Residential Aged Care Pricing Advice 2026–27

Technical Specifications

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 Technical Specifications — July 2026

Contents

Acronyms and abbreviations

Acronym/abbreviation	Description
ABD	Available bed day
ABS	Australian Bureau of Statistics
ACFR	Aged Care Financial Report
ACQSC	Aged Care Quality and Safety Commission
Aged Care Act	*Aged Care Act 2024*
Aged Care Award	*Aged Care Award 2010*
Aged Care Rules	*Aged Care Rules 2025*
Aged Care Work Value Case	Fair Work Commission Work value case – Aged care industry
AIHW	Australian Institute of Health and Welfare
AIN	Assistant in nursing
AN-ACC	Australian National Aged Care Classification
ANZSCO	Australian and New Zealand Standard Classification of Occupations
ANZSIC	Australian and New Zealand Standard Industrial Classification
AWR	Annual Wage Review
BCT	Base care tariff
BDF	Basic daily fee
CPI	Consumer Price Index
EBA	Enterprise bargaining agreement
ECEC	Early Childcare Education and Care
EN	Enrolled nurse
FTE	Full time equivalent
Gender-based undervaluation case	Fair Work Commission Gender-based undervaluation – priority awards review
HPSS Award	*Health Professionals and Support Services Award 2020*
IHACPA	Independent Health and Aged Care Pricing Authority
NHR Act	*National Health Reform Act 2011*
Nurses and Midwives Work Value Case	Fair Work Commission Work value case – Nurses and Midwives
Nurses Award	*Nurses Award 2020*
NWAU	National weighted activity unit

Acronym/abbreviation	Description
OBD	Occupied bed day
PCW	Personal care worker
Pricing Authority	The governing body of IHACPA established under the *National Health Reform Act 2011*
QFR	Quarterly Financial Report
RACPA26	Residential Aged Care Pricing Advice 2026–27
RBA	Reserve Bank of Australia
RN	Registered nurse
SCHADS Award	*Social*, *Community, Home Care and Disability Services Industry Award 2010*
The department	Department of Health, Disability and Ageing
The government	The Australian Government
WPI	Wage Price Index

1 Overview

1.1 Purpose

This document has been produced as an accompaniment to the Residential Aged Care Pricing Advice 2026–27 (RACPA26). It provides the technical specifications for how the Independent Health and Aged Care Pricing Authority (IHACPA) developed the pricing advice provided to the Australian Government (the government).

1.2 Background

IHACPA is established under the *National Health Reform Act 2011* (the NHR Act) and by virtue of section 131A(1) of the NHR Act is invested with the following functions relevant to RACPA26:

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.

RACPA26 is an output to the performance of those functions by the Pricing Authority.

1.3 The scope of IHACPA's 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 (NWAU) price weights, base care tariff (BCT) 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.

RACPA26:

- 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* (Aged Care Rules) under the Aged Care Act[1].

1.4 Residential aged care pricing advice process

1.4.1 Data sources

RACPA26 was informed by a number of different data sources including the following collected by or provided to IHACPA:

- Aged Care Financial Report (ACFR), 2023–24
- Quarterly Financial Reports (QFR), 2022–23 and 2023–24
- AN-ACC assessment data
- Services Australia AN-ACC claims, 2023–24 and 2024–25
- Aged Care Wage Estimation Tool
- Health Wage Estimation Tool
- Aged Care Provider Workforce Survey, 2023
- 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 (ACQSC) non-compliance decision log, 1 July 2023 to 30 June 2024
- Star ratings quarterly data extracts, 2023–24
- 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 Aged Care
- Schedule of Fees and Charges for Residential Care
- Australian Institute of Health and Welfare (AIHW) GEN Aged care service list, 30 June 2024
- Australian Bureau of Statistics (ABS) Consumer Price Index (CPI) series, March 2026
- ABS Annual weight update of the CPI and Living Cost Indexes
- ABS CPI: Concepts, Sources and Methods
- ABS Wage Price Index (WPI) series, March 2026
- ABS Employee Earnings and Hours, 2021
- ABS Income and Work: Census, 2021
- Reserve Bank of Australia (RBA) Statement on Monetary Policy, May 2026

[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.

- Fair Work Ombudsman minimum award wages
- Fair Work Commission annual wage reviews (AWR), 2010–21 to 2026
- Fair Work Commission Work value case – Aged care industry (Aged Care Work Value Case) Stage 2 and 3 decisions
- Fair Work Commission Work value case – Nurses and midwives (Nurses and Midwives Work Value Case) decision
- Fair Work Commission Gender-based undervaluation – priority awards review (Gender-based undervaluation case) decisions.

1.4.2 Methodology overview

AN-ACC pricing advice

A key element of IHACPA's residential aged care and residential respite care pricing advice relates to the AN-ACC funding model.

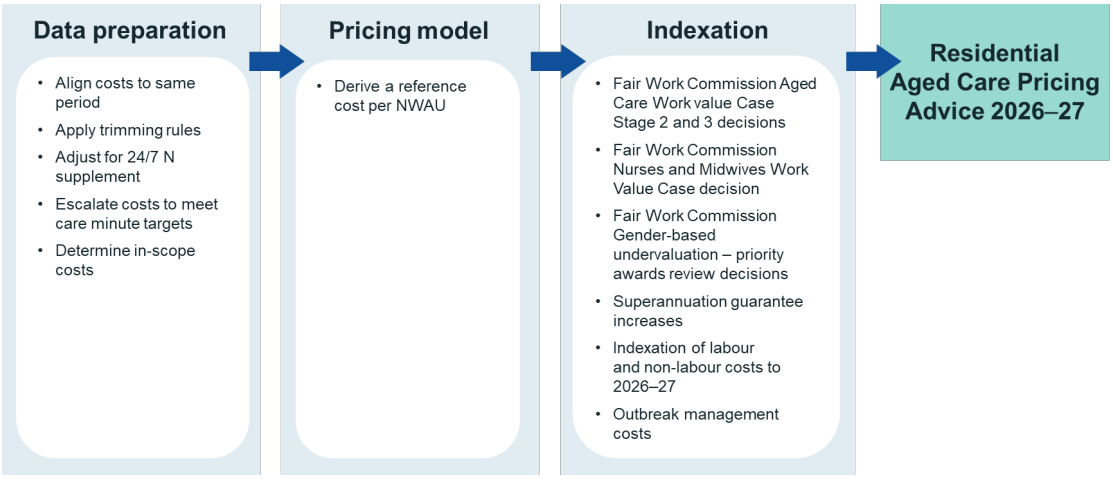
The elements of care that are in-scope for the AN-ACC funding model are specified in Chapter 1, Part 3, Division 8-150 and Division 8-155 of the Aged Care Rules under the Aged Care Act.

The recommended AN-ACC price is based on the average cost per 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.

IHACPA has not recommended changes to the price weights for each AN-ACC class or BCT category in RACPA26.

Figure 1 summarises the processes and key aspects considered in the development of the pricing methodology for RACPA26.

Figure 1: Summary of methodology



Estimated everyday living cost gap

IHACPA has produced 2 estimates of the gap between the cost of everyday living services and related revenue received: one including all residential care homes nationally, and a second based on the subset of residential care homes that did not receive revenue from additional service fees (ASF) or extra service fees (ESF) in 2023–24. This is provided as a separate output in RACPA26.

2 Data preparation

2.1 Overview

IHACPA relied primarily on the ACFR 2023–24 in preparing RACPA26. The ACFR provides population-level cost data used to determine the recommended AN-ACC price and the estimated everyday living cost gap.

IHACPA also relied on the QFR to model the impact of Fair Work Commission work value case decisions on labour costs.

The methodology used to prepare each of those data sources for modelling is described in the relevant sections below.

2.2 Aged Care Financial Report 2023–24

At the time of modelling, the ACFR 2023–24 was the most recent source of cost data for the full population capturing all relevant cost categories. IHACPA applied a series of cleansing, trimming and adjustment steps before using the ACFR data for modelling to ensure that it was fit for purpose.

2.2.1 Deflation

Some aged care providers report their ACFR data on a calendar year (1 January 2024 to 31 December 2024) rather than a financial year (1 July 2023 to 30 June 2024) basis. IHACPA deflated costs for residential care homes reporting their ACFR on a calendar year basis by removing inflation and other cost increases to align all costs to the 2023–24 financial year.

This consisted of 2 steps:

a. exclusion of the superannuation guarantee increase effective 1 July 2024
b. deflation of labour and non-labour costs from the 2024 calendar year to the 2023–24 financial year.

Superannuation guarantee increase

The superannuation guarantee increased from 11.00% to 11.50% on 1 July 2024. IHACPA adjusted the superannuation component of labour costs by $\frac{1.115}{1.110} - 1 = 0.45\%$ to reflect this increase, using the methodology described in section 4.3.4.

Labour cost indexation

Consistent with sections 4.3.4 and 5.2.2, IHACPA assumed the following indexation rates when deflating labour costs.

Table 1: Labour cost indexation rates

Labour cost component	Indexation rate
Direct care	3.52%
Everyday living, maintenance, administration	3.75%

Application – adjusting labour costs

To align labour costs for residential care homes reporting costs for the 2024 calendar year to the 2023–24 financial year, IHACPA adjusted labour costs over the 184 days costs between 1 July 2024 and 31 December 2024 for the impact of the superannuation guarantee increase and indexation.

Each labour cost component was adjusted as follows:

$$\text{financial year cost} = \frac{366 \times \text{calendar year cost}}{366 + 184\,[(1 + 0.45\%) \times (1 + \text{labour indexation rate}) - 1\,]}$$

where the labour indexation rates are as given in Table 1.

Non-labour cost indexation

IHACPA constructed indexes from relevant CPI groups, sub-groups and expenditure classes weighted by direct care and everyday living and associated administration non-labour costs reported in the ACFR to measure inflation of non-labour costs in residential aged care. The methodology for constructing the non-labour cost indexes and deriving the annualised indexation rates for care and everyday living costs are detailed in sections 4.4 and 5.2.3. The indexation rates are given in Table 2.

Table 2: Non-labour cost indexation rates

Non-labour cost component	Indexation rate*
Direct care (including associated administration costs)	4.42%
Everyday living (including associated administration costs)	4.61%

* The indexation rates presented in Table 2 differ from the rates in sections 4.4 and 5.2.3 as the cost proportions used to derive these indexes only include providers reporting costs on a financial year basis.

Application – adjusting non-labour costs

IHACPA adjusted non-labour costs to remove 184 days of inflation for providers reporting their ACFR on a calendar year basis as follows:

$$\text{financial year cost} = \frac{\text{calendar year cost}}{(1 + \text{non-labour indexation rate})^{\frac{184}{366}}}.$$

Application – adjusting everyday living revenue

IHACPA deflated everyday living revenue for residential care homes reporting their ACFR on a calendar year basis by the ratio of the weighted average basic daily fee (BDF) paid over the

2023–24 financial year ($60.75) to the weighted average BDF paid during the 2024 calendar year ($62.18):

$$\text{financial year revenue} = \text{calendar year revenue} \times \frac{60.75}{62.18}.$$

This adjustment was applied to all components of everyday living revenue.

2.2.2 Data adjustments

Duplicate service IDs

In cases where a residential care home changes ownership during the year, 2 ACFRs may be submitted each covering part of the financial year. In these cases, IHACPA aggregated costs, hours, and bed days into a single record for each unique service ID.

2.2.3 Supplementary data

New entrants

IHACPA calculated the number of initial entry adjustment payments for each residential care home using AN-ACC claims data between 1 July 2023 and 30 June 2024 for residential care homes using financial year reporting, or between 1 January 2024 and 31 December 2024 for residential care homes using calendar year reporting.

Resident casemix

IHACPA determined the casemix profile (that is, the composition of AN-ACC classes of care recipients) for each residential care home from the AN-ACC claims data. For each residential care home and AN-ACC class, IHACPA divided the total subsidy paid between 1 July 2023 and 30 June 2024 or 1 January and 31 December 2024, depending on whether the provider uses financial year or calendar year reporting, by the relevant AN-ACC daily subsidy. IHACPA then calculated the proportion of residents by AN-ACC class and merged this onto the ACFR.

