Residential Aged Care Pricing Advice 2026–27

July 2026

IHACPA

Acknowledgement of Country

We acknowledge the Traditional Owners and Custodians of Country throughout Australia, and recognise their continuing connection to land, sky, waters and culture. We pay our respects to them, and to Elders both past and present.

Artwork by Chern'ee Sutton

Residential Aged Care Pricing Advice 2026–27 – July 2026

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Abbreviations

Words and phrases used in the *National Health Reform Act 2011* and *Aged Care Act 2024* have the same meaning when used in this Residential Aged Care Pricing Advice 2026–27. This Advice also uses the abbreviations listed in the table below:

Abbreviation	Full term
ABS	Australian Bureau of Statistics
ACFR	Aged Care Financial Report
Aged Care Act	*Aged Care Act 2024*
AN-ACC	Australian National Aged Care Classification
BCT	Base care tariff
Government	Australian Government
HELF	Higher everyday living fee
IHACPA	Independent Health and Aged Care Pricing Authority
MM	Modified Monash
NHR Act	*National Health Reform Act 2011*
NWAU	National weighted activity unit
Pricing Authority	The governing body of IHACPA established under the *National Health Reform Act 2011*
This Advice	Residential Aged Care Pricing Advice 2026–27

1. Overview

1.1 Independent Health and Aged Care Pricing Authority

The Independent Health and Aged Care Pricing Authority (IHACPA) is established under the *National Health Reform Act 2011* (NHR Act) and by virtue of section 131A(1) of the NHR Act is invested with the following functions relevant to this Residential Aged Care Pricing Advice 2026–27:

a) to provide advice to each relevant Commonwealth Minister in relation to one or more aged care pricing or costing matters, including in relation to methods for calculating amounts of subsidies to be paid under the *Aged Care Act 2024* (Aged Care Act);

b) such functions relating to aged care (if any) as are specified in regulations made for the purposes of this paragraph;

c) to conduct, or arrange for the conduct of, one or more of the following activities for the purpose of performing a function mentioned in paragraph (a) or (b):

    i. the collection and review of data;
    ii. costing and other studies;
    iii. consultations;

d) to do anything incidental to or conducive to the performance of the above functions.

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

In this Advice, the 'Pricing Authority' refers to the governing body, as established under the NHR Act, and 'IHACPA' refers to the agency.

1.2 Changes to legislation

The Aged Care Act commenced on 1 November 2025, replacing the *Aged Care Act 1997*, *Aged Care (Transitional Provisions) Act 1997* and *Aged Care Quality and Safety Commission Act 2018*.

The impact of the Aged Care Act on the cost of delivering residential aged care and residential respite care services will be observed in cost collections, Aged Care Financial Reports and Quarterly Financial Reports from 1 November 2025. These will be taken into consideration in future residential aged care and residential respite care pricing advice provided to the Australian Government.

1.3 Scope of this Residential Aged Care Pricing Advice 2026–27

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

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

This Advice:

- is evidence-based and developed transparently
- is based on services meeting the standard of care required in government policy and legislation
- aims to account for all costs and revenue for items in Chapter 1, Part 3, Division 8 of the Aged Care Rules 2025 under the Aged Care Act[1].

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

[1] Prior to 1 November 2025, 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*.

2. Methodology

2.1 Data sources

In developing this Residential Aged Care Pricing Advice 2026–27, IHACPA has relied on a number of different data sources. The following data sources have been collected by or provided to IHACPA:

- Aged Care Financial Report (ACFR)
- Quarterly Financial Report
- Australian National Aged Care Classification (AN-ACC) assessment data
- Services Australia AN-ACC claims data
- Aged Care Wage Estimation Tool
- Health Wage Estimation Tool
- Aged Care Provider Workforce Survey
- StewartBrown aged care administration allocation methodology
- Government Provider Management System extracts.

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

- Aged Care Quality and Safety Commission Non-Compliance Decision Log
- Star Ratings quarterly data extracts
- Care minutes – Guide for registered providers of residential care homes
- 24/7 registered nurse requirement – Guide for registered providers of residential care homes
- Schedule of Subsidies and Supplements for Residential and Transition Care
- Australian Institute of Health and Welfare GEN Aged care service list
- Australian Bureau of Statistics (ABS) Consumer Price Index (CPI) series
- ABS Annual Weight update of the CPI and Living Cost Indexes
- ABS Wage Price Index series
- ABS Employee Earnings and Hours
- ABS Income and Work: Census
- Reserve Bank of Australia Statement on Monetary Policy
- Fair Work Ombudsman minimum wages
- Fair Work Commission annual wage reviews
- Fair Work Commission Work value case – Aged care industry decisions
- Fair Work Commission Work value case – Nurses and midwives decisions
- Fair Work Commission Gender-based undervaluation – priority awards review decisions.

The Pricing Authority has determined that the data is adequate to carry out its functions under the *National Health Reform Act 2011* in 2026–27.

