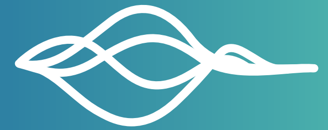

Pricing Framework for Australian Residential Aged Care Services 2026–27

March 2026

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Acknowledgement of Country

We respect and acknowledge the Traditional Owners and Custodians throughout Australia and recognise their continuing connection to land, sky, waters and culture. We pay our respect to people, communities and Elders today and those who walk in spirit.

Artwork by Chern'ee Sutton

Contents

Abbreviations 5

1. Introduction 6

2. Pricing principles 11

3. Australian National Aged Care Classification funding model 14

4. Activity and cost data 21

5. Developing pricing advice 24

6. Funding model reviews 27

7. Priorities for future pricing advice 35

Glossary 37

Abbreviations

Abbreviations	Full term
ABF	Activity based funding
ACFI	Aged Care Funding Instrument
ACFR	Aged Care Financial Report
Aged Care Act	*Aged Care Act 2024*
AN-ACC	Australian National Aged Care Classification
BCT	Base care tariff
BDF	Basic daily fee
Consultation paper	Consultation Paper on the Pricing Framework for Australian Residential Aged Care Services 2026–27
Consultation report	Pricing Framework for Australian Residential Aged Care Services 2026–27 Consultation Report
Commission	Aged Care Quality and Safety Commission
Government	Australian Government
HELF	Higher everyday living fee
IHACPA	Independent Health and Aged Care Pricing Authority
MM	Modified Monash category
MMM	Modified Monash Model
MPS	Multi-purpose service
MPSP	Multi-Purpose Service Program
NATSIFACP	National Aboriginal and Torres Strait Islander Flexible Aged Care Program
NEC	National efficient cost
NEP	National efficient price
NHR Act	*National Health Reform Act 2011*
NWAU	National weighted activity unit
Pricing framework	Pricing Framework for Australian Residential Aged Care Services 2026–27
QFR	Quarterly Financial Report
RACCC	Residential Aged Care Cost Collection
RACCS	Residential Aged Care Costing Study
Royal Commission	Royal Commission into Aged Care Quality and Safety

1. Introduction

The Pricing Framework for Australian Residential Aged Care Services is a key policy document for the Independent Health and Aged Care Pricing Authority (IHACPA) for the development of residential aged care and residential respite care pricing and costing advice to the Australian Government.

This document should be read together with the Consultation Paper on the Pricing Framework for Australian Residential Aged Care Services 2026–27 and the Pricing Framework for Australian Residential Aged Care Services 2026–27 Consultation Report.

This pricing framework and consultation report will inform the development of the Residential Aged Care Pricing Advice 2026–27.

1.1 About IHACPA

IHACPA was established as an independent government agency under the *National Health Reform Act 2011* (NHR Act). IHACPA assists the Australian Government by providing evidence-based pricing and costing advice to inform government policy and funding decisions in aged care and provides annual determinations of the national efficient price and national efficient cost for public hospitals.

Under the NHR Act and the *Aged Care Act 2024* (Aged Care Act), our aged care functions include:

- providing advice about aged care pricing and costing matters to government
- assessing applications for higher maximum accommodation payment amounts for residential care homes.

Our vision is for all Australians to have fair access to transparent, sustainable and high quality health and aged care services. We use a consultative and data-driven approach to advise on and set fair pricing in the Australian health and aged care sectors, driving better outcomes.

We are guided by the Minister for Health and Ageing's Expectations Setting Paper and our Statement of Intent. These outline IHACPA's residential aged care pricing and costing functions, including responsibilities and scope when developing residential aged care pricing advice.

Aged Care Act

On 1 November 2025 the Aged Care Act commenced, replacing the *Aged Care Act 1997*, *Aged Care (Transitional Provisions) Act 1997* and *Aged Care Quality and Safety Commission Act 2018*. The Aged Care Act provides a new regulatory model for government funded aged care services, including programs such as the National Aboriginal and Torres Strait Islander Flexible Aged Care Program (NATSIFACP) and the Multi-Purpose Service Program (MPSP).

Following the introduction of the Aged Care Act, the Higher Everyday Living Fee (HELF) replaced extra service fees and additional service fees. From 1 November 2025, IHACPA is not responsible for approving increases to extra service fees.

1.2 About this pricing framework

The pricing framework underpins the approach used by IHACPA to develop our residential aged care pricing and costing advice. It is updated annually, informed by stakeholder submissions to the consultation paper, and published prior to the release of the residential aged care pricing advice. This supports transparency and accountability by making publicly available the principles, decisions and approach used to inform our recommendations to government.

Each year we hold a public consultation on issues to be considered for the pricing framework and the residential aged care pricing advice, inviting input from older Australians, carers and families, residential aged care providers, peak bodies, government departments and agencies, and researchers.

This year, the public consultation period was open for 44 days, from Thursday 10 July to Friday 22 August 2025. The consultation paper focused on seeking feedback on the following areas:

- IHACPA's cost collections
- the assessment of the MPSP funding model
- the assessment of the NATSIFACP funding model
- AN-ACC supplements
- everyday living services (formerly known as required hotel services).

We received 47 written submissions in response to the consultation paper, with stakeholders providing valuable feedback to the consultation questions. We also conducted 45 interviews with providers of NATSIFACP and MPSP. The consultation report that accompanies this pricing framework provides a high-level summary of stakeholder feedback received.

Where consent has been given to publish, the submissions received will be available to view on our website, along with the consultation report.

1.3 Our residential aged care pricing and costing advice

Our residential aged care pricing and costing advice includes:

- annual residential aged care pricing advice to government to inform decisions on the Australian National Aged Care Classification (AN-ACC) price and price weights for each AN-ACC class and base care tariff (BCT) category
- advice on the estimated gap between the cost of delivering everyday living services and related revenue received by residential care homes
- advice on other related elements of residential aged care pricing, where requested by government.

What does our pricing advice cover?

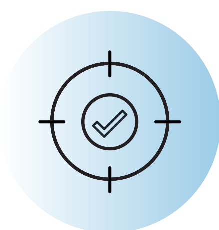
Our residential aged care pricing advice considers the costs incurred by registered providers when delivering care to residents. Elements of care that are in-scope for the AN-ACC funding model are set out in Chapter 1, Division 8-150 and Division 8-155 of the *Aged Care Rules 2025* (Aged Care Rules) for residential care. This includes administrative costs directly related to care.

Advice on the everyday living cost gap considers the costs incurred by providers when delivering everyday living services to residents. In-scope items are listed in Chapter 1, Division 8-145 of the Aged Care Rules.

Areas out-of-scope for our pricing advice

There are a number of areas outside the scope of our pricing and costing advice for residential aged care and residential respite care (**Figure 1**). Where requested by the minister, we may provide pricing advice to government on other areas, if they are related to IHACPA's functions.

Figure 1: Areas out-of-scope for IHACPA's Residential Aged Care Pricing Advice 2026–27



- AN-ACC class and branching structure
- Appropriate care minute targets for the sector
- Appropriate wage rates for the sector
- Level and eligibility thresholds for means-tested fees
- Policies regarding care supplements and grants
- Policies regarding permanent resident contributions and fees
- Policies regarding the hotelling supplement
- Private self-funded aged care residents
- Residential care service accreditation, audit and related processes
- Retirement village pricing and regulation
- Transition care costs

1.4 The role of key government stakeholders

Australian Government

The government provides subsidies to providers of residential care homes through the AN-ACC funding model. Informed by our advice and recommendations, government is responsible for determining, setting and announcing the AN-ACC price and the AN-ACC and BCT price weights (**Figure 2**). The government also sets the hotelling supplement amount, which covers the gap between the cost of delivering everyday living services and related revenue.

Department of Health, Disability and Ageing

The Department of Health, Disability and Ageing is the aged care system governor. The department is responsible for the policy and administration of aged care subsidies, supplements and grants, funding policy settings, broader aged care funding, system management and providing policy advice to government on these matters (**Figure 2**). These responsibilities are outside the scope of our pricing and costing advice.

