

Residential Aged Care Pricing Advice 2025–26

July 2025

Residential Aged Care Pricing Advice 2025–26 – July 2025

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Abbreviations

Words and phrases used in the [National Health Reform Act 2011](#) (Cth), the [Aged Care Act 1997](#) (Cth) and the [Aged Care \(Transitional Provisions\) Act 1997](#) (Cth) have the same meaning when used in this Residential Aged Care Pricing Advice 2025–26 and, in addition:

Abbreviation	Full term
ABS	Australian Bureau of Statistics
ACFR	Aged Care Financial Report
Aged Care Act	<i>Aged Care Act 1997</i> (Cth)
AN-ACC	Australian National Aged Care Classification
BCT	Base care tariff
BDF	Basic daily fee
Government	Australian Government
IHACPA	Independent Health and Aged Care Pricing Authority
MM	Modified Monash
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)
RACCC	Residential Aged Care Cost Collection
RACCS	Residential Aged Care Costing Study
This Advice	Residential Aged Care Pricing Advice 2025–26

1. Overview

1.1 Independent Health and Aged Care Pricing Authority

The Independent Health and Aged Care Pricing Authority (IHACPA) is established under the *National Health Reform Act 2011* (Cth) (NHR Act) and by virtue of section 131A(1) of the NHR Act is invested with the following functions relevant to this Residential Aged Care Pricing Advice 2025–26:

- 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) (Aged Care Act) or the *Aged Care (Transitional Provisions) Act 1997* (Cth);
- 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 Advice, the 'Pricing Authority' refers to the governing body, as established under the NHR Act, and 'IHACPA' refers to the agency.

1.2 Scope of this Residential Aged Care Pricing Advice 2025–26

Operating under the NHR Act and the Aged Care Act, the Pricing Authority provides the Australian Government with advice on the following:

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

In May 2025, the Minister for Health and Ageing requested that IHACPA provide additional advice on the gap between the costs of delivering hotel services and specific types of revenue received, excluding residential aged care services that provide additional services or extra services.

This Advice:

- is evidence-based and developed transparently
- is based on services meeting the standard of care required in government policy and legislation
- aims to account for all costs and revenue for items in 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.

This Advice has undergone an independent validation and quality assurance process.

2. Methodology

2.1 Data sources

In developing this Residential Aged Care Pricing Advice 2025–26, the Pricing Authority has relied on a number of different data sources. The following data sources have been collected by or provided to IHACPA:

- Residential Aged Care Cost Collection (RACCC) 2024
- [Residential Aged Care Costing Study \(RACCS\) 2023](#)
- [Aged Care Financial Report](#) (ACFR)
- [Quarterly Financial Report](#)
- Australian National Aged Care Classification (AN-ACC) assessment data
- Services Australia AN-ACC claims data
- Aged Care Funding Instrument claims
- Care minutes responsibility, as provided by the Department of Health, Disability and Ageing
- Aged Care Wage Estimation Tool
- [Aged Care Provider Workforce Survey 2023](#)
- StewartBrown Aged Care Administration Allocation methodology
- Government Provider Management System extracts.

In addition, the Pricing Authority has relied on other publicly available data sources to inform the development of this Advice, including:

- Aged Care Quality and Safety Commission [Non-Compliance Decision Log](#)
- [Star Ratings quarterly data extracts](#)
- [Care minutes responsibility – Guide for residential aged care providers](#)
- [24/7 registered nurse responsibility – Guide for residential aged care providers](#)
- [Schedule of Subsidies and Supplements for Aged Care](#)
- Australian Institute of Health and Welfare GEN [Aged care service list](#)
- Australian Bureau of Statistics (ABS) [Consumer Price Index series](#)
- ABS [Wage Price Index series](#)
- ABS [Employee Earnings and Hours](#)
- ABS [Income and Work: Census](#)
- Reserve Bank of Australia [Statement on Monetary Policy](#)
- University of Wollongong [Resource Utilisation and Classification Study](#)
- Fair Work Ombudsman [minimum award wages](#)
- Fair Work Commission [annual wage reviews](#)
- Fair Work Commission [Work value case – Aged care industry](#) decisions
- Fair Work Commission [Work value case – Nurses and midwives](#) 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 2025–26.

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 2022–23 financial year, adjusted to account for known cost increases, then indexed to estimate the cost of delivering residential aged care and residential respite care services from 1 October 2025 to 30 September 2026.

The recommended price weights for each AN-ACC class and base care tariff (BCT) category are based on the relative costs of care as measured in IHACPA's residential aged care cost collections.

Key aspects considered in developing this Advice include:

- care minutes responsibility
- allocation of administration costs
- Fair Work Commission decisions
- superannuation guarantee increases
- indexation of historical cost data to account for underlying price inflation
- outbreak management costs.

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

Care minutes responsibility

Since 1 October 2024, residential aged care services have been required to meet the mandatory care minutes responsibility set at a sector-wide average of 215 minutes of care per resident per day, including 44 minutes of care provided by a registered nurse.