2.2.4 Trimming

Following the data adjustments, IHACPA applied 2 sets of trimming rules to the ACFR. First, several rules were applied to exclude erroneous reporting, as summarised in Table 3.

Table 3: Errors identified in the ACFR

Rule	Records for care costs	Records for everyday living costs and revenue
Original ACFR dataset	**2,618**	**2,618**
1. Service did not claim AN-ACC or BCT subsidy from Service Australia	-9	-9
2. Unknown casemix during 2023–24	-	-
3. Service was not listed on the GPMS or GEN service list	-7	-7
4. Service reported zero registered nurse (RN) or (enrolled nurse (EN) or personal care worker (PCW)) costs	-	N/A
5. Labour costs reported with zero care hours, or care hours reported with zero cost	-1	N/A
6. Negative aggregate values reported for at least one care component (labour costs, resident expenses, total care expenses, total administration expenses)	-	N/A
7. Negative aggregate values reported for at least one everyday living component (administration, catering, cleaning, laundry, other everyday living)	N/A	-
8. Negative everyday living income reported	N/A	-
Cleansed ACFR dataset	**2,601**	**2,602**

IHACPA applied further trimming rules to identify and exclude residential care homes subject to non-compliance decisions by the ACQSC, as well as low- and high-cost outliers. The trimming rules and their impact on the ACFR sample are summarised in Table 4.

Table 4: Summary of ACFR trimming rules

Trimming rule	Records for care costs	Records for everyday living costs and revenue
Cleansed ACFR dataset	**2,601**	**2,602**
1. Service had a sanction imposed by the ACQSC in 2023–24	-2	-2
2. Service received a notice of requirement to agree from the ACQSC in 2023–24	-3	-3
3. Service received a non-compliance notice from the ACQSC in 2023–24	-	-
4. Service received a notice to remedy from the ACQSC in 2023–24	-26	-26
5. Service received an overall star rating of less than 3 stars in May 2024	-3	-3
6. RN cost per hour less than minimum award rate plus 11.0% superannuation and 20% on-costs	-3	N/A
7. EN cost per hour less than minimum award rate plus 11.0% superannuation and 20% on-costs	-35	N/A
8. PCW cost per hour less than minimum award rate plus 11.0% superannuation and 20% on-costs	-40	N/A
9. RN cost per hour more than the upper bound*	-16	N/A
10. EN cost per hour more than the upper bound*	-4	N/A
11. PCW cost per hour more than the upper bound*	-2	N/A
12. Total care labour cost per occupied bed day (OBD) more than the upper bound*	-9	N/A
13. Consumables cost per OBD more than the upper bound*	-3	N/A
14. Other care costs per OBD more than the upper bound*	-7	N/A
15. Administration cost per OBD more than the upper bound*	-21	-31
16. Catering cost per OBD more than the upper bound*	N/A	-9
17. Cleaning cost per OBD more than the upper bound*	N/A	-3
18. Laundry cost per OBD more than the upper bound*	N/A	-24
19. Other everyday living cost per OBD more than the upper bound*	N/A	-6
20. Reported BDF less than 95% of the BDF rate as at 1 July 2023	N/A	-149
21. Reported BDF more than 105% of the BDF rate as at 30 June 2024	N/A	-136
Final trimmed ACFR dataset	**2,427**	**2,210**

* High-cost outliers were identified from the distribution of costs observed using a quantile-quantile plot.

2.2.5 Adjustment for 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 an RN. IHACPA adjusted the labour costs in the ACFR in recognition that the care minutes responsibility was not mandated until 1 October 2023, and that the labour costs reported in the ACFR may not be representative of the costs that would have been incurred had the care minutes responsibility been mandated for the full financial year. In making this

adjustment, IHACPA used the care minutes responsibility by AN-ACC class applicable from 1 October 2025, as published in the Care minutes – Guide for registered providers of residential care homes.

Since 1 October 2024, registered providers have been permitted to meet up to 10% of their RN care minutes targets with care time delivered by ENs[2]. For RACPA26, in line with government policy, IHACPA has assumed that 100% of the RN care minutes responsibility continues to be delivered by RNs.

Since 1 April 2026, the BCT funding for non-specialised services in Modified Monash category 1 (BCT category 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 RN minutes target. For RACPA26, IHACPA has included the value of this supplement in the price weight for BCT category 6, and in total NWAU when calculating the recommended AN-ACC price.

This adjustment used the occupied bed days OBD_s, and the following care expenses from the ACFR:

- RN labour cost (C_R)
- EN labour cost (C_E)
- PCW labour cost (C_P)
- RN labour hours (H_R)
- EN labour hours (H_E)
- PCW labour hours (H_P).

For each residential care home, IHACPA calculated the RN care minutes responsibility per OBD, denoted $M_{R,D}^T$, and the total direct (including RNs, ENs and PCWs) care minutes responsibility per OBD, denoted $M_{L,D}^T$, based on the casemix and care minute allocations by AN-ACC class as given in the Care minutes – Guide for registered providers of residential care homes.

The average actual RN care minutes per OBD $M_{R,D}$, was calculated as:

$$M_{R,D} = \frac{60 \times H_R}{\mathrm{OBD}_s}.$$

The average EN and PCW care minutes per OBD, denoted $M_{E,D}$ and $M_{P,D}$ respectively, were calculated similarly.

The care minute adjustment to the ACFR data was implemented in 4 steps. For each residential care home in the ACFR, IHACPA:

a. identified the increase required in RN care minutes per OBD, if any, for the RN care minutes to be at least $M_{R,D}^T$
b. inflated both RN care minutes and RN labour cost by the factor identified in (a)
c. identified the increase required in residual (EN and PCW), care minutes, if any, for the total care minutes to be at least $M_{L,D}^T$ minutes

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

d. inflated the residual care minutes and costs (after accounting for step (b) above) by the factor identified in (c).

These steps were accomplished as follows. k_R was defined to be the increase required for RN care minutes to be at least $M^T_{R,D}$ minutes. That is:

$$k_R = \max\left(1, \frac{M^T_{R,D}}{M_{R,D}}\right).$$

Then the imputed RN care minutes per OBD were calculated as $M'_{R,D} = k_R M_{R,D}$, or:

$$\begin{aligned} M'_{R,D} &= k_R M_{R,D} \\ &= \begin{cases} M_{R,D} & \text{if } M_{R,D} \geq M^T_{R,D}, \\ M^T_{R,D} & \text{otherwise.} \end{cases} \end{aligned}$$

Similarly, the imputed RN labour cost was calculated as $C'_R = k_R C_R$.

The required increase in residual care minutes k_L was then calculated as:

$$k_L = \max\left(1, \frac{M^T_{L,D} - M'_{R,D}}{M_{E,D} + M_{P,D}}\right).$$

Note that if $M'_{R,D} + M_{E,D} + M_{P,D} \geq M^T_{L,D}$, then $k_L = 1$. The imputed EN and PCW care minutes per OBD were than calculated as $M'_{E,D} = k_L M_{E,D}$ and $M'_{P,D} = k_L M_{P,D}$.

Similarly, the imputed EN and PCW labour costs were calculated as $C'_E = k_L C_E$ and $C'_P = k_L C_P$.

The impact of the adjustments to RN and total direct care costs for the residential care homes in the trimmed ACFR is shown in Table 5. The total additional cost to meet the mandatory care minute requirements applicable from 1 October 2025 is $1,201.6 million compared to what was reported in the ACFR.

Table 5: Effect of 1 October 2025 care minutes responsibility on labour costs in the ACFR

	Service count	Additional cost (compared to ACFR)
Registered nurses		
Services meeting care minutes responsibility	738	-
Services not meeting care minutes responsibility	1689	$572.6m
Total direct care (after RN adjustment)		
Services meeting care minutes responsibility	898	-
Services not meeting care minutes responsibility	1529	$629.0m
Total*		**$1,201.6 m**

* Components may not add due to rounding.

For all aspects of the RACPA26 calculations hereafter, the imputed RN cost (C'_R) and care minutes ($M'_{R,D}$), imputed EN cost (C'_E) and care minutes ($M'_{E,D}$) and imputed PCW cost (C'_P) and care minutes ($M'_{P,D}$) are used in place of their source counterparts reported in the ACFR.

2.2.6 In-scope costs

After adjusting for the additional cost to meet the mandated care minute requirements, IHACPA calculated the total in-scope care cost for funding under AN-ACC as the final step in preparing the ACFR data for modelling.

Administration costs

IHACPA apportioned administration costs reported in the ACFR, excluding payroll tax, between the care, everyday living, and accommodation expense streams for each residential care home using the allocation methodology shown in Table 6.

Table 6: Allocation of administration costs

ACFR cost category	Care	Everyday living	Accommodation
Corporate recharge	Care proportion of total expenses*	Everyday living proportion of total expenses*	Accommodation proportion of total expenses*
Administration employee labour costs, WorkCover premium for administration staff, Fringe benefits tax, Quality, compliance and training external costs, Insurances, Other administration costs	-	50%	50%

* Total expenses are the summation of care, everyday living and accommodation expenses.

The portion of administration costs allocated to care were considered in-scope for modelling costs funded under AN-ACC.

24/7 RN adjustment

From 1 July 2023, small residential care homes have been eligible to receive the 24/7 RN supplement to cover costs associated with meeting the 24/7 RN requirement not otherwise covered by the care minutes responsibility. There were 721 residential care homes in the ACFR that received the 24/7 RN supplement for all or part of 2023–24. IHACPA applied an adjustment to RN costs in the ACFR to avoid double counting costs funded through the supplement for these residential care homes.

In October 2024, new eligibility criteria were introduced for the 24/7 RN supplement, including the introduction of a separate reduced rate supplement for smaller homes providing at least 50% RN coverage. For each residential care home and month, IHACPA calculated the total value of the 24/7 RN supplement that would have been paid under the 1 October 2024 payment rules.

IHACPA adjusted RN costs by the full rate 24/7 RN supplement for residential care homes that met the following criteria:

- had no more than 50 residents per day on average over the calendar month (based on occupied bed days)
- provided a minimum of 21 hours of RN coverage per day on average over the calendar month
- submitted a 24/7 RN report on time (by the 7th calendar day after the end of the month)
- did not have a 24/7 RN exemption during the month
- did not have a flag to indicate ineligibility due to co-location.

IHACPA adjusted RN costs by the reduced rate supplement for residential care homes that met the following criteria:

- had no more than 30 residents per day on average over the calendar month (based on occupied bed days)
- provided a minimum of 12 hours but less than 21 hours of RN coverage per day on average over the calendar month
- submitted a 24/7 RN report on time (by the 7th calendar day after the end of the month)
- did not have a 24/7 RN exemption during the month
- did not have a flag to indicate ineligibility due to co-location.

IHACPA then expressed the supplement in 2023–24 dollars by deflating the schedule of supplements by 3.52%, in line with the labour indexation calculated in section 4.3.4. IHACPA deducted this supplement amount from the total RN labour costs after care minute adjustments to derive the adjusted RN labour cost.

In some instances, it is possible for the value of the RN supplement to exceed the cost of RN services delivered by a residential care home, resulting in a negative adjusted RN labour cost. In these cases, IHACPA retained the negative cost as the residential home would still have received the supplement and could have used it to offset other care costs.

Care supplements

In addition to AN-ACC subsidies, the government pays a range of supplements to cover the cost of meeting specific care needs. For people living in residential aged care, the enteral feeding, oxygen, and veterans' supplements assist with covering specific care costs.

IHACPA calculated the total enteral feeding, oxygen, and veterans' supplements for each residential care home from the 2023–24 financial year or 2024 calendar year AN-ACC claims data depending on the applicable reporting period. For residential care homes using calendar year reporting, IHACPA deflated the supplements to their equivalent 2023–24 rates.

The value of care supplements was subtracted from the total in-scope cost to ensure that the modelled costs reflect the component of care funded through the AN-ACC funding model.

Total in-scope cost

IHACPA calculated total in-scope cost for each residential care home from the ACFR as the total care cost excluding payroll tax, plus associated administration costs, minus the value of care supplements (including the 24/7 RN supplement). In calculating the total care cost, IHACPA used the escalated labour costs calculated in section 2.2.5 after adjusting for the care minutes responsibility.