Figure 2: Department of Health, Disability and Ageing responsibilities

AN-ACC class and branching structure refinement

Operational aspects of the AN-ACC funding model:

- determining how AN-ACC assessments are undertaken
- the requirements for reassessment
- Single Assessment System for aged care

Aged care subsidies, supplements, and grants

Approval and classification of older people for Australian Government funded aged care services

Approved provider obligations and responsibilities

Policy settings to promote quality care

Care minutes and 24/7 registered nurse requirements in residential aged care

Appropriate level of financial contributions by residents

Financial viability of the sector

Collection of annual and quarterly financial information from providers

Aged Care Quality and Safety Commission

The Aged Care Act includes a Statement of Rights (statement), supported by strengthened Aged Care Quality Standards. The statement outlines the rights of older people when accessing aged care services funded by government, and embeds an older person's right to culturally safe, trauma-aware and healing-informed aged care.

The Aged Care Quality and Safety Commission is the national aged care regulator and is responsible for upholding the rights of older people, registration of providers of aged care services, and reviewing provider compliance, as outlined in **Figure 3**.

Figure 3: Aged Care Quality and Safety Commission responsibilities

- Approval of providers to deliver aged care services
- Assessing and monitoring the quality of care and services provided against government policy and legislation
- Aged care regulation including compliance, investigations and complaints resolution
- Financial and prudential regulation

Other government organisations

Following recommendations of the Royal Commission into Aged Care Quality and Safety, the government announced the establishment, review and commencement of several residential aged care reforms.

We continue to engage with other related government organisations in the delivery of our work, including the Office of the Inspector-General of Aged Care, the Interim First Nations Aged Care Commissioner and the Australian Commission on Safety and Quality in Health Care.

2. Pricing principles

When developing pricing and costing advice, we consider a range of Australian Government policy objectives. These objectives include, but are not limited to, promoting person-centred, high-quality care expected by the community and required by government policy and legislation. This also includes supporting improvements in the sustainability and efficiency of the aged care system over time.

Our residential aged care pricing principles support our commitment to government policy objectives, while providing transparency and accountability when making decisions on the development of pricing and costing advice.

The pricing principles do not have a hierarchy. They are used to inform decision making where we are required to exercise judgement as part of our work.

2.1 Updates to the pricing principles

In response to stakeholder feedback from public consultations over the last 3 years, we have refined the pricing principles annually. Due to these previous updates and general support from the sector for the existing pricing principles, the Consultation Paper on the Pricing Framework for Australian Residential Aged Care Services 2026–27 did not include a separate consultation question about the pricing principles.

Your feedback

General stakeholder feedback to the consultation paper included a request for the expansion of the administrative efficiency principle to note that data should be collected once, for multiple uses. Stakeholder feedback also requested an increased level of specificity for funding culturally appropriate and trauma-informed care for Aboriginal and Torres Strait Islander elders, and to recognise the cost variations for providers operating in thin markets. Several stakeholders also requested new principles to signal an intention to align pricing across aged care, health and disability sectors; a commitment to reablement; and alignment to the National Agreement on Closing the Gap.

Our response

We affirm our commitment to the administrative efficiency principle, and our intention to reduce the burden on providers by sharing data across government agencies and aligning cost collections across the sector, where appropriate. IHACPA notes that more specificity in the principles may unintentionally be too prescriptive and exclude numerous diverse cohorts that exist within the aged care sector. The principles have not been amended based on this feedback.

IHACPA considers that equity of access and outcomes for Aboriginal and Torres Strait Islander peoples is an important consideration and will continue to consult with Aboriginal and Torres Strait Islander peoples and organisations representing them. We are committed to engaging in data collections and the holding of data sets that reflects Indigenous Data Sovereignty. We will ensure that our mechanisms and processes reflect the specific requirements of Aboriginal and Torres Strait Islander peoples and supports the principles of Indigenous co-design.

We note that the extent of IHACPA's scope of work and the inclusion of other care sectors, is determined by the government.

The residential aged care pricing principles (**Figure 4**) have not been updated, and no new principles have been introduced.

Next steps

We will continue to consult with stakeholders to refine and develop the pricing principles over time to reflect changes to the approach of developing pricing advice. This will also help to ensure any changes remain responsive to current government policy and legislative reform, and the implementation of the *Aged Care Act 2024*.

Figure 4: The residential aged care pricing principles

Overarching principles that articulate the policy intent behind the introduction of funding reform for aged care services.

- **Person-centred:** Funding should be, as far as is practicable, based on characteristics of the people receiving care, rather than those of providers.
- **Access to care:** Funding should support timely and equitable access to appropriate aged care services, for all those who require them.
- **Quality care:** Care delivery should meet the standard of care required in government policy and legislation, reflect continuous improvement, support resident wellbeing, and deliver outcomes that align with community expectations.
- **Fairness:** The Australian National Aged Care Classification (AN-ACC) funding model generated payments should be fair and equitable, based on resident needs, promote the provision of appropriate care to residents with differing needs, and recognise the cost variations associated with this care. Equivalent services should otherwise attract the same price across different provider types.
- **Efficiency:** The AN-ACC funding model should facilitate the sustainability of the aged care sector over time and optimise the value of the public investment in aged care.
- **Maintaining agreed roles and responsibilities:** The design of the AN-ACC funding model should recognise the complementary responsibilities of each government agency and department in the funding and management of aged care services. It should also recognise the role of providers in delivering aged care services and residents as contributors to their care.

Process principles that guide the implementation of the AN-ACC funding model and any fixed funding arrangements.

- **Administrative efficiency:** Funding arrangements should promote effective and efficient processes and should not unduly increase the administrative burden on aged care providers.
- **Stability:** The payment relativities of the AN-ACC funding model should aim to achieve stability in the aged care sector over time.
- **Evidence-based:** Funding should be based on best available information and reflect justifiable variations in costs.
- **Transparency:** All steps in the development of pricing and costing advice should be clear and transparent.

System design principles that articulate the detailed elements of the AN-ACC funding model design.

- **Fostering care innovation:** Pricing of aged care services should respond in a timely way to the introduction of evidence-based, effective new technology and innovations in the models of care that improve resident outcomes and service efficiency.
- **Promoting value:** Pricing should support innovative practices and systems that deliver efficient, person-centred care.
- **Promoting harmonisation:** Pricing should facilitate, in the appropriate setting, best practice, person-centred provision of care.
- **Minimising undesirable and inadvertent consequences:** Pricing should minimise susceptibility to gaming, inappropriate rewards and perverse incentives.
- **Using the AN-ACC funding model where practicable and appropriate:** The AN-ACC funding model should be used for funding residential aged care services wherever practicable and compatible with delivering value in both outcomes and cost.

3. Australian National Aged Care Classification funding model

The Australian Government provides funding to registered residential aged care providers through the Australian National Aged Care Classification (AN-ACC) funding model.

AN-ACC funding is provided for clinical and non-clinical aged care services for older people living in residential care homes. It is not intended to support everyday living services and accommodation expenditure.

The AN-ACC funding model provides a meaningful way to relate care needs, residential care home location, and service specialisations with the cost to deliver care to residents. The key components of the AN-ACC funding model, and our annual AN-ACC pricing advice to the government, is outlined below.

