Information about the Residential Aged Care Pricing Advice 2026–27

IHACPA

This fact sheet outlines the Independent Health and Aged Care Pricing Authority's (IHACPA's) Residential Aged Care Pricing Advice 2026–27 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 2026 to 30 September 2027 is

$303.19 **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
- the recommended price weights for each AN-ACC class, respite class and base care tariff (BCT) category
- the estimated gap between the cost of delivering everyday living services and related revenue received by government funded residential care homes.

Our role in aged care pricing

We provide annual pricing and costing advice on the AN-ACC funding model to inform government decisions on funding for residential aged care and residential respite care services.

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

While we provide advice to the Minister for Health and Ageing, government is responsible for setting and announcing the AN-ACC price and price weights for each AN-ACC class, respite 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 (the AN-ACC price) for residential aged care based on funding the actual cost of care.

The elements of care that are in-scope for the AN-ACC funding model are set out in the Aged Care Rules 2025. Our advice includes administrative costs directly related to care.

Out-of-scope areas for our pricing advice

Consistent with government policy, our cost-based approach to pricing advice does not incorporate provider profit margins or consider the financial sustainability of the aged care sector. Responsibility for financial viability and capability rests with the Department of Health, Disability and Ageing.

As the AN-ACC is a national funding model, state and territory-based payroll tax is considered out-of-scope for our pricing advice methodology.

About the Residential Aged Care Pricing Advice 2026–27

The recommended AN-ACC price

The recommended AN-ACC price for 2026–27 is taken from the average cost per NWAU in the 2023–24 financial year (2023–24 Aged Care Financial Report). It is adjusted to account for known cost increases and indexed to estimate the cost of delivering residential aged care and residential respite care services from 1 October 2026 to 30 September 2027.

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 implemented between 2023–24 and 2025–26
- 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.

The recommended AN-ACC price is designed to align costs with funding. It reflects the estimated sector average cost of delivering care in 2026–27 and is calculated without reference to previous years' prices. It should be considered in relation to the current cost of care, not year-on-year increases alone. 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 used across the sector.

Price weights for AN-ACC classes and BCT categories

Price weights for each AN-ACC class and BCT category are informed by the relative costs of care, as measured through our residential aged care cost collections.

To maintain funding stability and predictability for aged care providers, this advice did not recommend changes to the price weights for each AN-ACC class, respite class or BCT category applicable from 1 October 2025.

We will continue to monitor and review price weights. This ensures they reflect the evolving costs of care delivery and maintain relativity in our future pricing advice to government.

More information about how we apply stabilisation in our pricing model is available in our Aged Care Pricing Policy.

Consideration of higher wage costs

This pricing advice accounts for:

- Fair Work Commission annual wage reviews
- Fair Work Commission Aged Care Work Value Case Stage 3 decision (tranches 1 and 2)
- Fair Work Commission Nurses and Midwives Work Value Case decisions (tranches 1, 2 and 3)
- Fair Work Commission Gender-based undervaluation decisions (tranches 1 and 2).

We applied indexation and adjustments to all direct care labour costs. This includes salaries and wages and related on-costs, such as superannuation, allowances and reimbursements, staff leave, and fringe benefits to account for Fair Work Commission decisions. Costs related to WorkCover premiums and quality, compliance and training were also indexed at the non-labour indexation rate.

More information about how Fair Work Commission decisions are included in our advice can be found in the Residential Aged Care Pricing Advice 2026–27 Technical Specifications.

Allocation of administration costs

Our pricing advice includes administrative costs directly related to care. For this advice, corporate recharge costs are allocated proportionally across care, everyday living services and accommodation streams based on each stream's share of total expenditure. The remaining administration costs are split evenly between the everyday living and accommodation streams.

The Department of Health, Disability and Ageing is undertaking a review of the administration cost allocation methodology in residential aged care. The aim is to assess whether current approaches appropriately reflect how providers incur and report administrative costs. We will continue to work closely with the department on the allocation methods of administrative costs to inform our future advice.

Everyday living cost advice

Our advice includes the estimated difference between the costs of delivering everyday living services and related revenue received by residential care providers. We refer to this difference as the everyday living cost gap.

For this advice, we calculated an estimated everyday living cost gap for all residential care homes nationally. We also calculated a second estimated everyday living cost gap for residential care homes that did not receive revenue from additional service fees or extra service fees in 2023–24.

While revenue from additional service, extra service and higher everyday living fees are out-of-scope for our advice, the costs for delivery of these services cannot be isolated in the current data available. Therefore, we compared total revenue for everyday living services with total costs to calculate the estimated everyday living cost gap. This method is consistent with the approach used in our pricing advice for the past 3 years.

We estimate that from 20 September 2026 to 19 September 2027, everyday living revenue will exceed expenditure by $0.18 per resident per day across all residential care homes. While everyday living costs exceeded everyday living revenue in 2023–24, the estimated rate of growth in everyday living revenue is greater than the estimated growth in everyday living costs between 2023–24 and 2026–27. This includes increases to the hotelling supplement, from $11.04 on average over 2023–24 to $22.15 from 20 September 2025. Also included are biannual increases to the basic daily fee linked to the Consumer Price Index.

For residential care homes that did not receive revenue from extra service fees or additional service fees in 2023–24, we estimate that everyday living costs will exceed revenue by $5.81 per resident per day from 20 September 2026 to 19 September 2027.

Following a request from government, we are conducting a multi-year review on how location or resident specific factors interact and affect the cost of providing everyday living services. The outcomes of our review will inform any recommendations to government on the hotelling supplement, which may include a proposed new structure such as tiering. Informed by our analysis and advice, government will make a decision on whether the hotelling supplement could be funded using an alternative approach.

Implementation of the Aged Care Act 2024

As part of broader funding and regulatory reforms to the aged care sector, government has indicated that it may request additional pricing and costing advice and access to IHACPA's data collections to inform policy decisions on the impact of the introduction of the *Aged Care Act 2024* (Aged Care Act).

Through our 2026–27 public consultation, stakeholders reported that transitioning to the Aged Care Act resulted in increased administrative, compliance and reporting requirements, as well as reduced flexibility in service delivery. To expand our understanding of the cost pressures associated with the implementation, our Consultation Paper on the Pricing Framework for Australian Residential Aged Care Services 2027–28 asked stakeholders for their feedback. We asked for information about changes in service delivery costs for the implementation of the Aged Care Act, including transitional costs not captured in previous cost collections.

We will continue to monitor the impact of the Aged Care Act on the cost of delivering residential care and residential respite care services though our cost collections, public consultations and aged care financial reports. These costs will be considered in our future advice.

Further information

More information about how we develop our pricing advice to government can be found in the Residential Aged Care Pricing Advice 2026–27 Technical Specifications and the Aged Care Pricing Policy.

Contact us

(02) 8215 1100

enquiries.ihacpa@ihacpa.gov.au

ihacpa.gov.au

Find us on social media