2.3 Quarterly Financial Report 2022–23 and 2023–24

The QFR reports residential care labour costs and hours on a quarterly basis. IHACPA used the QFR to assess the impact of Fair Work Commission work value case decisions on labour costs.

2.3.1 Trimming

The trimming rules that IHACPA used to prepare QFR data are outlined in Table 7. Trimming rules were aligned as closely as possible to the ACFR.

Table 7: Errors identified and trimming rules applied to QFR datasets

Rule	2022–23 quarter 2	2023–24 quarter 1	2023–24 quarter 2	2023–24 quarter 3	2023–24 quarter 4
Original QFR dataset	**2,667**	**2,622**	**2,618**	**2,621**	**2,616**
1. Service reported zero RN or (EN or PCW) costs	-7	-5	-9	-5	-2
2. Labour costs are reported with zero care hours, or care hours reported with zero labour cost	-1	-	-2	-	-
Cleansed QFR dataset	**2,659**	**2,617**	**2,607**	**2,616**	**2,614**
3. Service had a sanction imposed by the ACQSC	-11	-2	-2	-2	-2
4. Service received a notice of requirement to agree from the ACQSC	-22	-3	-3	-3	-3
5. Service received a non-compliance notice from the ACQSC	-85	-	-	-	-
6. Service received a notice to remedy from the ACQSC	-43	-26	-25	-26	-26
7. RN cost per hour less than the minimum award rate plus superannuation and 20% on-costs	-7	-9	-7	-2	-1
8. EN cost per hour less than the minimum award rate plus superannuation and 20% on-costs	-59	-72	-49	-45	-48
9. PCW cost per hour less than the minimum award rate plus superannuation and 20% on-costs	-21	-48	-33	-31	-47
10. Care management cost per hour less than the minimum award rate plus superannuation and 20% on-costs	-90	-48	-88	-21	-110
11. RN cost per hour more than the upper bound*	-	-1	-	-	-
12. EN cost per hour more than the upper bound*	-11	-4	-3	-5	-7
13. PCW cost per hour of labour more than the upper bound*	-4	-5	-2	-3	-2
14. Care management cost per hour more than the upper bound*	-19	-39	-14	-19	-17
Trimmed QFR dataset	**2,287**	**2,360**	**2,381**	**-2,459**	**-2,351**

* High-cost outliers were identified from the distribution of costs observed using a quantile-quantile plot.

3 Pricing model

3.1 Overview

The RACPA26 pricing model is used to derive the recommended AN-ACC price based on cost data from the ACFR 2023–24. IHACPA has not recommended changes to the price weights for each AN-ACC class and BCT category in RACPA26.

The pricing model consists of the following steps:

- derivation of the preliminary reference cost, which is the average cost per NWAU23
- calibration of the reference cost to the ACFR, such that the total modelled cost equaled the total actual cost in the trimmed ACFR
- indexation, to inflate the modelled costs to a level reflective of the estimated cost of delivering residential aged care services in from 1 October 2026 to 30 September 2027.

In this document, the 2023–24 AN-ACC price weights are referred to as NWAU23 and the AN-ACC price weights applicable from 1 October 2025 to 30 September 2026 are referred to as NWAU25. Note that the price weight for BCT category 6 includes the value of the care minutes supplement.

3.2 Derivation of a preliminary reference cost

The reference cost, or average cost per NWAU, forms the basis for the recommended AN-ACC price.

IHACPA calculated the preliminary reference cost using the total in-scope cost in the trimmed ACFR as defined in section 2.2.6 divided by the total NWAU23 for 2023–24.

3.2.1 Total NWAU

The total NWAU for each residential care home in 2023–24 comprises the sum of the NWAU23 from the individual (AN-ACC) and shared (BCT) components, plus any initial entry adjustment payments.

AN-ACC component

To calculate the total AN-ACC component NWAU23, the number of OBDs in 2023–24 per AN-ACC class was required for each residential care home. Since this breakdown is not reported in the ACFR, it was calculated using the AN-ACC claims data.

For each residential care home s, IHACPA multiplied the proportion of residents in each AN-ACC class a by the total number of OBDs, then by the NWAU23 price weights to get the total AN-ACC component NWAU23 in 2023–24:

$$\text{AN-ACC NWAU23}_s = \sum_a P_{s,a} \times \text{OBD}_s \times \text{NWAU23}_a$$

where:

- AN-ACC NWAU23_s is the total AN-ACC component NWAU23 for residential care home s in 2023–24
- $P_{s,a}$ is the proportion of residents in residential care home s in AN-ACC class a
- OBD_s is the number of occupied bed days in residential care home s
- NWAU23_a is the NWAU23 price weight for AN-ACC class a.

BCT component

The BCT component NWAU23 for a residential care home is dependent on the BCT category and either the number of OBDs or available bed days (ABD), depending on whether the residential care home is funded based on occupied or operational places. The number of bed days for residential care home s in BCT b was defined as follows:

$$D_{s,b} = \begin{cases} \text{OBD}_s, & \text{BCT} = 4,5,6,7 \\ \text{ABD}_s, & \text{BCT} = 1,2 \\ \min(\text{ABD}_s, 29 \times 366), & \text{BCT} = 3\text{H} \\ \max(\text{ABD}_s - 29 \times 366, 0), & \text{BCT} = 3\text{L} \end{cases}$$

where:

- $D_{s,b}$ is the number of bed days allocated to BCT category b in residential care home s
- OBD_s is the number of occupied bed days in residential care home s
- ABD_s is the number of available bed days in residential care home s.

Analogous to the calculation above for AN-ACC component NWAU23, IHACPA multiplied the number of OBDs or ABDs by the NWAU23 price weights to get the total BCT component NWAU23 for each residential care home in 2023–24:

$$\text{BCT NWAU23}_s = \sum_b D_{s,b} \times \text{NWAU23}_b$$

where:

- BCT NWAU23_s is the total BCT component NWAU23 for residential care home s in 2023–24
- NWAU23_b is the NWAU23 price weight for BCT category b.

Initial entry adjustment

An initial entry adjustment of 5.28 NWAU is payable when a new resident enters permanent care to cover the costs associated with this transition. In the absence of reliable data to understand the costs associated with new residents entering permanent care, IHACPA retained the existing initial entry adjustment price weight.

The total number of new entrants from section 2.2.3 was multiplied by 5.28 to calculate the total NWAU attributable to initial entry adjustment payments over the 2023–24 year.

3.2.2 Preliminary reference cost

To calculate the average cost per NWAU23, IHACPA divided the total in-scope cost after adjusting for the cost of meeting the care minutes responsibility ($18,131m) by the total NWAU23 (72.34m)

across all residential care homes in the trimmed ACFR. This results in a preliminary reference cost of **$250.63** in 2023–24.

3.3 Calibration of reference cost

When recommending changes to the price weights for each AN-ACC class and BCT category, IHACPA calibrates the price weights to ensure that the total modelled NWAU multiplied by the reference cost equals the total actual cost in the ACFR. Given that IHACPA has not recommended changes to the price weights for each AN-ACC class or BCT category in RACPA26, IHACPA was required to recalibrate the reference cost to ensure that the total modelled cost equalled the actual in-scope cost when applied to the full population in the ACFR.

IHACPA calculated the total modelled cost in 2023–24 as:

$$\text{modelled cost}_{2023-24} = \left(\sum_{a} P_{s,a} \times \text{OBD}_s \times \text{NWAU25}_a + \sum_{b} D_{s,b} \times \text{NWAU25}_b\right) \times \$250.63$$

where:

- NWAU25_a is the NWAU25 price weight for AN-ACC class a.
- NWAU25_b is the NWAU25 price weight for BCT category b
- $\$250.63$ is the average cost per NWAU23 in 2023–24.

The calibrated reference cost was the calculated as:

$$\text{calibrated reference cost} = \text{preliminary reference cost} \times \frac{\text{total in scope cost}_{2023-24}}{\text{modelled cost}_{2023-24}} = \$252.14.$$

4 Indexation

4.1 Overview

Following the calculation of the reference cost in 2023–24 dollars, IHACPA adjusted for known cost increases then indexed the reference cost to determine the recommended AN-ACC price from 1 October 2026 to 30 September 2027.

The key aspects considered by IHACPA in the indexation methodology included:

- Fair Work Commission Aged Care Work Value Case Stage 3 decision to increase wages for aged care workers and adjust the classification structure
- Fair Work Commission Nurses and Midwives Work Value Case decision to increase wages for aged care nurses and adjust the classification structure
- Fair Work Commission Gender-based undervaluation case decision to increase wages and adjust the classification structure for workers under five priority awards including allied health professionals
- superannuation guarantee increases
- indexation of historical cost data to account for underlying price inflation
- outbreak management costs.

IHACPA separately indexed labour and non-labour costs to the period from 1 October 2026 to 30 September 2027, as discussed in the relevant sections below.

4.2 Cost proportions

To apply these adjustments and index costs to the period from 1 October 2026 to 30 September 2027, IHACPA first disaggregated the reference cost of $252.14 into labour and non-labour components.

IHACPA calculated the proportion of total costs associated with each expense category from the ACFR, after trimming and adjustments to reflect the cost of meeting the care minutes responsibility.

As discussed in section 2.2.6, all care expense items in the ACFR except payroll tax have been considered in-scope in RACPA26, plus the component of administration costs allocated to care. The total in-scope costs from the ACFR, disaggregated into labour and non-labour components, are summarised in Table 8.

Table 8: Summary of in-scope costs from the trimmed ACFR

Cost component	Total (ACFR)	Proportion	Reference cost (2023–24 dollars)
Labour cost	$15,995.14m	88.14%	$222.25
Non-labour cost	$2,151.26m	11.86%	$29.89
Total*	**$18,146.40m**	**100.00%**	**$252.14**

* Components may not add due to rounding.

4.3 Labour cost indexation and adjustments

4.3.1 Overview

To account for the compounding impact of various factors, IHACPA applied labour cost adjustments for 2 distinct time periods:

1. Step 1: indexation and adjustments to 1 October 2026
    a. adjust for Aged Care Work Value Case Stage 3 decision (tranches 1 and 2)
    b. adjust for Nurses and Midwives Work Value Case decision (tranches 1, 2 and 3)
    c. adjust for Gender-based undervaluation case decision (tranche 1)
    d. adjust for superannuation guarantee increases from 2023–24 to 2025–26
    e. indexation from 2023–24 to 2026–27
2. Step 2: indexation to 1 July 2027
    a. adjust for Gender-based undervaluation case decision (tranche 2)
    b. indexation from 2026–27 to 2027–28.

The labour component of the recommended AN-ACC price was calculated as the average labour cost over the periods from 1 October 2026 to 30 June 2027 and 1 July 2027 to 30 September 2027, weighted by the number of days in each period.

Fair Work Commission work value case decisions

The Aged Care Work Value Case and Nurses and Midwives Work Value Case relate to applications to vary the minimum wages for aged care employees in 3 Awards:

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

The Commonwealth's submission to the Aged Care Work Value Case states that most of the aged care workforce covered by the Aged Care Award are covered by enterprise bargaining agreements (EBAs), but that these workers are only marginally better off than aged care workers who are award reliant. Conversely, a significant proportion of aged care nurses covered by the Nurses Award are on active EBAs and are broadly paid 15% above awards.

IHACPA undertook analysis of labour costs and hours for RNs, ENs and care management staff from the QFR to assess the impact of the Aged Care Work Value Case Stage 2 decision which increased minimum award wages for relevant workers by 15% on labour costs for aged care nurses.

At the time of analysis, the QFR data was available up to June 2025, and thus did not capture the full impacts of the Aged Care Work Value Case Stage 3 decision or Nurses and Midwives Work Value Case decision. Therefore, IHACPA's analysis is restricted to the Stage 2 decision.

Fair Work Commission Gender-based undervaluation case

The Gender-based undervaluation case is reviewing 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* (HPSS Award)
- *Pharmacy Industry Award 2020*
- SCHADS Award.

IHACPA has adjusted labour costs to account for wage increases for allied health professionals resulting from the Gender-based undervaluation case.

Wage Price Index

To determine the underlying growth rate for labour costs, IHACPA used quarterly index numbers from the ABS index series *6345.0 Wage Price Index, Australia, March 2026*.