3.1 AN-ACC branching structure and classes

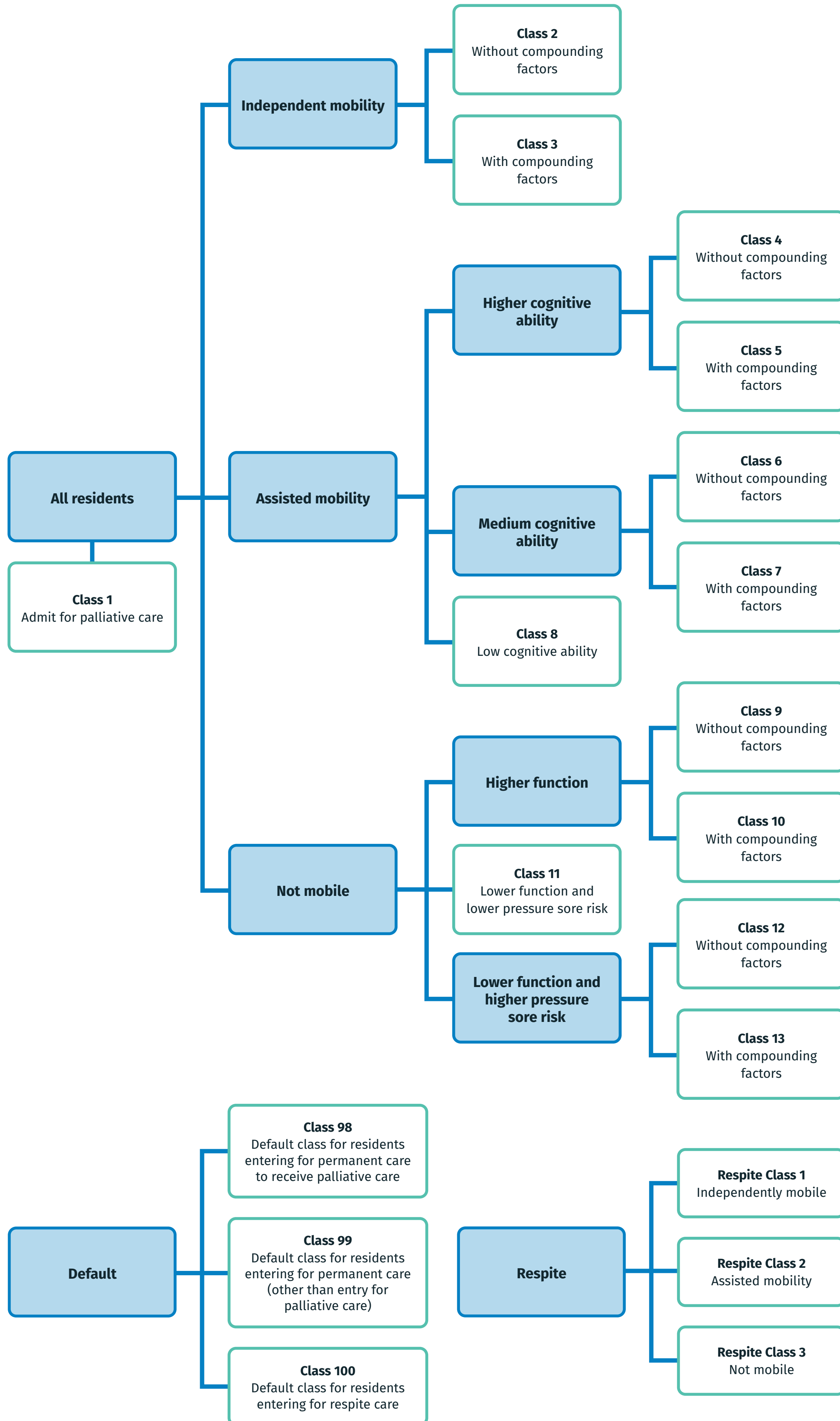
Classification of permanent and respite residents

The AN-ACC funding model includes the independent assessment of aged care residents using the AN-ACC assessment tool. The assessment outcome assigns an AN-ACC class to each resident based on the functional, cognitive and physical characteristics that drive the costs of their care (**Figure 5**).

Based on the outcomes of the assessment, residents are assigned into one of 12 permanent classes or 3 respite classes. This does not include Class 1 – 'admit for palliative care', where residential care homes are instead required to undertake an independent medical assessment to determine palliative care status. A registered provider (provider) may make a request of the Department of Health, Disability and Ageing to reclassify a permanent resident.

In addition to the 13 AN-ACC classes for permanent residents and 3 respite classes, there are default classes for both new permanent and respite residents who do not have an existing AN-ACC class.

Figure 5: AN-ACC branching structure and classes



Consideration of classification refinement

The refinement of the AN-ACC branching structure and classes are the responsibility of the department. Classification refinement is standard practice and is necessary to capture and account for:

- improvements in data quality from activity and cost collections
- changes in cost and complexity profiles over time
- improvements to classification soundness.

In addition, classification refinement enables pricing to be more closely aligned to the care costs for residents in each class.

The Consultation Paper on the Pricing Framework for Australian Residential Aged Care Services 2026–27 did not include a question about the AN-ACC branching structure and classes, due to the extensive and in-depth responses received from stakeholders to related questions in the previous public consultation process.

Your feedback

Stakeholder feedback to the consultation paper continued to strongly emphasise the need for refinements of the branching structure, particularly for residents with cognitive impairment, mental health conditions and complex care needs.

Stakeholders also raised issues with the respite classes, noting increased administrative costs associated with short duration stays and recommending adjustment payments or flexible funding to provide additional support. Similarly, providers noted that the frequency and intensity of palliative care is not adequately funded, and that there continues to be a low proportion of older persons entering a residential care home assessed as AN-ACC class 1 and ongoing challenges with reassessment.

The interface between health and aged care systems was also emphasised by several stakeholders, with the suggestion of additional funding to support transitional care and coordination.

Our response

We acknowledge the diverse care needs of residents within residential care homes and the importance of classification refinement to support the AN-ACC funding model. The department, as the system governor, is responsible for the classification structure and assessment tools. We will continue to work with the department as a strategic priority, including the provision of stakeholder feedback after each public consultation.

Next steps

Guided by extensive stakeholder feedback, we will continue to refine our data collections to consider the impact of cognitive impairment, mental health conditions and complex care needs. This will support the department to consider any future classification refinement.

We will also consider this feedback in the development of pricing advice and recommendations to the Australian Government.

3.2 AN-ACC basic daily subsidy

For a resident in a residential care home, the AN-ACC basic daily subsidy is calculated in 2 stages (**Figure 6**).

First, the AN-ACC national weighted activity unit (NWAU) per resident per day is calculated. This includes adding together 2 components:

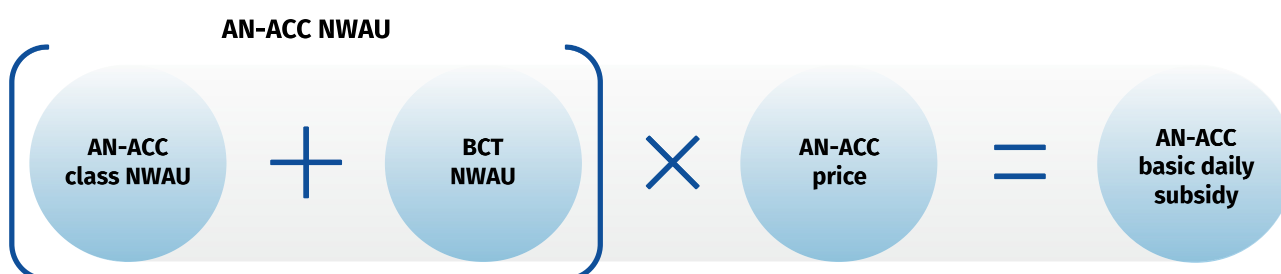
- the price weight for the resident's AN-ACC class or respite class (AN-ACC class NWAU)
- the price weight for the base care tariff (BCT) category (BCT NWAU).

The AN-ACC class NWAU is based on the assessed AN-ACC class or respite class for each resident.

The BCT NWAU is dependent on service characteristics, such as location and resident specialisation. Service location is currently defined using the Modified Monash Model (MMM). The MMM measures remoteness and population size of areas on a scale of Modified Monash (MM) categories between MM1 (major city) and MM7 (very remote location).

Next, the AN-ACC NWAU is multiplied by the AN-ACC price to calculate the total AN-ACC basic daily subsidy per resident per bed day. The AN-ACC basic daily subsidy is calculated per available or operational bed day for BCT1-3, and per occupied bed day for BCT4-7, however the funding received by the provider is pooled and used flexibly. This is guided by resident care plans and regulated by the Aged Care Quality Standards.

Figure 6: AN-ACC basic daily subsidy calculation



The consultation paper did not include a question about the AN-ACC basic daily subsidy. In response to previous stakeholder feedback and cost data analysis, our Residential Aged Care Pricing Advice 2024–25 proposed adjustments to the BCT definitions. Informed by our advice, government incorporated changes to the BCT categories to better align funding with costs, and to particularly benefit regional and rural services which have higher care costs compared with services in metropolitan areas.