In determining the recommended AN-ACC price and price weights, IHACPA has adjusted labour costs to account for the cost of meeting the mandated care minutes responsibility.

From 1 October 2024, approved providers are able to meet up to 10% of their registered nurse care minutes responsibility with care time delivered by enrolled nurses¹. For the purpose of this Advice, IHACPA has assumed that 100% of the registered nurse care minutes responsibility continues to be delivered by registered nurses.

Allocation of administration costs

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

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

¹ Refer to section 4.5.1 of the [Care minutes responsibility – Guide for residential aged care providers](#).

In this Advice, administration costs are apportioned between the 3 streams of residential aged care funding, that is care, hotel and accommodation, using the following methodology:

- corporate recharge is allocated to care, hotel and accommodation streams based on the proportion of total expenses in their respective streams
- all remaining administration costs are evenly distributed between hotel and accommodation with 50% allocated to hotel costs and 50% to accommodation costs.

Fair Work Commission work value cases

The Work value case – Aged care industry and Work value case – Nurses and midwives relate to applications to vary the minimum wages for aged care employees in 3 awards:

- *Aged Care Award 2010*
- *Nurses Award 2020*
- *Social, Community, Home Care and Disability Services Industry Award 2010.*

In determining the recommended AN-ACC price and estimated hotel cost gap, IHACPA has adjusted labour costs to account for wage increases resulting from Fair Work Commission decisions.

IHACPA notes that any future Fair Work Commission decisions on minimum wage rises may impact the recommended AN-ACC price.

Superannuation guarantee increases

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

The data sources underpinning this Advice, including the RACCC 2024, the RACCS 2023 and the ACFR 2022–23, 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 ACFR 2022–23 to estimate the costs of service delivery in 2025–26.

Outbreak management costs

From 1 January 2024, the Australian Government has provided the [Aged Care Outbreak Management Support Supplement](#) to support residential aged care providers to manage outbreaks. The supplement rate from 1 January 2025 to 30 September 2025 is \$1.65 per occupied bed day. From 1 October 2025, costs for outbreak management will be included as part of AN-ACC funding and have been considered by IHACPA in developing this Advice.

Estimated hotel cost gap

The Australian Government has requested that IHACPA account for all costs and revenue for items in Part 1 of Schedule 1—Care and services for residential care services, and provide advice on the potential gap between the costs of delivering hotel services and specific types of revenue received.

The ACFR provides information on total hotel service revenue including the basic daily fee, hotelling supplement, additional service fees and extra service fees. Total hotel expenditure is also reported in the ACFR.

While fees for the delivery of additional services and extra services are out-of-scope for this Advice, IHACPA is unable to isolate the costs associated with the delivery of these services from the available data. Therefore, the cost gap to provide hotel services for residential aged care and residential respite care is calculated as the total reported cost of providing hotel services, less the total reported hotel revenue.

This Advice assumes that government will continue to provide a hotelling supplement.

2.3 Technical specifications

The Residential Aged Care Pricing Advice 2025–26 Technical Specifications are provided separately to this document and detail the underlying methodology used to develop this Advice.

3. Residential Aged Care Pricing Advice 2025–26

3.1 Scope of this Advice

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

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).

This Residential Aged Care Pricing Advice 2025–26 includes the recommended:

- AN-ACC price, which is a single price per national weighted activity unit (NWAU)
- price weights for each AN-ACC class and respite class, measured in NWAU (AN-ACC class NWAU)
- price weights for each base care tariff (BCT) category, measured in NWAU (BCT NWAU).

3.2 Recommended AN-ACC price

The Pricing Authority recommends the AN-ACC price for the period 1 October 2025 to 30 September 2026 to be **\$295.64** per NWAU.

The recommended AN-ACC price from 1 October 2025 is calculated by indexing the average cost per NWAU of \$221.50 in 2022–23, adjusted to meet the care minutes responsibility, by a total of 32.8%. This indexation rate is a combination of:

- Fair Work Commission work value case decisions (17.2%)
- superannuation guarantee increases (1.2%)
- inflation and wage rises (11.9%).

\$1.59 is then added to the price to cover additional costs associated with outbreak management.

This price is intended to be multiplied by the total NWAU (made up of the AN-ACC class NWAU and the BCT NWAU) to calculate the total AN-ACC basic daily subsidy.

3.3 Recommended price weights for each AN-ACC class, respite class and BCT category

The Pricing Authority has reviewed the AN-ACC price weights for each AN-ACC class, respite class and BCT category based on resident-level cost data from the Residential Aged Care Cost Collection 2024, the Residential Aged Care Costing Study 2023, and other relevant evidence, in order to make the following recommendations on price weights to inform Australian Government funding from 1 October 2025 to 30 September 2026.