As approximately 90% of aged care providers are private entities, it is reasonable to expect that public providers are competitive with private wages. Therefore, IHACPA selected the index series *Quarterly Index; Total hourly rates of pay excluding bonuses; Australia; Private; Health care and social assistance* (Series ID A2602929A) to determine wage price growth.

All earnings statistics published by the ABS, including the WPI exclude employers' social contributions such as superannuation[3], and therefore the superannuation increase will not be double counted through this indexation process.

Due to the composition of the *Quarterly Index; Total hourly rates of pay excluding bonuses; Australia; Private; Health care and social assistance* WPI, aged care workers eligible for the Aged Care Work Value Case Stage 2 decision minimum wage increase only represent a minority of the sample. Therefore, the impact of this decision on the labour cost in aged care was only partially reflected in the index.

As separate adjustments are applied for the Stage 2, Stage 3 and Nurses and Midwives decisions, IHACPA deflated the WPI series to remove the impact of the wage increases for aged care workers, to avoid double counting when adjusting for underlying inflation. IHACPA also adjusted the series to remove the impact of the government's Early Childhood Education and Care (ECEC) worker retention payments, which began in December 2024 to fund a 15% award wage increase for eligible ECEC workers.

IHACPA applied a similar adjustment to the *Quarterly Index; Total hourly rates of pay excluding bonuses; Australia; Private and Public; All industries* (Series A2603609J) ("headline WPI").

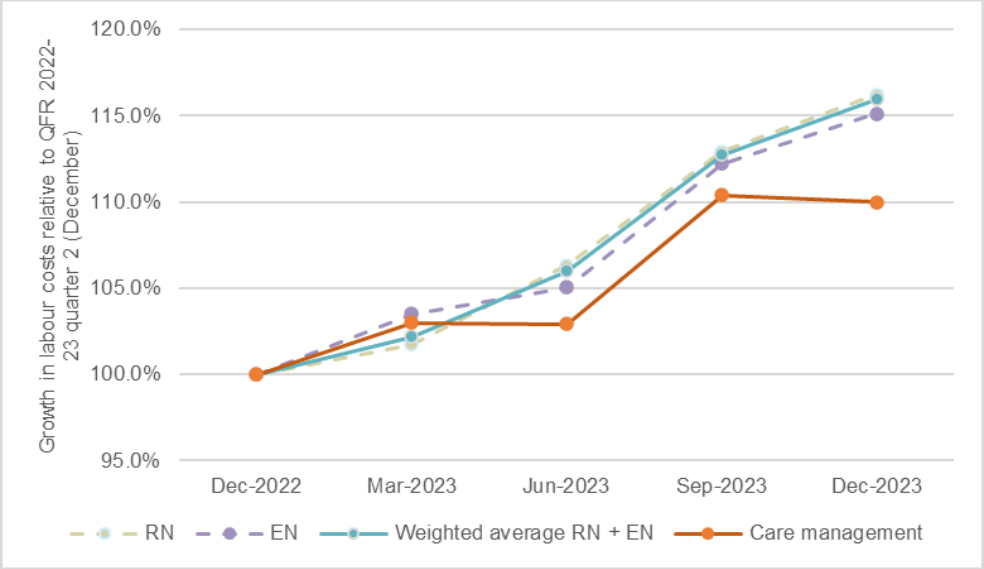
[3] https://www.abs.gov.au/statistics/understanding-statistics/guide-labour-statistics/earnings-guide

4.3.2 Impact of Fair Work Commission work value case decisions on labour costs

To assess the impact of the Aged Care Work Value Case Stage 2 decision on labour costs for aged care nurses, IHACPA calculated the increase in hourly labour costs between the QFR 2022–23 quarter 2 (December 2022) and the QFR 2023–24 quarter 2 (December 2023).

As illustrated in Figure 2, the growth rates for RN and EN labour costs were broadly similar, whereas there was less growth in labour costs for care management staff over the same period. Therefore, IHACPA considered the growth in labour costs for RNs and ENs in aggregate, maintaining the ratio of costs between RNs and ENs from QFR 2022–23 quarter 2 to ensure that the average growth rate was not impacted by changes in the staff mix over time.

Figure 2: Growth in labour costs relative to 2022–23 quarter 2 (December)



For RNs, ENs and care management staff, IHACPA compared the change in hourly labour costs between December 2022 and December 2023 to the change in the adjusted value of the *Private; Health care and social assistance* index series between December 2022 and December 2023, combined with adjustments for the 1 July 2023 superannuation guarantee increase and the Aged Care Work Value Case Stage 2 decision. The comparison was set up as follows:

$$\frac{\text{hourly labour cost}_{Dec-23}}{\text{hourly labour cost}_{Dec-22}} = \frac{\text{adjusted WPI}_{Dec-23}}{\text{adjusted WPI}_{Dec-22}} \times \frac{1+sg_{Dec-23}}{1+sg_{Dec-22}} \times (1 + \text{Stage 2 wage increase} \times \text{ pass through rate})$$

where sg_{Dec-22} and sg_{Dec-23} are the superannuation guarantee rates in December 2022 and December 2023 respectively.

IHACPA solved for $\text{pass through rate}_{RN\_EN}$ and $\text{pass through rate}_{CM}$, representing the rate at which the Aged Care Work Value Case Stage 2 decision translated to wage increases for RNs and ENs

and care management staff respectively. This was done by minimising the sum of squared errors using a least squares approach to satisfy the following:

$$\text{RNs and ENs: } 115.95\% = \frac{\text{Adjusted WPI}_{Dec-23}}{\text{Adjusted WPI}_{Dec-22}} \times \frac{1 + 11.0\%}{1 + 10.5\%} \times \left(1 + 15.0\% \times \text{pass through rate}_{RN\_EN}\right)$$

$$\text{Care management: } 109.97\% = \frac{\text{Adjusted WPI}_{Dec-23}}{\text{Adjusted WPI}_{Dec-22}} \times \frac{1 + 11.0\%}{1 + 10.5\%} \times \left(1 + 15.0\% \times \text{pass through rate}_{CM}\right).$$

The results are summarised in Table 9.

Table 9: Fair Work Commission work value case pass-through rates

Labour cost component	Pass-through rate
RNs, ENs	75.88%
Care management	37.60%

IHACPA applied these pass-through rates when adjusting RN, EN and care management labour costs for the impact of the Aged Care Work Value Case Stage 2 decision and Nurses and Midwives Work Value Case decision.

IHACPA has assumed that all PCWs, Assistants in Nursing (AINs) and diversional therapists receive the full value of wage increases resulting from Fair Work Commission work value case decisions.

4.3.3 Wage Price Index adjustment

The WPI is weighted based on the weighted sum of weekly total cash earnings from the Survey of Employee Earnings and Hours. Through analysis of data accessed via TableBuilder, earnings can be disaggregated into divisions, subdivisions, groups and classes of the Australian and New Zealand Standard Industrial Classification (ANZSIC) to determine the relative contributions of different industries to the WPI.

The *Private; Health care and social assistance* WPI index series corresponds to division *Q Health care and social assistance* in the ANZSIC classification. Aged care workers eligible for the Aged Care Work Value Case Stage 2 and Stage 3 decisions and Nurses and Midwives Work Value Case decision are classified under Class *8601 Aged care residential services* and Class *8790 Other social assistance services*. Childcare workers eligible for wage increases funded through the ECEC worker retention payments are classified under Class *8710 Child Care Services*.

Table 10: ANZSIC classification of workers eligible for relevant wage increases

Division	Subdivision	Group	Class
Q – Health care and social assistance	*86 - Residential care services*	*860 – Residential care services*	*8601 – Aged care residential services*
	87 – Social assistance services	*879 – Other social assistance services*	*8790 – Other social assistance services*
		871 – Child Care services	*8710 – Child Care services*

Private sector employees in the health care and social assistance industry comprise 8.19% of the *Private and Public; All industries* (i.e., the industry classification grouping used for the headline WPI) weighted sum of weekly total cash earnings. Disaggregating further, private *86 Residential care services* and private *87 Social assistance services* comprise 19.68% and 31.31% of the private *Q Health care and social assistance* industry respectively. This is summarised in Table 11.

Table 11: Weighted sum of weekly total cash earnings, ABS Employee Earnings and Hours, May 2021

ANZSIC	Weighted sum of weekly total cash earnings	Proportion of *Private; Health care and social assistance*	Proportion of *Private and Public; All industries*
86 Residential care services, private sector	$260.1m	19.68%	1.61%
87 Social assistance services, private sector	$413.8m	31.31%	2.56%
Q Health care and social assistance, private sector	$1,321.7m	100.00%	8.19%
All industries, private and public	$16,143.1m	-	100.00%

86 Residential care services – residential aged care

To estimate the proportion of workers in residential care homes eligible for the Aged Care Work Value Case Stage 2 and Stage 3 and Nurses and Midwives Work Value Case minimum wage increases, IHACPA analysed occupation data from the 2021 Census based on the Australian and New Zealand Standard Classification of Occupations (ANZSCO).

Like the industry classifications (ANZSIC), the ANZSCO occupation classification is hierarchical with leading numeric codes. An example is illustrated in Table 12.

Table 12: ANZSCO structure of RNs

Major group	Sub-major group	Minor group	Unit group	Occupation
2 – Professionals	25 – Health professionals	254 – Midwifery and nursing professionals	2544 - Registered nurse	254412 – Registered nurse (Aged care)

IHACPA sourced data from TableBuilder on the weighted sum of weekly total cash earnings of subdivision *86 Residential care services* disaggregated by occupation sub-major groups. As earnings data was not available at the minor group or unit group level, IHACPA extracted more granular occupation data from the 2021 Census to determine the proportion of workers in subdivision *86 Residential care services* by unit group who would be eligible for each minimum wage increase.

First, IHACPA identified the ANZSCO unit groups corresponding to occupations eligible for the Aged Care Work Value Case or Nurses and Midwives Work Value Case wage increases. The number of employees in each of these unit groups working in Class *8601 – Aged Care Residential Services* is shown in Table 13.

Table 13: ANZSCO groups in Aged Care Residential Services eligible for relevant wage increases

Occupation	ANZSCO Sub-Major Group	ANZSCO Unit Group / Occupation	Number of employees in *8601 Aged Care Residential Services*
Care management	25 Health Professionals	2543 Nurse Managers 2544 Registered Nurses	2,081
Registered nurses (including nurse practitioners)			34,389
Recreational activities/lifestyle officers	27 Legal, social and Welfare Professionals	272612 Recreation Officer	199
	41 Health and Welfare Support Workers	4113 Diversional Therapist	3,479
Enrolled nurses		4114 Enrolled and Mothercraft Nurses	10,042
Personal care workers	42 Carers and Aides	4231 Aged and Disabled Carers 423313 Personal Care Assistant 4230 Personal Carers and Assistants	94,651
Assistants in nursing		4233 Nursing Support and Personal Care Workers not further defined 423312 Nursing Support Worker	25,579
Head chefs/cooks (one per service)	35 Food Trades Workers	3513 Chefs 3514 Cooks	2,705*
Other food services attendants			2,570
Cleaners	81 Cleaners and laundry workers	8112 Commercial cleaners 8113 Domestic cleaners 8114 Housekeepers	7,789
Laundry hands		811511 Laundry Worker (General)	1,751
Gardeners	36 Skilled Animal, Agricultural and Horticultural Workers	3626 Gardeners (General)	813
	84 Farm, Forestry and Garden Workers	8432 Garden Labourers	286
Maintenance staff	89 Other Labourers	8993 Handypersons	1,686
Administration staff	53 General Clerical Workers	5311 General Clerks	3,430
	54 Inquiry Clerks and Receptionists	5421 Receptionists	2,842
All other occupations	-	-	*63,982*
Total	-	-	**258,274**

* One per residential care home, based on the number of residential care homes from the AIHW GEN Aged care service list, 30 June 2021.

For each ANZSCO sub-major group, IHACPA then calculated the number of employees eligible for the Aged Care Work Value Case Stage 2 and 3 and Nurses and Midwives Work Value Case wage increases, assuming that:

- all PCWs, AINs, recreational activities/lifestyle officers, 75.88% of RNs and ENs, 37.60% of care management staff (nurse managers) and one head chef/cook per residential care home in the residential aged care industry received the full increase from Stage 2
- all PCWs, AINs, recreational activities/lifestyle officers and eligible indirect care staff received the relevant increases from Stage 3
- 75.88% of RNs and ENs and 37.60% of care management staff received increases from the Nurses and Midwives decision.