Your feedback

Stakeholder feedback to the consultation paper suggested further adjustment of the BCT categories, to build on previous changes, and a location-based loading for regional complexity. Some stakeholders requested consideration of jurisdictional differences in pay rates, workers compensation and payroll tax; whilst others requested that the AN-ACC price and hotelling supplement consider providing a surplus for providers.

Stakeholders also noted that AN-ACC and BCT price weights must be responsive to the expanded scope of compliance requirements and care obligations under the *Aged Care Act 2024* (Aged Care Act). This includes enhanced clinical oversight, increased direct care time, increased data reporting, training and auditing, and the strengthened provision of culturally safe and appropriate care. Stakeholders suggested a pricing adjustment for providers meeting the specialised needs of culturally and linguistically diverse (CALD) communities.

Our response

Our annual residential aged care and residential respite care pricing advice includes recommendations for the AN-ACC price and price weights, based on provider costs identified in the most recently available activity and cost data. If required, we may recommend changes to pricing components of the AN-ACC funding model, including updates to the BCT categories.

The department, as the system governor, is responsible for implementing updates to the AN-ACC funding model. As a national funding model, state-based taxes are considered out-of-scope for the purpose of our pricing advice methodology.

We will continue to review provider costs identified in cost collections and other data sources, including consideration of the impact of the introduction of the Aged Care Act.

Initial entry adjustment

In addition to the AN-ACC basic daily subsidy, an initial entry adjustment payment may also be added. This is a one-off payment to cover the additional costs incurred to transition a new resident into a residential care home.

Specialised base care tariffs

The AN-ACC funding model considers the impact of providing 2 specialised services that significantly influence the costs to deliver care. These are identified by one of the following:

- **Specialised Aboriginal and Torres Strait Islander status** – the provision of specialised care to Aboriginal and Torres Strait Islander peoples in remote and very remote locations (Modified Monash categories 6 and 7)
- **Specialised Homeless status** – the provision of specialised care to people with complex behavioural needs and social disadvantage associated with their background, as a person who has experienced or is at risk of homelessness.

These additional costs are included in the AN-ACC funding model through specialised BCT categories at the service level.

3.3 Other AN-ACC funding model considerations

Care minute targets

Care minute targets are the minimum amount of direct clinical and personal care per resident per day, delivered by registered nurses, enrolled nurses, personal care workers, or assistants in nursing.

The government sets the sector-wide care minute target as a benchmark. From 1 October 2024, the sector-wide average target increased to 215 minutes per resident per day, including 44 minutes of registered nurse time. The government also sets care minute targets at the service level based on the care minute requirements associated with each AN-ACC class, and each registered provider is required to meet their target on a quarterly basis.

The government funds registered providers through the AN-ACC funding model to cover the cost of delivering the required amount of care minutes to residents, including aged care worker wages. Regulation of the targets is the responsibility of the Aged Care Quality and Safety Commission, with the department responsible for regulating the accuracy of care minutes reporting. From April 2026, part of the BCT funding for non-specialised services in MM1 will shift into a care minutes supplement, directly linking funding to compliance with care minute targets. Homes not meeting targets will receive less than the maximum funding.

The care minute requirements are included in our pricing advice through adjustments to labour costs for services that were delivering less than the required care minutes.

The consultation paper did not include a question about care minutes and care minute targets, as the setting of care minute targets and associated policies are the responsibility of the department as the system governor.

Your feedback

In response to the consultation paper, providers noted that workforce shortages, particularly for registered nurses, can make it challenging to meet mandatory care minute targets. Some responses indicated that providers must over-roster to account for unpredictable factors, such as staff absences and changes in resident numbers, and ensure that targets can still be met.

Several stakeholders also noted a potential over-emphasis on care minutes and insufficient funding for other essential domains, such as lifestyle and leisure, mental health support, governance, and transport.

Our response

IHACPA notes the range of stakeholder feedback provided in relation to the care minutes. We provide the department with stakeholder feedback after each public consultation.

Our pricing and costing advice supports government to align care minutes with the care requirements of each AN-ACC class over time, noting that the department and the commission remain responsible for the regulation and monitoring of AN-ACC class care minute requirements.

We will continue to work closely with the department to assess and account for the impact of care minute targets on the development of our pricing advice.

Allied health

Allied health professionals play an important role in the restorative care of older Australians in residential care and residential respite care. Registered providers are funded for, and required to provide, allied health care services to residents who require them. The AN-ACC funding model allows residential care homes and allied health professionals to provide the treatments to the resident that are most beneficial and consistent with their individual care plan.

Although the AN-ACC funding model does not link specific allied health treatments to funding, our cost collections capture the costs of care provided by allied health professionals, and considers the distribution of allied health resource utilisation across different AN-ACC classes. In addition, the Quarterly Financial Report outlines the difference in expenditure between allied health professions.

The consultation paper did not include a question about allied health, as this aspect of the AN-ACC funding model remains the responsibility of the department as the system governor.

Your feedback

In response to the consultation paper, some stakeholders noted that the allied health requirements may not be adequately covered under the AN-ACC funding model and indicated that this may result in insufficient or substandard provision of allied health services and the potential reduction in the reablement of residents.

Some stakeholders suggested that residents would benefit from dedicated allied health funding to support the retention of allied health professionals in the sector. Several allied health providers suggested that a proportion of the mandated care minutes should be allocated to the provision of allied health services. Other responses suggested that the cost collection process should include allied health inputs, including consumables.

Our response

We note that providers are funded for and required to provide allied health services to residents in accordance with their obligations under the Aged Care Act and as outlined in the *Aged Care Rules 2025*. These costs are in-scope for IHACPA's AN-ACC pricing advice, and our cost collections continue to recognise allied health costs.

The AN-ACC funding model includes an incentive for reablement through the ability to retain the resident's original AN-ACC class instead of having to be reassessed to a potentially lower AN-ACC class.

Our cost collections recognise allied health costs. This enables funding to be responsive to changes in underlying models of care.

The department retains responsibility for management of the AN-ACC funding model, including policies related to the aged care workforce and the provision of allied health services.

Next steps

We will continue to review both resident and service level activity and cost data, through our cost collections and other relevant data sources. This will help us understand the cost to deliver allied health care and the impact on the development of our pricing advice.

We will continue to work with the department in investigating allied health as a strategic priority.

4. Activity and cost data

4.1 Activity and cost data sources

Activity and cost data informs the development of our advice on the Australian National Aged Care Classification (AN-ACC) price and price weights.

Under the AN-ACC funding model, financial data from registered providers of residential aged care is reported to the Australian Government through the Aged Care Financial Report (ACFR), the Quarterly Financial Report (QFR).

Activity and cost data is also collected by IHACPA through annual cost collections.

We also consider additional data sources when developing residential aged care pricing advice. This includes data on the assessed AN-ACC classes of the residents, claims and payments data from Services Australia, as well as demographic and service data.

We continue to work on the allocation methods of administrative costs across care, everyday living and accommodation components of residential care.

Activity and financial data

The ACFR captures information on income and expenses at a service level over a one year period. Registered providers must report all labour costs, hours and non-labour costs associated with the delivery of care, hotel and accommodation services, along with administration costs.

The QFR is similar to the ACFR but excludes non-labour and administration costs and covers a 3 month period.

The development of residential aged care pricing advice relies on the most recently available year of validated ACFR data and QFR data. Indexation is required to inflate underlying costs, to align to the expected cost of care delivery in the relevant funding year. IHACPA's indexation methodology is informed by feedback received from our advisory committees and through public consultation.

We continue to work with the Department of Health, Disability and Ageing to improve the timeliness and quality of financial and workforce data. This will ensure the data is optimal for use in the development of our pricing and costing advice. It also reduces the administrative burden on registered providers of approved residential care homes.

IHACPA's cost collections

We undertake annual cost collections from residential care homes, to supplement the ACFR and other data sources. Cost collections are a resident level study of care delivery in residential care and ensures that our advice is reflective of the variation of care requirements and sector costs. This supports the development of robust pricing advice and may also identify new and emerging trends. The type of data collected includes:

- direct care time between staff and residents
- cost of staffing and resources
- types of services delivered
- administrative and clinical information about residents and providers.