Table 1: AN-ACC component – permanent care residents

AN-ACC class	Resident description	NWAU price weight
Class 1	Admit for palliative care	0.73
Class 2	Independent without compounding factors	0.21
Class 3	Independent with compounding factors	0.40
Class 4	Assisted mobility, high cognition, without compounding factors	0.29
Class 5	Assisted mobility, high cognition, with compounding factors	0.43
Class 6	Assisted mobility, medium cognition, without compounding factors	0.39
Class 7	Assisted mobility, medium cognition, with compounding factors	0.54
Class 8	Assisted mobility, low cognition	0.60
Class 9	Not mobile, higher function, without compounding factors	0.53
Class 10	Not mobile, higher function, with compounding factors	0.59
Class 11	Not mobile, lower function, lower pressure sore risk	0.68
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	0.73
Class 98	Default class for residents entering for permanent care to receive palliative care	0.73
Class 99	Default class for residents entering for permanent care (other than entry for palliative care)	0.60

Table 2: AN-ACC component – residential respite care residents

Respite class	Resident description	NWAU price weight
Respite Class 1	Independently mobile	0.405
Respite Class 2	Assisted mobility	0.574
Respite Class 3	Not mobile	0.714
Class 100	Default class for residents entering for respite care	0.574

Table 3: BCT component for services where funding is calculated based on occupied places – permanent and residential respite care residents

BCT category	Funding basis	NWAU price weight
Standard Modified Monash (MM) category 1	Occupied places	0.50
Standard MM 2-3	Occupied places	0.53
Standard MM 4-5	Occupied places	0.58
Specialised homeless	Occupied places	0.88

Table 4: BCT component for services where funding is calculated based on operational places – permanent and residential respite care residents

BCT category	Funding basis	NWAU price weight
Standard MM 6-7	Operational places	0.65 for first 29 places 0.50 for places 30 and above
Specialised Aboriginal or Torres Strait Islander MM 6	Operational places	0.75
Specialised Aboriginal or Torres Strait Islander MM 7	Operational places	1.71

Should the government choose to retain the BCT category price weights from 2024–25 for services in MM 6-7, specialised Aboriginal and Torres Strait Islander MM 6-7 services, and specialised homeless services, the price weights for these BCTs are specified at **Annexure A**.

4. Hotel cost gap advice

4.1 Scope of this advice

The Pricing Authority provides advice to the Australian Government on the gap between the costs of delivering hotel services and specific types of hotel revenue received (hotel cost gap).

Required hotel services that are in-scope for this advice are outlined in Part 1 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), and are currently funded primarily through the payment of the [basic daily fee](#) (BDF) and the [hotelling supplement](#).

Services provided in addition to required hotel services are covered under the payment of [additional service fees](#) and [extra service fees](#) by some consumers.

In this Residential Aged Care Pricing Advice 2025–26, IHACPA has calculated an estimated hotel cost gap for all residential aged care services nationally, and a second estimated hotel cost gap based on the subset of residential aged care services that do not receive revenue from additional service fees or extra service fees.

IHACPA notes that residential aged care services in certain segments of the market may be more likely to charge additional service fees or extra service fees. Therefore, the hotel cost gap for residential aged care services that do not receive revenue from the charging of additional service fees or extra service fees is not considered to be nationally representative of the gap between the costs of required hotel services and revenue from the BDF and hotelling supplement across the aged care sector.

Depending on the intended application, maintenance costs are considered as either hotel or accommodation costs. For the purposes of this Advice, maintenance costs have been separated in consideration of the gap analysis.

4.2 Estimated hotel cost gap

The Pricing Authority advises the estimated gap between the costs of delivering hotel services and related revenue received:

- for all residential aged care services, nationally, is **\$6.24** per occupied bed day in 2025–26 (from 1 July 2025 to 30 June 2026) excluding maintenance costs, which are estimated to be **\$13.16** per occupied bed day in 2025–26
- for residential aged care services that do not receive revenue through additional service fees or extra service fees, is **\$12.48** per occupied bed day in 2025–26 (from 1 July 2025 to 30 June 2026). This figure excludes maintenance costs, which are estimated to be **\$14.21** per occupied bed day in 2025–26.

Annexure A – Additional considerations for the Residential Aged Care Pricing Advice 2025–26

Operating under the *National Health Reform Act 2011* (Cth), the Pricing Authority has developed the Residential Aged Care Pricing Advice 2025–26.

The Pricing Authority acknowledges the concerns of the Minister for Health and Ageing in relation to stability of funding for residential aged care services.

For 2025–26, should the Australian Government choose to retain the base care tariff (BCT) category price weights from 2024–25 for services in Modified Monash (MM) 6-7, specialised Aboriginal and Torres Strait Islander MM 6-7 services, and specialised homeless services, the price weights for these BCTs would be as given in the following tables for the period from 1 October 2025 to 30 September 2026.

Table 1: BCT component for services where funding is calculated based on occupied places – permanent and residential respite care residents

BCT category	Funding basis	NWAU price weight
Specialised homeless	Occupied places	0.92

Table 2: BCT component for services where funding is calculated based on operational places – permanent and residential respite care residents

BCT category	Funding basis	NWAU price weight
Standard MM 6-7	Operational places	0.68 for first 29 places 0.52 for places 30 and above
Specialised Aboriginal or Torres Strait Islander MM 6	Operational places	0.78
Specialised Aboriginal or Torres Strait Islander MM 7	Operational places	1.80



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