

# Information about the Residential Aged Care Pricing Advice 2025–26



This fact sheet outlines the Independent Health and Aged Care Pricing Authority's (IHACPA's) [Residential Aged Care Pricing Advice 2025–26](#) (RACPA25) for Australian residential aged care and residential respite care services.

## Australian National Aged Care Classification (AN-ACC) price

The recommended AN-ACC price from 1 October 2025 to 30 September 2026 is

**\$295.64** per national weighted activity unit (NWAU)



### Our residential aged care pricing advice to the Australian Government includes:

- the recommended AN-ACC price, which is a single price per NWAU
- recommended adjustments to the AN-ACC funding model, including price weights for each AN-ACC class and base care tariff (BCT) category
- the estimated gap between the cost of delivering hotel services and related revenue received.



## Our role in aged care pricing

We provide the government with annual pricing and costing advice on the [AN-ACC funding model](#) for residential aged care and residential respite care.

Our annual pricing and costing advice is independent, transparent, evidence-based and consultative. When developing our advice, we balance a range of objectives, including promoting the standard of high-quality care expected by the community and required by government policy and legislation.

While we provide advice to the Minister for Health and Ageing, the government is responsible for determining and announcing the annual AN-ACC price and price weights for each AN-ACC class and BCT category. Following agreement from the Minister, we publish our pricing advice on our website.

### In-scope areas of our pricing advice

Our pricing advice is guided by the government's [2022 Expectations Setting Paper](#). This requires IHACPA to provide annual advice on a national efficient price for residential aged care, based on funding the actual cost of care.

Our pricing advice is intended to cover the cost of care incurred by approved providers of residential aged care services. The elements in-scope for the AN-ACC funding model are set out in the [Aged Care Rules 2025](#)<sup>1</sup>. It includes administrative costs directly related to care.

<sup>1</sup> Prior to 1 November, 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*.

## Out-of-scope areas for our pricing advice

Our cost-based approach to pricing does not incorporate provider profit margins or consider the financial viability of the sector. This remains the responsibility of the Department of Health, Disability and Ageing as the System Governor.

The recommended price reflects the average cost of delivering care in a given pricing year and is calculated without reference to previous years' prices. The price reflects the expected costs of providing care in the relevant year and should be considered in comparison to the current cost of care, not year-on-year increases alone. The recommended price is designed to align costs with funding. Annual increases are influenced by factors beyond Fair Work Commission decisions, such as changes to care minute targets by AN-ACC class, changes to the mix of staff types used to deliver care, and agency staff utilisation across the sector.

## Development process



To support the development of evidence-based pricing advice and obtain resident-level data, we undertake cost collections from residential aged care providers. This supplements the data collected from the Aged Care Financial Report (ACFR) which only captures aggregate expenditure at the facility level.

The steps in the development of the pricing model for residential aged care and residential respite care are as follows:



Each year, our aged care pricing advice undergoes an independent validation and quality assurance process.

More detail about how we develop our pricing advice is available in the [Aged Care Pricing Policy](#).



## How was the recommended AN-ACC price developed for RACPA25?

The development of our pricing advice is independent and evidence-based. It uses the data collected through our cost collections and the most recently available year of ACFR and Quarterly Financial Report (QFR) data.

The recommended AN-ACC price for 2025–26 is derived from the average cost per NWAU in the 2022–23 financial year (2022–23 ACFR), adjusted to reflect known cost increases and indexed to estimate the cost of delivering residential aged care and residential respite care services from 1 October 2025 to 30 September 2026.

In developing the recommended AN-ACC price, we considered a range of factors that impact the cost of care, including:

- annual wage review and other wage decisions made by the Fair Work Commission and the rate at which these decisions are passed on to aged care workers
- superannuation guarantee increases
- care minute targets as set by the Department of Health, Disability and Ageing
- outbreak management costs
- historical and forecast growth in labour and non-labour costs.

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## How were the recommended price weights for AN-ACC classes and BCT categories developed for RACPA25?

The recommended price weights for each AN-ACC class and BCT category are based on the relative costs of care as measured in IHACPA's 2023 and 2024 cost collections. Our cost collections use a broad sample of residential aged care services costed throughout 2023, which is then weighted to ensure representativeness for characteristics like location, provider type and service size.