2.2 Methodological considerations

In this Advice, the recommended AN-ACC price is based on the average cost per national weighted activity unit (NWAU) in the 2023–24 financial year, adjusted to account for known cost increases, then indexed to estimate the cost of delivering residential aged care and residential respite care services from 1 October 2026 to 30 September 2027.

The Pricing Authority has not recommended changes to the price weights for each AN-ACC class or base care tariff (BCT) category in this Advice.

Key aspects considered in developing this Advice include:

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

IHACPA has also conducted analysis of any potential gap in funding for everyday living services.

In-scope costs

In developing the AN-ACC pricing advice, IHACPA has considered all cost categories reported under care expenses in the ACFR except payroll tax, plus administration costs associated with care. Adjustments have been applied to exclude costs covered by alternative funding sources such as the 24/7 registered nurse supplement and oxygen, veterans' and enteral feeding supplements.

Similarly, in developing the everyday living cost gap advice, IHACPA has considered all cost categories reported under hotel services expenses in the ACFR except payroll tax, plus administration costs associated with everyday living services.

Care minutes responsibility

Since 1 October 2024, residential care homes have been required to meet the mandatory care minutes responsibility set at a sector-wide average of 215 minutes of care per resident per day, including 44 minutes of care provided by a registered nurse. Registered providers have been permitted to meet up to 10% of their registered nurse care minutes targets with care time delivered by enrolled nurses[2].

In calculating the recommended AN-ACC price, IHACPA has adjusted labour costs to account for the cost of meeting the mandated care minutes responsibility, assuming that 100% of the registered nurse care minutes responsibility continues to be delivered by registered nurses.

Since 1 April 2026, BCT funding for non-specialised services in Modified Monash category 1 (BCT 6) has been reduced by 0.113 NWAU and replaced by the care minutes supplement. Payment of this supplement is dependent on residential care homes meeting their total care minutes target and registered nurse care minutes target. For the purpose of this Advice, IHACPA has included the value

[2] Refer to section 5.5.1 of Care minutes – Guide for registered providers of residential care homes.

of this supplement in the price weight for BCT 6, and in total NWAU when calculating the recommended AN-ACC price.

Allocation of administration costs

Administration costs are reported under the following categories in the ACFR:

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

In this Advice, IHACPA has apportioned administration costs between the care, everyday living and accommodation streams of residential aged care funding using the following methodology:

- corporate recharge costs were allocated proportionally across the care, everyday living and accommodation expenditure streams based on each stream's share of total expenditure
- all remaining administration costs were evenly distributed between the everyday living and accommodation streams.

Fair Work Commission work value cases

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

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

The Gender-based undervaluation – priority awards review relates to the Fair Work Commission's own motion review of award classifications and minimum wages to remedy potential gender-based undervaluation starting with 5 priority awards:

- *Aboriginal and Torres Strait Islander Health Workers and Practitioners and Aboriginal Community Controlled Health Services Award 2020*
- *Children's Services Award 2010*
- *Health Professionals and Support Services Award 2020*
- *Pharmacy Industry Award 2020*
- *Social, Community, Home Care and Disability Services Industry Award 2010.*

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

Superannuation guarantee increases

The *Superannuation Guarantee (Administration) Act 1992* stipulates increases in the minimum superannuation guarantee by 0.5% each year from 1 July 2021 until 1 July 2025. From 1 July 2025 onwards, the minimum superannuation guarantee will remain fixed at 12%. In this Advice, IHACPA has adjusted labour costs to account for superannuation guarantee increases implemented between 2023–24 and 2025–26.

Indexation of historical cost data to account for underlying price inflation

The data sources underpinning this Advice provide a basis for calculating the various cost components associated with the delivery of residential aged care and residential respite care services. Indexation was used to inflate the ACFR 2023–24 to estimate the costs of service delivery from 1 October 2026 to 30 September 2027.

Outbreak management costs

On 30 September 2025, the Australian Government ceased payment of the Aged Care Outbreak Management Support Supplement to registered aged care providers. Since 1 October 2025, funding for outbreak management costs has been included in the AN-ACC price and has been considered by IHACPA in the development of this Advice.

Estimated everyday living costs

The government has requested that IHACPA account for all costs and revenue for items in Chapter 1, Part 3, Division 8-145 of the Aged Care Rules 2025[3], and provide advice on the estimated difference between the costs of delivering everyday living services and related revenue received. This difference is referred to as the everyday living cost gap.

The ACFR 2023–24 provides information on total everyday living service revenue, including the basic daily fee, hotelling supplement, additional service fees and extra service fees[4]. Total everyday living costs are also reported in the ACFR.

While revenue received from additional service, extra service and higher everyday living service fees are out-of-scope for this Advice, the costs associated with the delivery of these services are not isolated in the ACFR. Therefore, the estimated cost gap to provide everyday living services for residential aged care and residential respite care was calculated as the total reported cost of providing everyday living services, less the total reported revenue, divided by the number of occupied bed days.