The Residential Aged Care Pricing Advice 2026–27 will be informed by data collected through the Residential Aged Care Cost Collection 2024–25.

Our cost collections continue to be refined over time to improve accuracy and address limitations within the data set. Each cost collection builds upon the information and data collected from the previous collection. This improves our understanding of targeted areas, such as care related administration costs, allied health, indirect care time and respite services.

We also seek a representative sample of aged care residents and registered providers to participate in our cost collections. This ensures that our pricing advice reflects the variation in care requirements and costs across a diverse sector, particularly in underrepresented geographical locations, provider and service types.

Consultation question

What could IHACPA do to support improved provider participation and increased representation in our cost collections?

Your feedback

In response to the Consultation Paper on the Pricing Framework for Australian Residential Aged Care Services 2026–27, stakeholders noted challenges to participation in current cost collections due to the significant time, resource, and financial burden placed on providers. The requirement for global positioning system tracking during data collection has raised privacy concerns and is seen as a potential deterrent to involvement.

Feedback emphasised that improved communication about the purpose, intent, and methodology of cost collections, along with assurances that data is de-identified and exclusively used for pricing advice, could enhance participation. Stakeholders noted that this information should be disseminated across various aged care platforms and supported with accessible training materials, and collegiate support networks to build specialist costing knowledge.

Several stakeholders recommended a structured feedback loop that demonstrates policy evolution and comparative benchmarking. Providers also requested financial support to offset the costs of participation, and to ensure service delivery is not compromised. Other suggested supports included upgraded technology, accredited staff training, and appreciation gifts for residents, alongside provision of short-term staff for priority providers.

Stakeholder feedback noted that simplifying and automating cost collections, introducing user-friendly digital tools, and allowing flexible data submission options would further improve provider participation. Specialised services and thin market or remote providers may benefit from tailored approaches. Engagement strategies must include underrepresented AN-ACC classes and residential care home locations, prioritise culturally safe and appropriate interactions (especially for non-English speaking residents), and foster long-term collaboration with national and jurisdictional peak bodies.

Our response

We will consider stakeholder feedback when designing future cost collections, with the intention of improving provider participation and increasing representation. In the most recent cost collection, we have increased and broadened engagement, including providers who deliver services to both Aboriginal and Torres Islander peoples and people from culturally and linguistically diverse backgrounds. We will also consider co-designed costing methodologies and targeted engagement with peak bodies.

We note the feedback regarding the promotion of cost collections and education of providers to improve participation. We will consider additional targeted and broader communication methods in the design of future cost collections.

IHACPA acknowledges the time and administrative burden on providers to engage in cost collections and notes provider recommendations for financial and non-financial incentives to support participation. We will consider how to develop training materials, staff support and other non-financial incentives to improve access and the representativeness of our cost collections.

We are focused on reducing the reporting burden on aged care providers while ensuring data accuracy and data integrity to inform pricing advice. This includes working with the department to reduce duplication in data collection requests, streamlining reporting arrangements and engaging with providers to understand their costs and data reporting capabilities.

Next steps

We will continue to focus on improving participation and representation, to ensure our cost collections reflect the diverse range of activity and costs within the aged care sector.

We will work with the department and our advisory committees to ensure that any changes to cost collection methods are suitable and minimise the burden on providers and residents.

5. Developing pricing advice

Our development of residential aged care pricing and costing advice is independent, transparent, evidence-based and consultative. It is based on services meeting the standards of care required by Australian Government policy and legislation.

We provide the government with pricing advice for the Australian National Aged Care Classification (AN-ACC) funding model, as follows:

- the 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 for each AN-ACC classes and base care tariff (BCT) category.

In addition, our pricing advice includes an estimation of the gap between the costs of delivering everyday living services and related revenue received by residential care homes.

5.1 AN-ACC pricing model development

Our residential aged care AN-ACC pricing model includes the following standard considerations:

- **data preparation** to prepare a costed data set for modelling
- **modelling** to determine the average cost for each AN-ACC class, respite class and BCT category and the average cost per NWAU
- **stabilisation** to minimise year-on-year price weight movements within an AN-ACC class, respite class or BCT category
- **indexation** to account for cost increases between the years of data collection and the pricing year
- **adjustments** to the costed data set to account for known cost increases and costs covered by other funding sources.

Key steps in the development of our pricing advice are outlined in **Figure 7**, starting with the costed data set, followed by a cost model and then the transformation to a pricing model.

Figure 7: Development of the AN-ACC pricing model

The specific pricing methodology can be found in the Residential Aged Care Pricing Advice 2026–27 Technical Specifications, which will be published alongside the Residential Aged Care Pricing Advice 2026–27.

The Consultation Paper on the Pricing Framework for Australian Residential Aged Care Services 2026–27 did not include a general question about the development of pricing advice due to the extensive feedback received in previous consultations.

Your feedback

Several stakeholders noted ongoing issues with the timing of the announcement of the AN-ACC price, with requests to align with planning cycles for the aged care sector. Some stakeholders also noted that the current approach to indexation may not adequately reflect the instability experienced in remote areas.

Our response

We will continue to work with the Department of Health, Disability and Ageing to review the timing of the provision of our pricing advice to government, noting that the setting and announcement of the AN-ACC price is a decision by government. To support the sector, we have established an Aged Care Pricing Policy, which outlines an indicative pricing cycle for the development of residential aged care pricing advice.

Our indexation method will continue to be reviewed and refined annually. It will be informed by stakeholder feedback, as well as relevant cost growth data through continuing cost collections and time series data collected in the Aged Care Financial Report (ACFR) and the Quarterly Financial Report.

5.2 Developing advice on the everyday living cost gap

In addition to providing advice on the AN-ACC price and related price weights, government has requested that we provide separate advice on the gap between the cost of delivering required everyday living services (formerly known as required hotel services) and related revenue (everyday living cost gap).

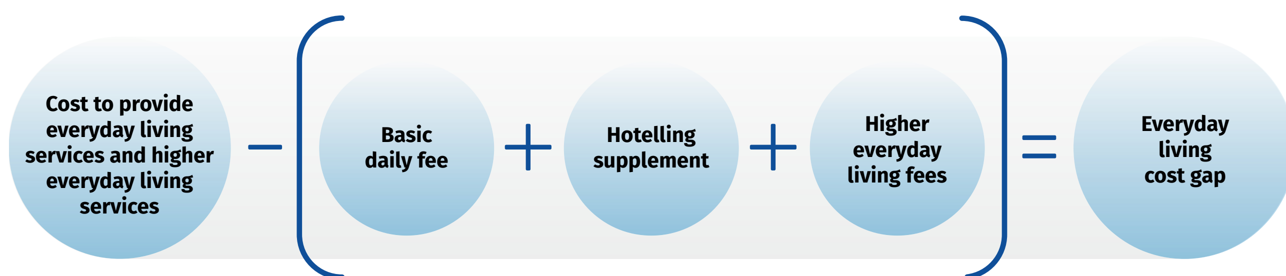
Elements in-scope for our advice on the everyday living cost gap are outlined in the *Aged Care Rules 2025*, with the exception of service maintenance costs, as per government advice.

The revenue received for everyday living services includes the basic daily fee (BDF) and the hotelling supplement. The BDF is a contribution from the resident and is set at 85% of the basic aged pension. The hotelling supplement is a means-tested fee, with residents paying a contribution up to the maximum hotelling supplement amount and government paying the remainder.

Services provided as higher everyday living services (formerly known as additional services and extra services) are covered by the payment of a Higher Everyday Living Fee (HELF) (formerly known as additional and extra service fees). We note the HELF amount is set by registered providers and is out of scope for our pricing advice on the everyday living cost gap.

Registered providers are required to complete an annual ACFR, which includes data items for the cost to provide everyday living services and the revenue received for related services. The current validated ACFR data does not separate the cost to provide everyday living services and higher everyday living services. This means we include all reported costs and revenue to calculate the cost gap (**Figure 8**).