This means that the AN-ACC classification re-weightings are based on the relative costs associated with delivery of care to residents in those classes as reported by providers. Although the AN-ACC class and BCT category price weights are refined each year, the total NWAU across all AN-ACC classes and BCT categories remains the same but reallocated to better reflect the relative costs of care.

We also monitor and review AN-ACC class and BCT category price weights to ensure they reflect the evolving costs of care delivery, strengthened by improvements in the data volume and quality through our cost collections.

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## How have we considered higher wage costs in RACPA25?

Our 2025–26 pricing advice accounts for:

- Fair Work Commission [annual wage reviews](#)
- Fair Work Commission [Aged Care Work Value Case](#) Stage 2 and 3 decisions (Stage 3 tranches 1 and 2)
- Fair Work Commission [Nurses and Midwives Work Value Case](#) decisions (tranches 1, 2 and 3).

This includes the wage increases in the most recent decisions and determinations by the Fair Work Commission for the *Aged Care Award 2010* and *Nurses Award 2020*.

In addition to salaries and wages, a variety of on-costs including superannuation, staff leave, allowances and reimbursements and fringe benefits are grouped with labour costs in the ACFR. We apply indexation and adjustments to account for Fair Work Commission reviews, decisions and determinations to all direct care labour costs, including these on-costs. Costs related to WorkCover premium and quality, compliance and training that are classified as non-labour expenses in the ACFR have also been indexed at the non-labour indexation rate.

More information about how Fair Work Commission decisions and determinations are incorporated into our advice can be found in the [Residential Aged Care Pricing Advice 2025–26 Technical Specifications](#).



## How were administration costs allocated for RACPA25?

Our pricing advice includes administrative costs directly related to care. For RACPA25, corporate recharge costs were allocated proportionally across care, hotel services and accommodation streams based on each stream's share of total expenditure. The remaining administration costs were split evenly between hotel services and accommodation with 50% allocated to hotel costs and 50% to accommodation costs.

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## How was the hotel cost gap advice calculated for RACPA25?

For 2025-26, we provided advice on:

- the estimated gap between the cost of delivering required hotel services, and related revenue received (the hotel cost gap) for all residential aged care services nationally
- a second estimated hotel cost gap based on the subset of services that did not receive revenue from additional service fees or extra service fees (ASF and ESF) as identified in the ACFR.

While the fees for the delivery of additional services and extra services above required hotel services<sup>2</sup> are not included in our advice on the hotel cost gap, the costs associated with providing these services currently cannot be isolated in the ACFR. Consequently, we compared total revenue for hotel services with total costs to calculate the estimated hotel gap. This method is consistent with the calculation of the hotel cost gap in our pricing advice for 2023-24 and 2024-25.

IHACPA notes that not all residential aged care services charge ASF or ESF. Therefore, the estimated hotel cost gap for services that do not provide additional services or extra services, that is \$12.48 per occupied bed day, is not considered to be nationally representative of the gap between the costs of providing required hotel services and revenue received from the basic daily fee and hotelling supplement across the aged care sector.

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## Did we consider the new Aged Care Act when developing RACPA25?

We are exploring the potential implications the new *Aged Care Act 2024* has on our pricing advice from 1 November 2025.

RACPA25 was informed by a broad sample of residential aged care services costed through IHACPA's 2023 and 2024 cost collections, in addition to the 2022-23 ACFR.

The impact of the new Act on the cost of delivering residential care and residential respite care services, including those associated with increased regulatory and compliance measures, will be observed in our cost collections and the ACFR and QFR from 1 November 2025. These costs will be considered in our future residential aged care pricing advice.

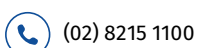
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<sup>2</sup> As set out in Part 1 of Schedule 1-Care and services for residential care services of the *Quality of Care Principles 2014* under section 96-1 of the *Aged Care Act 1997*

## More information

For further information about how we develop our pricing advice to government, see our [Residential Aged Care Pricing Advice 2025-26 Technical Specifications](#) and the [Aged Care Pricing Policy](#).

## Contact us



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