This Advice assumes that government will continue to provide a hotelling supplement of $22.15 per resident per day, equal to the rate of the supplement applicable from 20 September 2025.

2.3 Technical specifications

The Residential Aged Care Pricing Advice 2026–27 Technical Specifications are provided separately to this document and detail the underlying methodology used to develop this Advice.

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[3] Prior to 1 November 2025, 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*. Under the Aged Care Rules 2025, maintenance is not included in the Residential everyday living service type of the Aged care service list.

[4] Since 1 November 2025, services provided in addition to everyday living services are covered by the payment of Higher Everyday Living Fees (HELF), replacing additional service fees and extra service fees. However, revenue from HELF will not be captured in the ACFR until 2025–26.

3. Residential Aged Care Pricing Advice 2026–27

3.1 Scope of this Advice

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

Elements of in-scope care for the AN-ACC funding model are specified in Chapter 1, Part 3, Division 8-150 and Division 8-155 of the Aged Care Rules 2025 under the *Aged Care Act 2024*. This includes administrative costs directly related to care.

This Residential Aged Care Pricing Advice 2026–27 includes recommendations on the:

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

3.2 Recommended AN-ACC price

The Pricing Authority recommends the AN-ACC price for the period 1 October 2026 to 30 September 2027 to be **$303.19** per NWAU.

The recommended AN-ACC price from 1 October 2026 was calculated by indexing the average cost per NWAU of $252.14 in 2023–24, adjusted to meet the care minutes responsibility, by a total of 19.6%. This indexation rate is a combination of:

- Fair Work Commission work value case decisions (5.8%)
- superannuation guarantee increases (0.8%)
- inflation and wage rises (12.2%).

$1.56 was then added to the price to cover costs associated with outbreak management.

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

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

The Pricing Authority recommends that the AN-ACC and BCT price weights applicable from 1 October 2025 as set by the Australian Government and shown in tables 1 to 4 of this Advice, be retained.

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

Table 1: AN-ACC component – permanent care residents

AN-ACC class	Resident description	NWAU price weight
Class 1	Admit for palliative care	0.73
Class 2	Independent without compounding factors	0.21
Class 3	Independent with compounding factors	0.40
Class 4	Assisted mobility, high cognition, without compounding factors	0.29
Class 5	Assisted mobility, high cognition, with compounding factors	0.43
Class 6	Assisted mobility, medium cognition, without compounding factors	0.39
Class 7	Assisted mobility, medium cognition, with compounding factors	0.54
Class 8	Assisted mobility, low cognition	0.60
Class 9	Not mobile, higher function, without compounding factors	0.53
Class 10	Not mobile, higher function, with compounding factors	0.59
Class 11	Not mobile, lower function, lower pressure sore risk	0.68
Class 12	Not mobile, lower function, higher pressure sore risk, without compounding factors	0.66
Class 13	Not mobile, lower function, higher pressure sore risk, with compounding factors	0.73
Class 98	Default class for residents entering for permanent care to receive palliative care	0.73
Class 99	Default class for residents entering for permanent care (other than entry for palliative care)	0.60

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

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

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

BCT category	Funding basis	NWAU price weight[5]
Standard Modified Monash (MM) 1	Occupied places	0.50
Standard MM 2-3	Occupied places	0.53
Standard MM 4-5	Occupied places	0.58
Specialised homeless	Occupied places	0.92

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

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

[5]For the purpose of this Advice, IHACPA has included the value of the care minutes supplement in the price weight for Standard Modified Monash 1.

4. Everyday living cost advice

4.1 Scope of this Advice

The Pricing Authority provides advice to the Australian Government on the estimated difference between the costs of delivering everyday living services and related revenue received. This difference is referred to as the everyday living cost gap.

Everyday living services that are in-scope for this Residential Aged Care Pricing Advice 2026–27 are outlined in Chapter 1, Part 3, Division 8-145 of the Aged Care Rules 2025 under the *Aged Care Act 2024* (Aged Care Act) and are currently funded primarily through the payment of the basic daily fee and the hotelling supplement.

In this Advice, IHACPA has calculated an estimated everyday living cost gap for all residential care homes nationally, and a second estimated everyday living cost gap based on the subset of residential care homes that did not receive revenue from additional service fees or extra service fees in 2023–24.

IHACPA notes that residential care homes in certain segments of the market may be more likely to charge fees for services that are in addition to or of a higher quality than those required to be provided under the Aged Care Act. Therefore, the everyday living cost gap for residential care homes that do not receive revenue from additional service, extra service or higher everyday living fees is not considered to be nationally representative of the everyday living cost gap across the aged care sector.

4.2 Estimated everyday living costs

The Pricing Authority advises that the estimated difference between the costs of delivering everyday living services and related revenue received per occupied bed day from 20 September 2026 to 19 September 2027 is:

- a surplus of **$0.18** for all residential care homes nationally
- a deficit of **$5.81** for residential care homes that did not receive revenue through additional service fees or extra service fees in 2023–24.

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