Figure 8: Calculation of the everyday living cost gap



The specific methodology for calculating the everyday living cost gap can be found in the Residential Aged Care Pricing Advice 2026–27 Technical Specifications, which will be published alongside the Residential Aged Care Pricing Advice 2026–27.

6. Funding model reviews

6.1 Pricing and costing for other aged care programs

The Australian Government currently provides block grant and subsidy funding to a range of aged care programs, including the Multi-Purpose Service Program (MPSP) and the National Aboriginal and Torres Strait Islander Flexible Aged Care Program (NATSIFACP).

As part of broader funding and regulatory reforms to the aged care sector, government has requested we undertake an assessment of the funding models for these 2 programs over the coming years. Our analysis will evaluate the most effective future funding arrangements for the MPSP and NATSIFACP services.

Informed by our analysis and advice, government will make a policy decision as to the future funding arrangements for the MPSP and the NATSIFACP.

Multi-Purpose Service Program

The MPSP delivers integrated health and aged care services in rural and remote communities in areas that cannot support both a hospital and a separate residential care home. MPSP are not funded using the AN-ACC funding model.

MPSP providers receive a combination of funding, including:

- a subsidy from government for aged care services delivered through a specialist aged care program
- state and territory government funding for health services.

Funding from the Australian Government, and state and territory governments, is pooled and used flexibly to achieve economies of scale in health and aged care service delivery. To access Australian Government funding under the MPSP, a service provider must have an agreement in place with the Australian Government. In most cases, MPSP providers are state or territory health agencies. The agreement is also signed by the relevant health department on behalf of the state or territory.

The subsidy for each multi-purpose service (MPS) is calculated based on the number of allocated places that are in effect and includes relevant supplements.

Consultation question

A. For the Multi-Purpose Service Program, what activity and cost data points should be considered when developing recommendations for any new future funding models?

B. For the Multi-Purpose Service Program, what methods of data collection should IHACPA consider when developing recommendations for any new future funding model?

Please provide examples or supporting evidence.

Your feedback

Stakeholder feedback to the Consultation Paper on the Pricing Framework for Australian Residential Aged Care Services 2026–27 and targeted interviews with MPSP providers, highlighted that many MPS act as providers of last resort in rural and remote areas, often referred to as thin markets, facing demand beyond their capacity and resulting in residents accessing care through the health care stream instead of the aged care stream. Providers noted challenges with cost allocation due to the splitting of shared resources and associated costs between the health and aged care settings.

Feedback noted that MPS have limited capacity to support residents with clinical complexity and diverse cultural backgrounds. The absence of in-home aged care providers in thin markets may lead to earlier admissions and increased care costs. Stakeholders also identified significant operational, workforce and location-specific cost pressures.

To address these challenges, stakeholders recommended a blended funding model with base funding and scalable components. Stakeholders requested better integration of government funding streams at the federal, state and territory level. Stakeholders also proposed co-designed data collection methods and specific costing guidelines, with key data elements including occupancy rates, clinical interventions, and cultural programs. Suggested cost modelling approaches from stakeholders included mixed methods, phased rollouts and pilot studies to ensure equitable and informed funding arrangements.

Our response

The Australian Government has requested that IHACPA undertake a funding model assessment of the MPSP through a multi-year program of work. The funding model assessment is being undertaken in collaboration with the Department of Health, Disability and Ageing and has included extensive consultation with providers through targeted interviews and submissions to this public consultation.

We note the diversity in stakeholder feedback provided in relation to the MPSP which will be used in the development of advice and recommendations to government on any proposed new future funding model. Stakeholder feedback will also be used to review future cost collection methodologies.

We will continue to work with the department and sector stakeholders, to understand the cost drivers of these services and the effects of any refinements to the funding model. We will also consider the interaction of the MPSP funding model with the aged care, health care and disability sectors, noting that any policy decisions and implementation of changes are the responsibility of the department and its state and territory counterparts.

National Aboriginal and Torres Strait Islander Flexible Aged Care Program

The NATSIFACP provides flexible, culturally safe aged care services to older Aboriginal and Torres Strait Islander peoples. These aged care services are mainly delivered in rural and remote areas and funded by government, subject to parliamentary appropriation.

Payments are provided quarterly in advance to the service via a block funded grant agreement, based on an allocation of places and not occupancy of those places. NATSIFACP providers receive a daily base rate. This rate depends on whether the person receiving care is allocated to a residential place or a home care place.

In addition to the daily funding rate, services may receive several financial supplements or equivalent amounts. This includes the Veterans' Supplement, Residential Concessional Supplement, Respite Supplement, and the Residential Aged Care Viability Supplement.

Services with an allocation of home care places may also receive supplement equivalent amounts for the Dementia and Cognition Supplement for home care, Veterans' Supplement for aged care, and Home Care Viability Supplement.

Consultation question

A. For the National Aboriginal and Torres Strait Islander Flexible Aged Care Program what activity and cost data should be considered when developing recommendations for any new future funding model?

B. For the National Aboriginal and Torres Strait Islander Flexible Aged Care Program what methods of data collection should IHACPA consider when developing recommendations for any new future funding model?

Please provide examples or supporting evidence.

Your feedback

Stakeholder feedback to the consultation paper and targeted interviews with NATSIFACP providers highlighted significant challenges with the current funding model. Stakeholders highlighted that mandatory consumer contributions may undermine cultural safety for Aboriginal and Torres Strait Islander peoples and may contribute to disengagement from aged care services. Stakeholders expressed concern regarding the impact of the transition to the *Aged Care Act 2024* (Aged Care Act), which may reduce service delivery flexibility and increase administrative burden for providers.

NATSIFACP providers noted that they face significantly higher operational, workforce, location-specific and capital costs, including supplier scarcity, housing shortages, high agency staff costs, and the inflated cost of repairs and refurbishments. Stakeholder feedback emphasised that current funding models are inadequate for the provision of culturally safe and appropriate services required by Aboriginal and Torres Strait Islander peoples, noting that traditional healing, nutrition, and cultural connection require greater financial support. Providers indicated that they often self-fund essential services not covered by NATSIFACP funding.

Stakeholders noted that technology and data reporting challenges persist, and recommended the development of streamlined adaptive systems, that captures both quantitative and qualitative data. Stakeholders expressed support for Indigenous Data Sovereignty, including community-led design of data collection surveys and embedding Indigenous Cultural Intellectual Property principles and Free, Prior and Informed Consent to ensure culturally safe and transparent data practices.

Our response

The government has requested IHACPA undertake a funding model assessment of the NATSIFACP through a multi-year program of work. The funding model assessment is being undertaken in collaboration with the department and has included extensive consultation with providers through both a series of targeted interviews and submissions to this public consultation.

IHACPA notes the diversity in stakeholder feedback provided in relation to the NATSIFACP which will be used in the development of advice and recommendations to government on any proposed new future funding model.

We note that equity of access and outcomes for Aboriginal and Torres Strait Islander peoples is an important consideration. We recognise the importance of supporting the cost of providing culturally safe, trauma aware and healing informed care to Aboriginal and Torres Strait Islander peoples.

We are committed to engaging in data collections and the holding of datasets that reflects Indigenous Data Sovereignty. We will undertake a review of current aged care data collection and dataset holding methodology. This will ensure that our processes reflect the specific requirements of Aboriginal and Torres Strait Islander peoples and supports the principles of Indigenous co-design.

We will continue to consult with Aboriginal and Torres Strait Islander stakeholders, including NATSIFACP providers, and work with the department to understand the implications of any interim and long-term refinements to the NATSIFACP funding model. We note that the department is responsible for policies relating to NATSIFACP, including the implementation of any NATSIFAC funding model changes.

6.2 Supplements and grants

Separately to AN-ACC funding, the government pays a range of supplements and grants to registered providers to deliver aged care services.

The government also pays supplements to registered providers on behalf of each resident receiving government-subsidised aged care, to help with the cost of meeting specific care needs. For example, supplements are provided for residents who have a medical need for continual oxygen therapy or enteral feeding, or for veterans.

In addition, several government grant funding opportunities are available. Eligibility to apply and receive grant funding is clarified through guidelines available at the beginning of each grant round.

