding is calculated based on operational places – both permanent and residential respite residents

BCT category	Funding basis	NWAU price weight
Standard MMM 6 – 7	Operational places	0.55 for first 29 places 0.42 for places 30 and above
Specialised Aboriginal or Torres Strait Islander MMM 6	Operational places	0.63
Specialised Aboriginal or Torres Strait Islander MMM 7	Operational places	1.45

4. Hotel cost advice

4.1 The scope of advice on hotel costs

Elements of in-scope hotel costs are outlined in Part 1 of the Schedule 1—Care and services for residential care services of the [Quality of Care Principles 2014](#) under section 96-1 of the [Aged Care Act 1997](#) (Cth).

A range of hotel costs for residents are currently covered under the payment of the basic daily fee (BDF), the [hotelling supplement](#), additional service fee and the extra service fee. The BDF is set at 85% of the single person rate of the basic age pension, with all residents required to pay or apply for hardship or alternative payment options.

According to its [Statement of Intent](#), the Independent Health and Aged Care Pricing Authority (IHACPA) will provide advice to the Australian Government (the Government) on the gap between the costs of delivering required hotel services, and specific types of revenue received.

The following types of hotel related revenue have been considered in IHACPA's gap analysis:

- BDF
- the hotelling supplement
- additional service fee
- extra service fee
- other hotel related income.

IHACPA includes additional service fees and/or extra service fees as hotel related revenue. While the fees for the delivery of services in addition to required hotel services is out of scope for the Pricing Authority's advice on hotel funding, the costs associated with these services cannot be isolated in the data available. Therefore, the total reported cost of hotel services is compared to the total reported revenue related to hotel services for the advice on the gap between the cost and revenue of hotel services for residential aged care.

4.2 Estimated hotel costs

The Aged Care Financial Report (ACFR) provides information on hotel related revenue including the hotelling supplement, which can be estimated based on total occupied bed days. Total hotel expenditure is also reported in the ACFR. These items together allow the gap between hotel revenue and expenditure to be calculated as expenses, less revenue. The Residential Aged Care Pricing Advice 2024–25 (this Advice) assumes that the Government will continue to provide a hotelling supplement.

Depending on the intended application, maintenance costs are often considered as either hotel or accommodation costs. For the purposes of this Advice, maintenance costs have been separated in consideration of the gap between the cost of required hotel services and specific types of revenue received.

The Pricing Authority advises there is a gap between the cost of required hotel services and specific types of revenue received. This gap is estimated to be **\$4.30** per resident per day in 2024–25 (from 1 July 2024 to 30 June 2025), excluding maintenance costs, which are estimated to be **\$11.07** per resident per day in 2024–25.

IHACPA has made adjustments incorporating the Fair Work Commission Stage 2 and 3 decisions for indirect care workers in calculating the estimated hotel cost gap.



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