This is presented in columns C, D, E and F of Table 14. For example, 75.88% of ENs are earning less than 15% above the award rate, so the number of eligible employees for Stage 2 presented in column D under *41 Health and Welfare Support Workers* is $10{,}042 \times 75.88\% + 3{,}479 \times 100\% = 11{,}099$.

IHACPA used this to calculate the proportion of employees working in *86 Residential care services* eligible for the Stage 2, Stage 3 and Nurses and Midwives wage increases by sub-major group (columns G, H and I).

These proportions were then multiplied by the weighted sum of weekly total cash earnings (column A) to calculate that 56.32%, 49.22% and 12.89% of total earnings within the subdivision *86 Residential care services* ANZSIC are attributable to employees impacted by the Aged Care Work Value Case Stage 2, Aged Care Work Value Case Stage 3 and the Nurses and Midwives Work Value Case decisions respectively.

Table 14: Aged care residential services employees eligible for minimum wage increases

ANZSCO Sub-Major Group	Weighted sum of 86 weekly total cash earnings (A)	Total employees in *86* (B)	Total employees in *8601* in relevant occupations [%] (C)	Number of employees in 8601 eligible for wage increase			Proportion of 86 employees eligible for wage increase		
				Stage 2 (D)	Stage 3 (E)	Nurses and Midwives (F)	Stage 2 (G=D/B)	Stage 3 (H=E/B)	Nurses and Midwives (I=F/B)
25 Health Professionals	$35.6m	42,048	36,470	26,877	-	26,877	63.92%	-	63.92%
27 Legal and Welfare Professionals	$4.3m	6,807	199	199	199	-	2.92%	2.92%	-
41 Health and Welfare Support Workers	$30.9m	21,835	13,521	11,099	3,479	7,620	50.83%	15.93%	34.90%
42 Carers and Aides	$118.5m	134,291	120,230	120,230	120,230	-	89.53%	89.53%	-
35 Food Trades Workers	$3.6m	5,435	5,275	2,705^	2,570	-	49.77%	47.29%	-
81 Cleaners and Laundry Workers	$5.0m	10,289	9,540	-	9,540	-	-	92.72%	-
36 Skilled Animal, Agricultural and Horticultural Workers	$0.0m	1,177	813	-	813	-	-	69.07%	-
84 Farm, Forestry and Garden Workers	$0.7m	366	286	-	286	-	-	78.14%	-
89 Other Labourers	$4.7m	1,842	1,686	-	1,686	-	-	91.53%	-
53 General Clerical Workers	$6.4m	4,188	3,430	-	3,430	-	-	81.90%	-
54 Inquiry Clerks and Receptionists	$0.6m	3,727	2,842	-	2,842	-	-	76.25%	-
Other	$49.8m	51,224	63,982	-	-	-	-	-	-
Total*	**$260.1m**	**283,229**	**258,274**	**161,110**	**145,075**	**34,497**	**56.32%[+]**	**49.22%[+]**	**12.89%[+]**

* Components may not add due to rounding.

^ One per residential care home, based on the number of residential care homes from the AIHW GEN Aged care service list, 30 June 2021.

[+] Weighted by weighted sum of weekly total cash earnings.

[%] As listed in Table 13

***87 Social assistance services* – in home aged care**

In addition to residential aged care workers, in-home aged care workers employed under the SCHADS Award and Nurses Award were also eligible for wage increases as part of the Aged Care Work Value Case Stage 2 and Stage 3 and Nurses and Midwives Work Value Case decisions. Refer to the Support at Home Pricing Advice 2026–27 Technical specifications for the calculation of the number of in-home aged care workers eligible for each wage increase.

IHACPA estimated that 20.27%, 19.36% and 0.91% of weekly total cash earnings within the subdivision *87 Social assistance services* are attributable to employees the Aged Care Work Value Case Stage 2, Aged Care Work Value Case Stage 3 and Nurses and Midwives Work Value Case decisions respectively.

***87 Social assistance services* – childcare**

IHACPA also adjusted the series to remove the impact of the government's ECEC worker retention payments, which were introduced to fund a 10% wage increase for eligible workers from December 2024 with a further 5% increase from December 2025.

Within *87 Social assistance services*, there were 62,780 employees in the ANZSCO Unit group 4211 Child Carers in the 2021 census. IHACPA assumed that all of these employees would receive the full value of both ECEC wage increases.

In comparison, there were a total of 218,458 workers in *87 Social assistance services* classified under ANZSCO Sub-major group 42 Carers and Aides, with weekly total cash earnings of $173.4m. Thus, IHACPA estimated that:

$$\frac{n_{4211}}{n_{42}} \times \frac{w_{42}}{w} = \frac{62{,}780}{218{,}458} \times \frac{\$173.4\text{m}}{\$413.8\text{m}} = 12.04\%$$

of weekly total cash earnings within *87 Social assistance services* are attributable to employees who were impacted by the ECEC worker retention payments, where:

- n_{4211} is the number of employees in 4211 Child Carers within *87 Social assistance services*
- n_{42} is the number of employees in 42 Carers and Aides within *87 Social assistance services*
- w_{42} is the sum of weekly total cash earnings in 42 Carers and Aides within *87 Social assistance services*
- w is the sum of weekly total cash earnings in *87 Social assistance services* across all occupations.

Application of WPI deflation

Each of the adjustments applied to the WPI as well as their impact are summarised in Table 15.

Table 15: Summary of adjustments to WPI

Quarter	Adjustment	Weighted average wage increase (A)	Proportion of Sub-major group eligible for increase	Adjustment to *Private; Health care and social assistance* (B)	Adjustment to headline WPI (C)
86 Residential care services					
September 2023	Aged Care Work Value Case Stage 2 (effective 30 June 2023)	15.00%	56.32%	1.66%	0.14%
March 2025	Aged Care Work Value Case Stage 3 tranche 1 (effective 1 January 2025)	2.89%	49.22%	0.28%	0.02%
	Nurses and Midwives Work Value Case tranche 1 (effective 1 March 2025)	3.77%	12.89%	0.10%	0.01%
December 2025	Aged Care Work Value Case Stage 3 tranche 2 (effective 1 October 2025)	3.47%	49.22%	0.34%	0.03%
	Nurses and Midwives Work Value Case tranche 2 (effective 1 October 2025)	2.83%	12.89%	0.07%	0.01%
September 2026	Nurses and Midwives Work Value Case tranche 3 (effective 1 August 2026)	2.86%	12.89%	0.07%	0.01%
87 Social assistance services					
September 2023	Aged Care Work Value Case Stage 2 (effective 30 June 2023)	15.00%	20.27%	0.95%	0.08%
March 2025	ECEC worker wage increase tranche 1 (effective 2 December 2024)	10.00%	12.04%	0.38%	0.03%
	Aged Care Work Value Case Stage 3 tranche 1 (effective 1 January 2025)	2.24%	19.36%	0.14%	0.01%
	Nurses and Midwives Work Value Case tranche 1 (effective 1 March 2025)	3.92%	0.91%	0.01%	0.00%
December 2025	Aged Care Work Value Case Stage 3 tranche 2 (effective 1 October 2025)	0.85%	19.36%	0.05%	0.00%
	Nurses and Midwives Work Value Case tranche 2 (effective 1 October 2025)	3.20%	0.91%	0.01%	0.00%
March 2026	ECEC worker wage increase tranche 2 (effective 1 December 2025)	5.00%	12.04%	0.19%	0.02%
September 2026	Nurses and Midwives Work Value Case tranche 3 (effective 1 August 2026)	3.14%	0.91%	0.01%	0.00%

In Table 15, the increases in column A represent the weighted average wage increases amongst eligible workers. For example, the 2.89% wage increase for tranche 1 of the Aged Care Work Value Case Stage 3 decision in *86 Residential Care* Services is an average of the:

- 2.40% increase for PCWs, AINs, recreational activities/lifestyle officers[4]

[4] Refer to Table 16.

- 6.96% increase for laundry hands, cleaners, and food assistants (excluding the most senior chef or cook at each residential care home)
- 3.00% wage increase for other indirect care workers

weighted by the number of employees in each category.

The adjustments in columns B and C represent the proportion of earnings in the *Private; Health care and social assistance* and *Australia; Private and Public; All industries* (headline WPI) index series respectively attributable to employees eligible for each wage increase. For example, the adjustment to the *Private; Health care and social assistance* index for employees in *86 Residential care services* eligible for the Aged Care Work Value Case Stage 2 wage increase was calculated as:

$$15.00\% \times 56.32\% \times 19.68\% = 1.66\%$$

where 19.68% is the proportion of *Private; Health care and social assistan*ce comprised by private *86 Residential care services*, as given in Table 11.

IHACPA then adjusted the *Private; Health care and social assistance* and headline WPI values from September 2023 onwards to remove the impact of each relevant wage increase. Index values were adjusted as follows:

$$\text{adjusted index}_n = \frac{\text{index}_n}{\prod_{i=Sep\ 2023}^{n}\left(1 + \sum_j a_{i,j}\right)}$$

where:

- index_n is the value of the index series at time n
- adjusted index_n is the value of the index series at time n after adjusting to remove the impact of the relevant wage increases
- $a_{i,j}$ is the adjustment to the index applicable from quarter i (as given in columns B and C of Table 15 when adjusting the *Private; Health care and social assistance* and *Australia; Private and Public; All industries* index series respectively.

WPI forecast

At the time of modelling, ABS WPI data was available up to the March 2026 quarter. IHACPA used the RBA's headline WPI forecast from the Statement on Monetary Policy – May 2026 to forecast values of the *Private and Public; All industries* WPI from June 2026 to December 2027.

Following deflation of the headline WPI and *Private; Health care and social assistance* index series to remove the impact of each relevant wage increase, IHACPA undertook analysis of the relative growth rates of the 2 index series. Over the past 3 years, the *Private; Health care and social assistance* index series has increased at an annual rate of approximately 0.03% higher than the headline WPI.

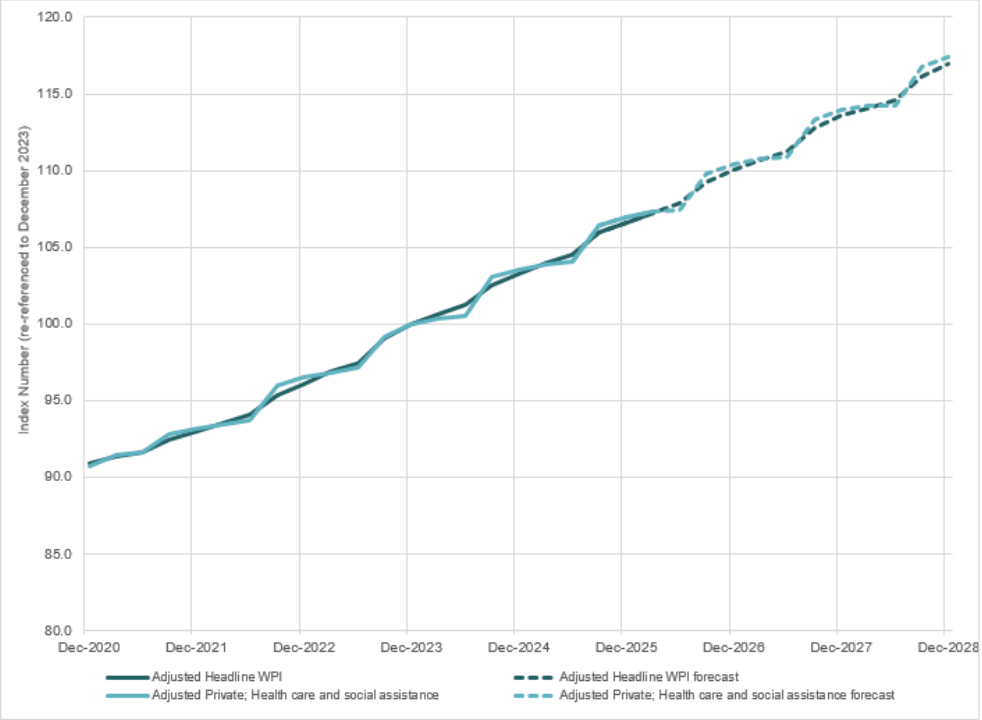
For each quarter n, IHACPA forecast the value of the *Private; Health care and social assistance* index based on growth in the headline WPI:

$$\text{adjusted } Private; Health\ care\ and\ social\ assistance\ \text{index}_n$$
$$= \text{adjusted } Private; Health\ care\ and\ social\ assistance\ \text{index}_{n-4} \times \frac{\text{adjusted WPI}_n}{\text{adjusted WPI}_{n-4}}$$
$$\times 0.9996$$

where $\text{adjusted } Private; Health\ care\ and\ social\ assistance\ \text{index}_n$ and $\text{adjusted WPI index}_n$ are the values of the respective index series in quarter n after adjusting to remove the impact of each relevant wage increase.