Consultation question

For registered providers receiving supplements to fund subsidised aged care, are there any cost variations associated with resident complexity or meeting specific resident care needs to be accounted for in the Australian National Aged Care Classification funding model?

Please provide examples or supporting evidence.

Your feedback

In response to the consultation paper, stakeholders noted that the Enteral Feeding Supplement and Veterans Supplement may not adequately fund the specialised nursing time, consumables, and tailored mental health support required. In rural and remote areas, stakeholders recommend maintaining the 24/7 Registered Nurse Supplement regardless of bed occupancy due to persistent workforce shortages. Feedback also indicated that the Accommodation Supplement does not adequately cover expenses related to building modifications or assistive technology, which may discourage providers from accepting residents with higher support needs. To better support care delivery, stakeholders proposed several new supplements to meet the needs associated with chronic disease management, psychological and behavioural support, environmental modifications, and non-direct care areas such as innovation, governance, and compliance.

Stakeholder views on integrating supplements into the AN-ACC funding model were mixed. Some supported embedding clinical supplements into the AN-ACC price to streamline funding and reduce administrative burden, while others preferred retaining the current structure with expanded pricing adjustments for specialised cohorts. Stakeholders also requested refinement of the existing AN-ACC classes to adequately reflect complex care needs, as outlined in section 3.1.

Our response

We will consider the implications of this feedback on the development of our pricing advice and future cost collections. Where appropriate, we will also review the intersection with supplements provided for similar services within home care packages.

IHACPA notes that the department, as the system governor, retains policy and system management responsibility for supplements and grants.

In response to a recommendation from the Aged Care Taskforce, the government has announced an independent review of accommodation pricing in residential aged care, including the accommodation supplement.

Next steps

We will work with the department to understand the diversity of the existing supplements and grants available to registered providers and consider the impact of any changes to incorporate specific supplements into the AN-ACC funding model.

Review of the hotelling supplement

Registered providers of residential care must deliver everyday living services to residents, as outlined in the *Aged Care Rules 2025*, which includes services such as cleaning, catering and laundry. Everyday living services are funded by the basic daily fee and the hotelling supplement.

The hotelling supplement was introduced on 1 July 2023. It was established to help meet the costs associated with delivering everyday living services. The maximum hotelling supplement amount is set by government, indexed once a year and considers Fair Work Commission award wage decisions.

Formerly, the hotelling supplement was financial assistance provided by government to registered providers of residential care. With the introduction of the Aged Care Act, the hotelling supplement is now means-tested, with residents contributing to the supplement up to the maximum hotelling supplement amount and government paying the balance.

Government is seeking our advice on the differences in the cost to provide everyday living services based on location or resident-specific factors, as well as the potential impact of interactions between these factors. This may include, but is not limited to, consideration of:

- modified monash category
- assessed AN-ACC class of a resident
- service size.

This review will take place over a multi-year project. The outcomes of the review will form the basis of any recommendations from IHACPA to government, which may include a proposed new structure, such as tiering, for the hotelling supplement.

Informed by our analysis and advice, government will make a policy decision as to whether the hotelling supplement could be funded using an alternative approach.

Consultation question

What factors, if any, contribute to variations in the cost of providing required hotel services (now called everyday living services) to residents?

Please provide examples or supporting evidence.

Your feedback

In response to the consultation paper, stakeholders strongly emphasised that remoteness significantly increases the cost to provide everyday living services. Stakeholders noted that essentials such as food, laundry, cleaning, and utilities are more expensive due to limited local suppliers, freight surcharges, and inflation sensitivity. Challenges associated with workforce were identified to include recruitment, retention, and training, all of which increase operational expenses. Stakeholders also noted that residents in rural and remote areas may enter a residential care home with complex care needs, subsequently increasing demand for everyday living services.

Providers indicated that service delivery models and building design could also contribute to higher everyday living costs. Stakeholders noted that older buildings may add to the cost of maintenance and insurance, and inefficient building design, such as long distances between service areas and resident rooms, may add to labour, cleaning and utility costs. Providers with a high ratio of concessional residents and low occupancy rates may also face higher funding gaps and higher per-resident service costs.

Stakeholders also noted the potential for residents with complex care needs to increase the cost of providing everyday living services, which may not be adequately captured by the current AN-ACC classification system. In addition, stakeholders noted that resident preferences to self-manage services, and the provision of culturally safe, culturally appropriate and trauma informed services require flexible policies and may require additional staff training.

A few stakeholders suggested that the financial impact of replacing extra service and additional service fees with the new higher everyday living fees should be considered in any refinement of the hotelling supplement. Whilst residents and carers have requested greater clarity of what is included in everyday living services, and how individuals can opt out of higher everyday living services.

Our response

IHACPA notes the diversity in stakeholder feedback provided in relation to the hotelling supplement review, which will be used in the development of advice and recommendations to government on any proposed new structure for the supplement.

Informed by stakeholder feedback, we will undertake analysis to model the potential financial impacts of tiering the hotelling supplement based on location, service and resident related factors.

We will continue to review cost collection guidelines to improve the data capture of activity and costs for everyday living services and higher everyday living services.

Further stakeholder feedback will be sought through our advisory committees and public consultations to understand the potential impacts of any proposed policy changes.

7. Priorities for future pricing advice

7.1 Safety and quality

Future adjustments for safety and quality through the Australian National Aged Care Classification (AN-ACC) funding model will be considered by IHACPA, where requested by the Australian Government.

Safety and quality adjustments in pricing are a long-term objective. This is due to their complexity within residential aged care and could be considered when the AN-ACC funding model is further established.

The Consultation Paper on the Pricing Framework for Australian Residential Aged Care Services 2026–27 did not include a question about the safety and quality in residential aged care pricing advice.

Your feedback

In response to the consultation paper, stakeholders noted that the *Aged Care Act 2024* (Aged Care Act) has introduced new responsibilities and expectations of the aged care sector to address safety and quality, which may lead to an increase in provider costs. Several stakeholders noted that the strengthened Aged Care Quality Standards and work health and safety obligations require pricing models that reflect the full cost of compliance.

Stakeholders indicated that the current funding model encourages consistency in the delivery of aged care services across the sector but does not incentivise innovation to improve service quality. Some stakeholders suggested the need to consider the correlation between funding and service quality, with long-term reforms including quality-based pricing adjustments.

Several stakeholders also linked digital capability, artificial intelligence powered monitoring systems and robotic assistance to safety improvements, noting that funding should enable providers to adopt these technologies, ensuring aged care services remain future-ready and responsive to evolving expectations.

Our response

Our pricing advice is based on services meeting the standard of care required under government policy and legislation and is guided by our overarching pricing principle to support the delivery of quality care.

Costs associated with the implementation of the Aged Care Act and regulatory requirements will be included in ongoing data collections and aged care financial reports and will be reflected in future pricing advice.

We will continue to refine our cost collection guidelines to support longer-term consideration of safety and quality in the aged care sector.

We will continue to engage with stakeholders, the Department of Health, Disability and Ageing and the Aged Care Quality and Safety Commission to determine future approaches to safety and quality adjustments and align with other reforms and compliance activities across the sector.

7.2 Thin markets

While there is no nationally consistent definition of thin markets specific to aged care, we describe thin markets as areas with inadequate provision of care providers to drive efficiency within certain populations, or regional, rural or remote locations. To account for the challenges of delivering care in these areas, the government provides regional, rural and remote loadings for residential care services through differential price weights for base care tariff categories.

The consultation paper did not include a specific question about the provision of aged care services in thin markets, however stakeholders provided feedback linked to this issue through submissions to other questions within the consultation paper. Responses were primarily focused on the challenges in thin markets within regional, rural and remote areas.

Your feedback

In response to the consultation paper, several stakeholders noted that the implementation of the Aged Care Act will significantly affect rural and remote providers due to the added costs of compliance, including providing staff education and training, and covering travel expenses. Stakeholders highlighted that the 24/7 registered nurse and care minute responsibilities have placed significant financial pressure on residential care services in isolated areas, where workforce shortages often require the use of agency staff at a higher cost.

Stakeholders emphasised that labour costs in regional residential care homes continue to exceed those in metropolitan areas due to workforce shortages, higher hourly wages, the use of agency staff, and the additional expenses related to overseas recruitment.

Stakeholders also highlighted the challenges for people living with dementia in thin market areas, where the limited number of aged care providers is insufficient to meet demand, may result in the need for older persons to move away from their communities to access appropriate care.

To address these challenges, stakeholders recommended flexible funding and service delivery for thin market areas, with targeted investment and policy adjustments to support the delivery of aged care in geographically isolated settings.

Our response

IHACPA notes the range of stakeholder feedback provided in relation to thin markets and will consider targeted capture of data from thin markets in future cost collections. We note that policies related to thin markets and changes to the AN-ACC funding model are the responsibility of the department as the system governor.

We will continue to engage with stakeholders and undertake costing studies to understand the relationship between aged care and the service provision in thin markets. Where required, this will support the development of recommendations to government on potential AN-ACC funding model refinements.

Glossary

Term	Description
Aged Care Financial Report (ACFR)	The ACFR enables the Australian Government to collect registered provider data and parent entities, where applicable. Registered providers report: • income and expenses on care services and other activities, for each individual service • registered provider level balance sheet, income statement and cash flow statement (non-government) • a residential aged care segment note covering all residential care homes • an Annual Prudential Compliant Statement.
Aged Care Funding Instrument (ACFI)	Registered providers previously used ACFI to claim residential care subsidy for each resident who permanently entered their care. ACFI was based on a provider's assessment of the resident's ongoing care needs.
***Aged Care Rules 2025* (Rules)**	The Rules provide further detail and instruction on how to implement the *Aged Care Act 2024*.
Australian National Aged Care Classification (AN-ACC) funding model	The AN-ACC funding model is designed to provide subsidies to registered providers. This is based on: • the type of care required (permanent resident or residential respite) • the location of the service • service specialisation • each residents' care needs. Elements of the AN-ACC funding model include the AN-ACC assessment of a resident's characteristics, the AN-ACC Assessment Tool, the AN-ACC class and class subsidy, the base care tariff care category and subsidy and the AN-ACC price.
Australian National Aged Care Classification (AN-ACC) class	An AN-ACC class is a grouping of aged care residents that reflects their care needs and determines the associated subsidy required. Determined through a residential aged care funding assessment.
Base care tariff (BCT)	The BCT is the AN-ACC funding component for services reflecting characteristics such as location and specialisations for remote Aboriginal and Torres Strait Islander peoples or homelessness.

Term	Description
Basic daily fee (BDF)	The BDF is paid by all residential care residents and is independent of income or assets. It is paid by the resident to cover everyday living services such as meals, electricity, cleaning, and laundry. The BDF is set at 85% of the basic aged care pension and changes with the pension amount in March and September every year. Some people may be eligible for financial hardship assistance with their BDF.
Basic Daily Fee Supplement (BDF Supplement)	The Australian Government previously provided 2021 BDF Supplement for eligible aged care registered providers to support the delivery of better care and services to residents, with a focus on food and nutrition. In July 2023, this supplement was replaced by the hotelling supplement (see Hotelling supplement).
Daily accommodation payments (DAP)	Instead of a lump-sum residential accommodation deposit (RAD), residents can pay a rental-style DAP. This DAP is calculated by applying the maximum permissible interest rate, set by the Australian Government, to the RAD associated with the room in an accommodation group.
Determinations	IHACPA's role in health care is to determine the annual national efficient price (NEP) and national efficient cost (NEC) to enable activity based funding for public hospital services. These are known as the NEP and NEC determinations. The annual NEP sets the Australian Government payments for in-scope public hospital services that are funded on an activity basis. The annual NEC provides for services that are block funded, such as for small rural hospitals.
Extra services	Some residential care rooms have extra service status. This means that they can charge residents a regular extra service fee to provide residents with a bundle of higher standard hotel-type services. Examples include specialised menus, higher quality linen or particular room furnishings. This program was discontinued with the introduction of the *Aged Care Act 2024*, with all residents currently on the program to be transitioned to the Higher Everyday Living Fee by 1 November 2026.
Higher Everyday Living Fee (HELF)	From 1 November 2025, residents in respite and permanent residential aged care may choose to pay a higher everyday living fee (HELF) for services that go beyond what is required to be provided under the *Aged Care Act 2024 and the Aged Care Rules 2025*. The HELF cannot be charged for accommodation costs, which are included in accommodation pricing. Residents cannot be asked to pay for a service they can't or won't use. Residential aged care homes determine the cost of higher everyday living services. They do not need to seek approval from the government or IHACPA to charge a HELF.
Hotelling supplement	The hotelling supplement is paid to registered providers to meet the cost to provide everyday living services. This includes employing staff for services such as catering, cleaning and laundry.
Indexation	Indexation is a way to inflate the modelled costs to a level reflective of the estimated cost of delivering aged care services over a specified period of time.

Term	Description
Indigenous Data Sovereignty	The right of Indigenous people to exercise ownership over Indigenous data. Ownership of data can be expressed through the creation, collection, access, analysis, interpretation, management, dissemination and reuse of Indigenous data. *Maiam nayri Wingara (2018)*
Modified Monash category (MM)	A category for an area provided for by the Modified Monash Model, known as MM 1, MM 2, MM3, MM4, MM5, MM6 or MM 7.
Modified Monash Model (MMM)	The MMM is a geographical classification system that categorises metropolitan, regional, rural and remote locations into 7 levels. These levels are according to geographical remoteness and population size, based on population data published by the Australian Bureau of Statistics.
Multi-Purpose Service Program (MPSP)	The MPSP program provides integrated health and aged care services to rural and remote communities in areas that cannot support both a separate aged care home and hospital. MPSP are funded through Australian Government subsidies.
National Aboriginal and Torres Strait Islander Flexible Aged Care Program (NATSIFACP)	The NATSIFACP provides Australian Government funding for aged care services to deliver culturally safe and appropriate care to older Aboriginal and Torres Strait Islander peoples and support them to remain close to home and community. Most of these services are in rural and remote areas. NATSIFACP services are funded through Australian Government grants.
National weighted activity unit (NWAU)	NWAU means a measure of residential care activity, expressed as a common unit, against which the national efficient price is set.
Person/people receiving care	A person who receives aged care or support services in their own home or in a residential care home. This care may include support to take part in social activities, help with physical tasks and/or medical and personal care.
Price weight	A price weight refers to the NWAU, or value, assigned to an AN-ACC class or a BCT category, to reflect the variation in costs of care.
Quarterly Financial Report (QFR)	The QFR is a mandatory financial report from registered providers of residential care. It includes reporting on care minutes.
Refundable accommodation deposit (RAD)	Residents can pay a lump-sum for their accommodation in the form of a RAD, which provides a significant source of funding for capital investment and acts as an interest-free loan to registered providers. The RAD is fully refundable to the resident when they leave the provider or is returned to the estate if they pass away.
Registered provider	A registered provider is a person or body that has been approved as a provider of aged care. The Aged Care Quality and Safety Commission is responsible for assessing applications from organisations wanting to become registered providers. Registered providers can receive an Australian Government subsidy under the *Aged Care Act 1997*, this includes the Australian National Aged Care Classification basic daily subsidy.

Term	Description
Residential Aged Care Cost Collection (RACCC)	IHACPA's Residential Aged Care Cost Collection (RACCC) includes the collection of cost, time and activity data in participating residential care homes.
Residential Aged Care Costing Study (RACCS)	IHACPA has undertaken the *2023 Residential Aged Care Costing Study* (RACCS). This initial cost collection of residential care homes included the collection of cost, time and activity data.
Residential care	Residential care is for older people who can no longer live in their own home. It includes accommodation and personal care 24 hours a day, as well as access to nursing and general health care services.
Residential respite care	Residential respite care is accommodation and personal care 24 hours a day, as well as access to nursing and general health care services that is provided to a person in a residential care home on a short-term basis. This provides an older person, or their carer, with a temporary break from their usual care arrangements.

Independent Health and Aged Care Pricing Authority

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