The adjusted index, re-referenced to the December 2023 quarter, is shown in Figure 3.

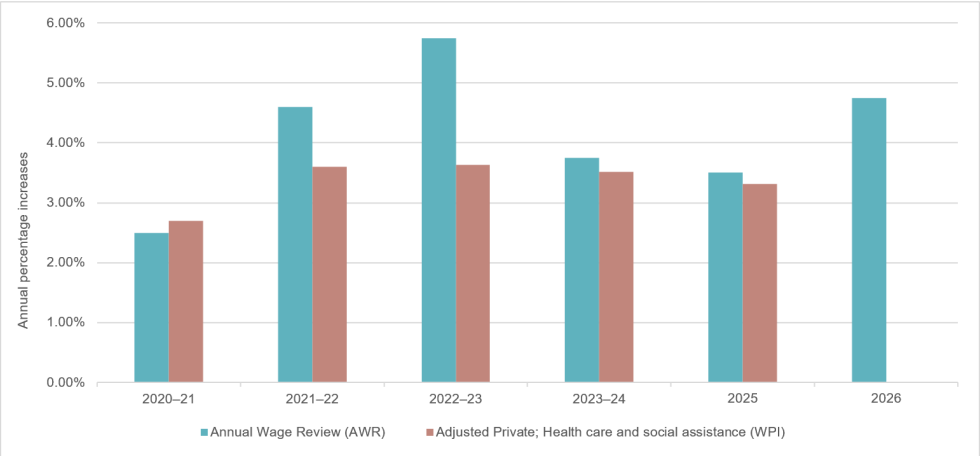
Figure 3: Adjusted headline WPI and adjusted *Private; Health care and social assistance* index series



AWR impact

IHACPA undertook analysis of the impact of the Fair Work Commission's AWR decisions on the *Private; Health care and social assistance* index series.

Figure 4: Comparison of AWR decisions and annual growth in the adjusted *Private; Health care and social assistance* index series



In Figure 4, the columns compare AWR decisions with the annual growth in the *Private; Health care and social assistance* index series to the December quarter. These 2 values being equal would indicate that the *Private; Health care and social assistance* index series increased at the same rate as the minimum wage as determined by the Fair Work Commission.

In 2020–21 to 2021–22, the annual growth in the *Private; Health care and social assistance* index series was higher than the AWR decisions, suggesting that workers on average received above award wage increases. This trend appears to have reversed from 2022–23 onwards, suggesting that workers on average received a lower wage increase relative to the award rate.

Over the 5 years from 2021–22 to 2025–26, there has been an average of 87.52% pass-through of AWR increase to the annual growth to the December quarter in the *Private; Health care and social assistance* WPI index series.

4.3.4 Step 1: Indexation and adjustments to 1 October 2026

Aged Care Work Value Case Stage 3 decision

The Aged Care Work Value Case Stage 3 decision included wage adjustments for direct and indirect care employees, with a detailed consideration of the classification structure for PCWs. Increases for direct care workers were split over 2 tranches, effective 1 January 2025 (subsequently referred to as tranche 1) and 1 October 2025 (subsequently referred to as tranche 2).

IHACPA calculated the number of residential aged care direct care full time equivalent (FTE) in 2024–25 at each PCW and AIN classification level using the Department of Health, Disability and Ageing's (the department) Aged Care Wage Estimation Tool and data from the Aged Care Provider Workforce Survey 2023 to estimate the proportion of PCWs holding a Certificate IV qualification.

IHACPA multiplied these FTE by the annualised pay rates from the Fair Work Ombudsman to estimate the proportion of total PCW and AIN labour costs attributable to each level of the awards, and then by the tranche 1 and 2 percentage increases to get the weighted average increase for PCWs and AINs. In line with the retained rates of pay clause, IHACPA assumed that wages remained constant for impacted PCWs that were reclassified.

The adjustments applied to each labour cost component and the impact on the total labour cost are summarised in Table 16.

Table 16: Aged Care Work Value Case Stage 3 decision (tranches 1 and 2)

Labour cost component	Reference cost (2023–24 dollars)	1 January 2025 adjustment	1 October 2025 adjustment	Cost after Stage 3 adjustment (2023–24 dollars)
RNs	$58.87	-	-	$58.87
ENs	$13.73	-	-	$13.73
PCWs, AINs, recreational activities/lifestyle officers	$138.18	2.40%	4.06%	$147.25
Care management staff	$5.97	-	-	$5.97
Allied health	$5.49	-	-	$5.49
Total*	**$222.25**	**1.50%**	**2.53%**	**$231.27**

* Components may not add due to rounding.

Under the updated classification structure, PCWs, AINs and recreational activities/lifestyle officers are all classified as direct care employees covered by the Aged Care Award. For this reason, labour costs for these employees have been combined and adjusted by the same amount.

Nurses and Midwives Work Value Case decision

On 6 December 2024, the Fair Work Commission handed down their decision on the Nurses and Midwives Work Value Case, which included a new classification and pay structure for RNs, ENs and care management staff in the aged care sector. Per this decision, pay increases are to be phased in in 3 tranches, effective:

- 1 March 2025 (subsequently referred to as tranche 1)
- 1 October 2025 (subsequently referred to as tranche 2)
- 1 August 2026 (subsequently referred to as tranche 3).

To determine the appropriate adjustment to RN, EN and care management labour costs, IHACPA calculated the weighted average increase relative to wages as at 1 July 2024 based on the number of FTE at each classification level.

Similar to the methodology applied for PCWs, IHACPA extracted the number of residential aged care direct care FTE in 2024–25 at each RN and EN classification level from the department's Aged Care Wage Estimation Tool. IHACPA also adjusted care management labour costs for RNs working in care management role, using the residential aged care indirect care FTE from the Aged Care Wage Estimation Tool.

These FTE were multiplied by the annualised pay rates from the Fair Work Ombudsman to estimate the proportion of total nursing labour costs attributable to each level of the award, and then by the tranche 1, 2 and 3 percentage increases to get the weighted average increase for RNs, ENs and care management staff. Analogous to the treatment of PCWs, IHACPA retained the existing rates of pay for RNs that were reclassified to a lower pay point in the decision.

IHACPA multiplied the calculated wage increases for RNs and ENs and care management staff by 75.88% and 37.60% respectively, reflecting the pass-through rate of Fair Work Commission work value case decisions as discussed in section 4.3.2.

The adjustments applied to each labour cost component and the impact on the total labour cost are summarised in Table 17.

Table 17: Nurses and Midwives Work Value Case decision (tranches 1, 2 and 3)

Labour cost component	Cost after Stage 3 adjustment (2023–24 dollars)	1 March 2025 adjustment	1 October 2025 adjustment	1 August 2026 adjustment	Cost after Nurses and Midwives adjustment (2023–24 dollars)
RNs	$58.87	2.74%	2.08%	2.12%	$63.05
ENs	$13.73	3.31%	2.54%	2.45%	$14.90
PCWs, AINs, recreational activities/lifestyle officers	$147.25	-	-	-	$147.25
Care management staff	$5.97	1.23%	0.32%	0.50%	$6.09
Allied health	$5.49	-	-	-	$5.49
Total*	**$231.27**	**0.95%**	**0.70%**	**0.72%**	**$236.79**

* Components may not add due to rounding.

Gender-based undervaluation case decision tranche 1

On 26 May 2026, the Fair Work Commission handed down their decision on the Gender-based undervaluation – priority awards review for allied health professionals under the HPSS Award.

This decision included a new classification structure and pay rates for allied health staff. Pay increases are to be phased in over 5 tranches, effective:

- 1 October 2026 (subsequently referred to as tranche 1)
- 30 June 2027 (subsequently referred to as tranche 2)
- 30 June 2028
- 30 June 2029
- 30 June 2030.

IHACPA used data from the department's Health Wage Estimation Tool on the number of staff covered by the HPSS Award working in social assistance services being paid at the award rate, on EBAs and on individual agreements, as well as the average pay relative to the award rate within each of these categories. This is shown in Table 18.

Table 18: Share of staff and pay above award by method of pay setting

Method of pay setting	Share of staff	Average pay as % above award^
Award or Award EBA	17.7%	0.0%
Low EBA	3.5%	11.2%
Medium EBA	25.6%	28.8%
High EBA	27.2%	63.0%
Individual agreement Low	10.4%	5.0%
Individual agreement Medium	5.2%	20.0%
Individual agreement High	10.4%	40.0%

For each level of the HPSS Award and method of setting pay, IHACPA calculated the percentage wage increase on 1 October 2026 using the mapping for Australian Qualifications Framework Level 7 professionals with 4 year degree entry. IHACPA assumed that staff paid at the award rate receive the full value of any wage increases, and staff on above-award EBAs or individual agreements receive the greater of the new award rate or their existing pay rate.

IHACPA then calculated the weighted average wage increase across all levels of the HPSS Award and methods of setting pay using the number of hours worked by level as given in the Health Wage Estimation Tool, share of staff by method of setting pay as shown in Table 18, and annualised pay rates from the Fair Work Ombudsman. Per the adjustments for other Fair Work Commission decisions, IHACPA retained the existing rates of pay for allied health professionals that were reclassified to a lower pay point as a result of the decision.

While the Gender-based undervaluation case did not consider allied health assistants, these costs are not reported separately from allied health professionals in the ACFR. IHACPA used data from the Q1 to Q4 2023–24 QFRs to determine the proportion of total allied health costs attributable to allied health assistants. The adjustment was subsequently applied to the allied health professionals component only, as shown in Table 19.

Table 19: Gender-based undervaluation case decision (tranche 1)

Labour cost component	Cost after Nurses and Midwives adjustment (2023–24 dollars)	1 October 2026 adjustment	Cost after Gender-based undervaluation decision tranche 1 (2023–24 dollars)
RNs	$63.05	-	$63.05
ENs	$14.90	-	$14.90
PCWs, AINs, recreational activities/lifestyle officers	$147.25	-	$147.25
Care management staff	$6.09	-	$6.09
Allied health professionals	$5.10	0.60%	$5.13
Allied health assistants	$0.40	-	$0.40
Total*	**$236.79**	**0.01%**	**$236.82**

* Components may not add due to rounding.

Superannuation guarantee increases from 2023–24 to 2025–26

Section 19(2) of the *Superannuation Guarantee (Administration) Act 1992* stipulates increases in the minimum amount of superannuation an employer pays (the guarantee rate) by 0.50% each year from 1 July 2021 until 1 July 2025.

IHACPA does not have data on which providers are paying superannuation at the guarantee rate and which are on EBAs paying above the guarantee rate.

In the absence of any data on superannuation contributions above the guarantee rate in the aged care workforce, IHACPA has assumed that the workforce is paid at the guaranteed rate. This implies that there will be a 0.50% increase in the superannuation component of labour costs per annum, or a 1.00% increase between 2023–24 and 2025–26.

As increases to the superannuation guarantee are not captured in the WPI or AWR decisions, a separate adjustment is required. This adjustment was made by increasing the superannuation component of labour costs from 11.00% in 2023–24 to 12.00% for 2025–26 and beyond. The effect of this adjustment on labour costs is shown in Table 20.

Table 20: Superannuation guarantee increases from 2023–24 to 2025–26

Labour cost component	Cost after Gender-based undervaluation decision tranche 1 (2023–24 dollars)	Superannuation guarantee adjustment	Cost after superannuation guarantee adjustment (2023–24 dollars)
Non-superannuation labour cost	$213.35	-	$213.35
Superannuation component	$23.47	9.09%	$25.60
Superannuation proportion	11.00%	1.00%	12.00%
Total*	**$236.82**	**0.90%**	**$238.95**

* Components may not add due to rounding.

Indexation from 2023–24 to 2026–27

As previously discussed, most of the aged care workforce are paid at the award wage. IHACPA therefore assumed that aged care wages would increase on 1 July each year in line with Fair Commission AWR decisions, and that wages do not increase throughout the year outside of the cycle of reviews (except for wage increases as a result of Aged Care Work Value Case decisions).

The indexation rate applied to labour costs from 2023–24 to 2025–26 compounds the impact of 3 years of wage increases on 1 July 2024, 1 July 2025, and 1 July 2026:

- the value of the adjusted *Private; Health care and social assistance* index series in December 2024 (mid-point of 2024–25) divided by the value of the adjusted index in December 2023 (mid-point of 2023–24)
- the value of the adjusted *Private; Health care and social assistance* index series in December 2025 (mid-point of 2025–26) divided by the value of the adjusted index in December 2024 (mid-point of 2024–25)
- AWR 2026, which increased minimum wages by 4.75% effective 1 July 2026, multiplied by the 87.52% pass-through rate.

The Aged Care Work Value Case Stage 3 decision and Nurses and Midwives Work Value Case decision included an updated classification structure, where some employees received a lower award rate under the new structure. These employees had their existing award rate of pay preserved but subsequently will not receive wage increases from the AWR until they transition to the new classification structure.

IHACPA therefore calculated the effective AWR increases for nurses and PCWs effective 1 July 2025 and 1 July 2026 and allied health professionals effective 1 July 2026, assuming that these employees would retain their existing rates of pay until they were surpassed by their new classification.

Table 21: Indexation from 2023–24 to 2026–27

Labour cost component	Cost after superannuation guarantee adjustment (2023–24 dollars)	1 July 2024 indexation rate	1 July 2025 indexation rate	1 July 2026 indexation rate	Cost after indexation (2026–27 dollars)
RNs	$63.62	3.52%	2.78%	3.92%	$70.34
ENs	$15.04	3.52%	3.12%	4.16%	$16.72
PCWs, AINs, recreational activities/lifestyle officers	$148.58	3.52%	3.00%	4.16%	$165.00
Care management staff	$6.14	3.52%	2.60%	3.46%	$6.75
Allied health professionals	$5.17	3.52%	3.31%	4.16%	$5.76
Allied health assistants	$0.40	3.52%	3.31%	4.16%	$0.45
Total*	**$238.95**	**3.52%**	**2.94%**	**4.08%**	**$265.01**

* Components may not add due to rounding.

Indexation has an overall impact of 10.91% on labour costs after the superannuation guarantee adjustment has been applied. This results in a labour cost of $265.01 in 2026–27.

4.3.5 Step 2: Indexation to 1 July 2027

Gender-based undervaluation case decision tranche 2

The second tranche of the Gender-based undervaluation case decision is to be phased in from 30 June 2027. IHACPA used the same methodology as for tranche 1 as outlined in section 4.3.4 to calculate the weighted average wage increase for allied health professionals across all levels of the HPSS Award and methods of setting pay. The adjustment applied to allied health labour costs and the impact on the total labour cost per NWAU is summarised in Table 22.

Table 22: Gender-based undervaluation case decision (tranche 2)

Labour cost component	Cost after indexation (2026–27 dollars)	30 June 2027 adjustment	Cost after Gender-based undervaluation decision tranche 2 (2026–27 dollars)
RNs	$70.34	-	$70.34
ENs	$16.72	-	$16.72
PCWs, AINs, recreational activities/lifestyle officers	$165.00	-	$165.00
Care management staff	$6.75	-	$6.75
Allied health professionals	$5.76	0.72%	$5.80
Allied health assistants	$0.45	-	$0.45
Total*	**$265.01**	**0.02%**	**$265.06**

* Components may not add due to rounding.

Indexation from 2026–27 to 2027–28

IHACPA calculated the effective AWR increases for indexation from 2026–27 to 2027–28 accounting for RNs and PCWs with retained rates of pay, in line with the WPI forecast. This has a further 3.20% impact on labour costs.

Table 23: Indexation from 2026–27 to 2027–28

Labour cost component	Cost after Gender-based undervaluation decision tranche 2 (2026–27 dollars)	1 July 2027 indexation rate	Cost after indexation (2027–28 dollars)
RNs	$70.34	3.13%	$72.54
ENs	$16.72	3.24%	$17.26
PCWs, AINs, recreational activities/lifestyle officers	$165.00	3.24%	$170.34
Care management staff	$6.75	2.91%	$6.95
Allied health professionals	$5.80	3.23%	$5.99
Allied health assistants	$0.45	3.24%	$0.46
Total*	**$265.06**	**3.20%**	**$273.54**

* Components may not add due to rounding.

4.3.6 Summary of labour cost indexation and adjustments

Adjustments and indexation of the labour component of the reference cost are summarised in Table 24.

Table 24: Summary of indexation and adjustments applied to the labour cost component of the AN-ACC price

Step	Labour cost	Change
Reference cost (2023–24 dollars)	$222.25	-
Aged Care Work Value Case Stage 3 tranche 1 (effective 1 January 2025) and 2 (effective 1 October 2025)	$231.27	4.06%
Nurses and Midwives Work Value Case tranche 1 (effective 1 March 2025), 2 (effective 1 October 2025) and 3 (effective 1 August 2026)	$236.79	2.39%
Gender-based undervaluation case tranche 1 (effective 1 October 2026)	$236.82	0.01%
Superannuation guarantee increases from 2023–24 to 2025–26	$238.95	0.90%
Indexation from 2023–24 to 2026–27	**$265.01**	**10.91%**
Gender-based undervaluation case tranche 2 (effective 30 June 2027)	$265.06	0.02%
Indexation from 2026–27 to 2027–28	**$273.54**	**3.20%**

IHACPA then calculated the weighted average of the labour cost over the periods from 1 October 2026 to 30 June 2027 and 1 July 2027 to 30 September 2027 by the number of days in each period. This represents the average labour component of the AN-ACC price from 1 October 2026 to 30 September 2027.

Table 25: Weighted average labour cost

Period	Labour cost	Days
1 October 2026 to 30 June 2027	$265.01	273
1 July 2027 to 30 September 2027	$273.54	92
1 October 2026 to 30 September 2027 (weighted average)*	**$267.16**	**365**

* Weighted average may not match due to rounding.

4.4 Non-labour cost indexation

4.4.1 Non-labour index

The non-labour component of direct care costs in the ACFR consists of:

- resident expenses, including medical supplies, incontinence supplies, oral nutritional supplements, oral health living expenses and other resident services and consumables
- insurance expenses, such as WorkCover premiums
- other direct care expenses, including external costs for quality and compliance and training, chaplaincy/pastoral care, other direct care expenses, and the care component of non-labour administration costs.

As there is no single index that reflects this mix of products, IHACPA constructed a composite index series from CPI sub-groups and expenditure classes to measure inflation of input costs in residential aged care. IHACPA has used the quarterly index numbers from ABS index series *6041.0 CPI, Australia, March 2026*. The sub-groups and expenditure classes were then weighted according

to the proportions of total costs in the trimmed ACFR. The composition of this index is summarised in Table 26.

Table 26: Summary of non-labour cost index

CPI sub-group or expenditure class	Series ID	Cost component	Total (ACFR)	Proportion
Index Numbers; Medical products, appliances, and equipment; Australia	A3604438R	Resident expenses	$499.4m	23.22%
Index Numbers; Insurance; Australia;	A3602878J	Insurance	$336.5m	15.64%
Index Numbers; Other financial services; Australia	A2332776R	Other direct care expenses	$1,315.3m	61.14%
Total*			**$2,151.3m**	**100.00%**

* Components may not add due to rounding.

Composing index series

The quarterly CPI series are referenced to September month 2025. That is, they are expressed such that the monthly index for September 2025 is equal to 100.0. If index series for sub-groups and expenditure classes published by ABS are combined directly, there is an implicit assumption that the relative cost for each group has been equal since the reference month. This in general is not the case, so each index series must be weighted before combining to reflect the cost proportions in the period of interest.

IHACPA has addressed this in 2 stages. Firstly, each index series was re-referenced to December 2023. Then the re-referenced indexes series were weighted and combined. Re-referencing the index to December 2023 ensures that the weightings of the constituent index series reflect the relative costs of each category at the midpoint of the ACFR period (2023–24).

Example of re-referencing an index

For example, the index series A3604438R (*Medical products, appliances and equipment; Australia*) used for resident non-labour expenses had a value of 95.27 in December 2022, and 95.79 in December 2023, giving a growth of 0.55% in that year. To re-reference this index to 100.0 in December 2023, all index numbers were divided by the December 2023 index value and multiplied by 100. Then the new December 2022 index value was 99.5, and the new December 2023 value was 100.0. The annual change is still 0.55%.

Then, each of the re-referenced index series were weighted according to the relative costs in each group, calculated using the trimmed, adjusted ACFR as summarised in Table 26.

4.4.2 Indexation

The average annual growth rate of the weighted index was determined by fitting an exponential regression model. The model takes the form:

$$\text{index}_n = b \times (1 + i)^{n/4} + \epsilon_n$$

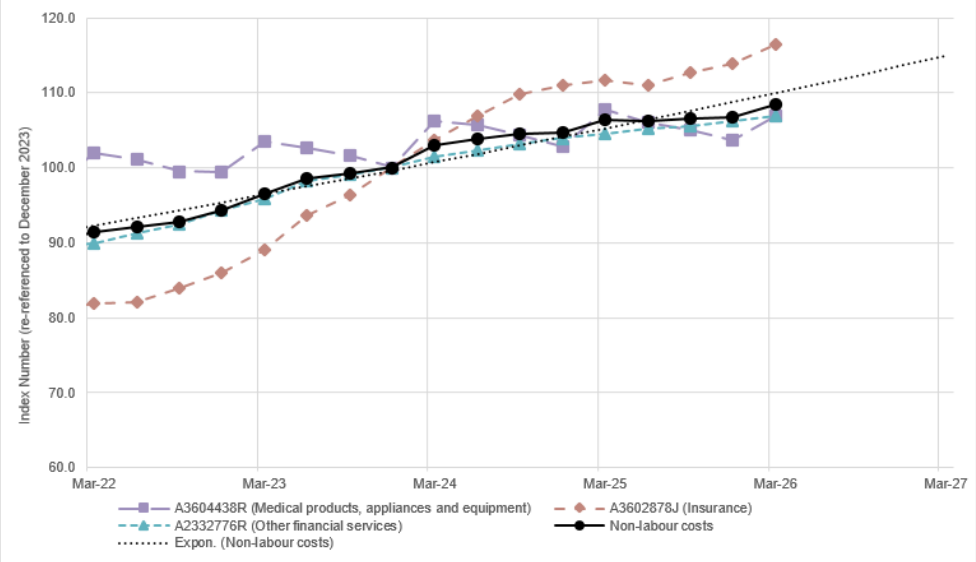
where:

- index_n is the value of the underlying index series at time n
- n is the number of quarters since the most recent quarter when $n = 0$ (March 2026)

- b is the estimated value of the index when $n = 0$ (the intercept, at quarter March 2026)
- i is the growth rate per annum
- ϵ_n is the error term.

IHACPA fit an exponential growth curve to the non-labour composite index series to measure average annual growth. The non-labour direct care cost index series along with the 3 contributing CPI sub-groups and expenditure classes are shown in Figure 5.

Figure 5: Index series used for non-labour direct care cost growth



IHACPA notes the clear seasonality of the medical products index, which is driven by variation in consumer pharmacy costs, likely due to the Pharmaceutical Benefits Scheme's Safety Net.

IHACPA has used the past 4 years of data when fitting the growth model to reflect the higher inflation rate observed in the Australian economy since 2020. This ensures that recent inflation is more accurately reflected when indexing costs from 2023–24 to 2026–27.

The dotted line shows the exponential regression curve fit to the non-labour direct care index as a best estimate of average annual non-labour direct care cost over that period.

The resulting model was:

$$\text{index}_n = 109.98 \times 1.0448^{n/4}.$$

Note that this expression may not evaluate exactly as written due to rounding. Thus, the annualised growth rate used to index the non-labour direct care component of the reference cost is 4.48%.

As given in Table 8, non-labour care costs were estimated to be $29.89 per NWAU in 2023–24. This value was indexed by approximately 3.25 years from 30 December 2023 (the midpoint of the 2022–23 financial year) to 1 April 2027 (the midpoint of 1 October 2026 to 30 September 2027).

The non-labour component of the recommended AN-ACC price from 1 October 2026 to 30 September 2027 is therefore:

$$\$29.89 \times 1.0448^{3.253} = \$34.47.$$

4.5 Summary of indexation

After the labour and non-labour components were separately adjusted and indexed, IHACPA re-combined these to calculate the recommended AN-ACC price per NWAU.

Table 27: Summary of labour and non-labour costs

Residential aged care price	Labour	Non-labour	Total	Change
Reference cost (2023–24 dollars)	$222.25	$29.89	$252.14	-
1 October 2026 to 30 September 2027*	**$267.16**	**$34.47**	**$301.63**	**19.63%**

* Components may not add due to rounding.

4.6 Outbreak management support supplement

The Aged Care Outbreak Management Support Supplement was introduced on 1 January 2024 to contribute to the cost of planning for and managing COVID-19 outbreaks within residential aged care.

The supplement from 1 January 2025 to 30 September 2025 consisted of a flat rate of $1.65[5] per OBD for registered providers of residential aged care providers. From 1 October 2025, costs for outbreak management have been included in the AN-ACC price.

IHACPA converted the supplement into a per NWAU basis using the ratio of OBDs in 2023–24 to total NWAU (in terms of the 1 October 2025 price weights) in 2023–24:

$$\frac{\text{total OBD}}{\text{total NWAU}} = 0.9445$$

$$\$1.65 \times 0.9445 = \$1.56.$$

This was then added as a loading to the recommended AN-ACC price to cover costs associated with outbreak management.

Thus, the recommended AN-ACC price for RACPA26 is **$303.19** per NWAU from 1 October 2026 30 September 2027.

[5] Schedule of Subsidies and Supplements for Aged Care, effective 1 January 2025

5 Everyday living cost gap

5.1 Overview

The Pricing Authority provides advice to the government on the estimated gap between the costs of delivering everyday living services (formerly known as required hotel services) and related revenue received. This gap is referred to as the everyday living cost gap (formerly known as the hotel cost gap).

The ACFR 2023–24 includes all necessary data items related to the cost and the revenue received for everyday living services. These items together allow the gap between everyday living costs and revenue to be calculated as expenses, less revenue. RACPA26 assumes that the government will continue to provide an everyday living supplement.

In RACPA26, 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 ASF or ESF in 2023–24. Both estimated everyday living cost gaps in RACPA26 are for the period from 20 September 2026 to 19 September 2027.

5.2 Everyday living costs

5.2.1 Overview

Everyday living services that are in-scope for this Advice are outlined in Chapter 1, Part 3, Division 8-145 of the Aged Care Rules under the Aged Care Act and are currently funded primarily through the payment of the basic daily fee and the hotelling supplement.

The everyday living costs considered in RACPA26 comprise:

- labour for catering, cleaning and laundry
- consumables and contracts for catering, cleaning and laundry
- utilities, including electricity, gas, council rates and rubbish removal
- motor vehicle operation, maintenance, and repair
- other everyday living expenses not covered above
- administrative expenses.

For calculating the everyday living cost gap, IHACPA considered all residential care homes that submitted an ACFR in 2023–24, other than those excluded through the trimming rules described in Table 3 and Table 4.

IHACPA determined the average everyday living cost per OBD by dividing the total everyday living cost reported in the trimmed ACFR by the total number of OBDs (62.4m). Costs for residential care homes that did not receive revenue from ASF or ESF in 2023–24 were calculated separately (where the total number of OBDs was (22.8m). This includes administration expenses that were apportioned to everyday living.

Similar to care, everyday living costs including administration expenses were disaggregated into labour and non-labour cost components and indexed separately to estimate everyday living costs in the 2026–27 financial year. These components are summarised in Table 28.

Table 28: Summary of everyday living costs from the trimmed ACFR

Cost component	All residential care homes			Residential care homes that did not receive revenue from ASF or ESF in 2023–24		
	Total	Cost per OBD	Proportion	Total	Cost per OBD	Proportion
Labour cost	$2,332.0m	$37.36	45.03%	$827.9m	$36.24	43.80%
Non-labour cost	$2,847.0m	$45.61	54.97%	$1,062.1m	$46.49	56.20%
Total*	**$5,178.9m**	**$82.96**	**100.0%**	**$1,890.0m**	**$82.73**	**100.0%**

* Components may not add due to rounding.

5.2.2 Labour cost indexation

For indexing everyday living labour costs, IHACPA has assumed that all everyday living (catering, cleaning, laundry) and administration staff are paid the award wage.

Labour costs have been indexed in line with AWR decisions determined by the Fair Work Commission, with adjustments for the Aged Care Work Value Case Stage 3 decision, and superannuation guarantee increases.

Aged Care Work Value Case decisions

The Aged Care Work Value Case Stage 3 decision mandated a 6.96% wage increase for laundry hands, cleaners, and food assistants (excluding the most senior chef or cook at each residential care home as these staff were covered by the Stage 2 decision), and a 3.00% wage increase for other indirect care workers from 1 January 2025.

Superannuation guarantee increases

Consistent with the methodology for care labour costs in section 4.3.4, IHACPA has adjusted the superannuation component of everyday living and administration labour costs by 0.50% per annum from 2023–24 to 2025–26 in line with increases in the superannuation guarantee.

Indexation

As noted above, it was assumed that all everyday living and administration staff were paid award wages, and therefore labour costs would increase on 1 July each year in line with Fair Work Commission AWR decisions. IHACPA has therefore indexed labour costs to account for the cumulative impact of:

- AWR 2023–24, which increased minimum award wages by 3.75% effective 1 July 2024
- AWR 2025, which increased minimum award wages by 3.50% effective 1 July 2025
- AWR 2026, which increased minimum award wages by 4.75% effective 1 July 2026
- the forecast value of the adjusted *Private; Health care and social assistance* index series in December 2027 (mid-point of 2027–28) divided by the forecast adjusted value of the

adjusted index in December 2026 (mid-point of 2026–27), divided by the 87.52% pass-through rate.

Given that the period for the everyday living cost gap does not align with a financial year, IHACPA calculated the weighted average of the labour cost over the periods from 20 September 2026 to 30 June 2027 and 1 July 2027 to 19 September 2027.

The total indexation rate for everyday living and administration labour costs from 2023–24 to the period from 20 September 2026 to 19 September 2027 is therefore:

$$(1 + 3.75\%) \times (1 + 3.50\%) \times (1 + 4.75\%) \times \left(1 + 3.70\% \times \frac{81}{365}\right) - 1 = 13.40\%.$$

Summary of labour cost indexation

The adjustments and indexation IHACPA applied to the labour component of everyday living costs are summarised in Table 29.

Table 29: Summary of everyday living labour cost indexation

Step	All residential care homes		Residential care homes that did not receive revenue from ASF or ESF in 2023–24	
	Cost per OBD	Change	Cost per OBD	Change
Everyday living labour cost in 2023–24	$37.36	-	$36.24	-
Aged Care Work Value Case Stage 3 decision for indirect care workers (excluding head chefs/cooks)	$39.57	5.92%	$38.35	5.82%
Superannuation guarantee increases to 2025–26	$39.93	0.90%	$38.69	0.90%
Indexation to 20 September 2026 to 19 September 2027*	**$45.28**	**13.40%**	**$43.88**	**13.40%**

* Components may not add due to rounding.

5.2.3 Non-labour cost indexation

IHACPA indexed the non-labour component of everyday living costs using the same methodology as non-labour direct care costs described in section 4.4. A composite index series was constructed using relevant CPI groups, sub-groups and expenditure classes weighted by the relative cost proportions in the trimmed ACFR and re-referenced to equal 100.0 in the December 2023 quarter. These cost proportions are summarised in Table 30.

Note that the cost proportions for the purpose of determining the everyday living non-labour indexation rate were calculated using all residential care homes in the trimmed ACFR.

Table 30: Summary of everyday living non-labour index

CPI group, sub-group or expenditure class	Series ID	Cost component	Total (ACFR)	Proportion
Index Numbers; Food and non-alcoholic beverages; Australia;	A2325891R	Catering	$1,172.8m	41.19%
Index Numbers; Cleaning and maintenance products; Australia;	A2328366W	Cleaning	$275.6m	9.68%
Index Numbers; Cleaning, repair and hire of clothing and footwear; Australia;	A2328051C	Laundry	$125.7m	4.42%
Index Numbers; Utilities; Australia;	A2326521X	Utilities	$486.2m	17.08%
Index Numbers; Private motoring; Australia;	A2326656J	Motor vehicles	$15.9m	0.56%
Index Numbers; Insurance; Australia;	A3602878J	Insurance	$120.0m	4.22%
Index Numbers; Audio, visual and computing equipment and services; Australia;	A3604423X	Other everyday living costs	$26.0m	0.30%
Index Numbers; Newspapers, books and stationery; Australia;	A3604408A			0.30%
Index Numbers; Other recreation, sport and culture; Australia;	A2331381C			0.30%
Index Numbers; Other financial services; Australia;	A2332776R	Administration	$624.7m	21.94%
Total*			**$2,847.0m**	**100.00%**

*Components may not add due to rounding.

Utilities index adjustment

On 1 July 2023, the government introduced the Energy Bill Relief Fund for households and eligible small businesses with an annual electricity usage below the threshold which varied by jurisdiction, ranging from 40-160 MWh per year.

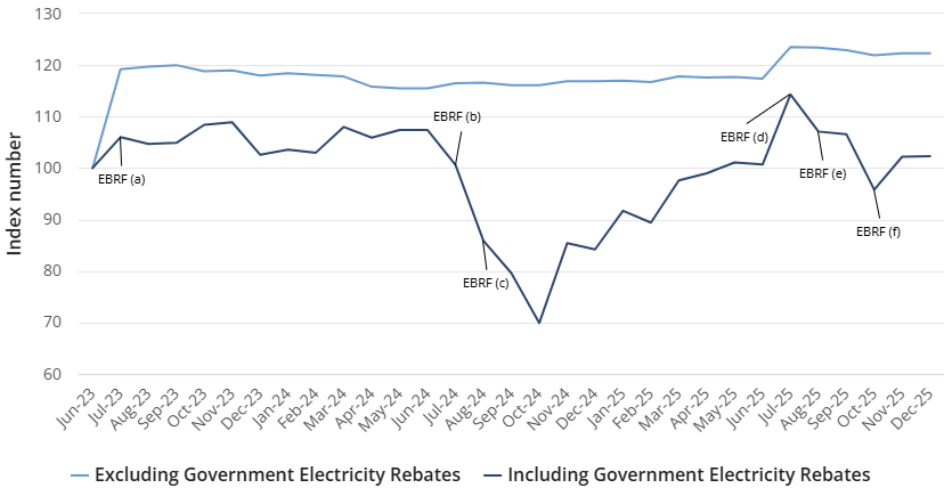
The QLD, WA and TAS state governments also introduced electricity rebates targeted directly to households and small businesses with annual electricity consumption below 50 MWh or 150 MWh in WA and TAS respectively.

A NSW Government audit of energy consumption in 15 residential care homes with between 40-180 beds found that energy consumption ranged from 291-1482 MWh per year, well above the maximum usage to be eligible for the commonwealth or state rebates.

Thus, IHACPA has assumed that no residential care homes were eligible for the electricity rebates. However, as CPI is a measure of household inflation, the Commonwealth and state electricity rebates caused the *Utilities* index (composed of the electricity, water and sewage, and gas and other household fuels expenditure classes) to be lower than it otherwise would have been in 2023–24 and 2024–25. Using this index directly would therefore underestimate the growth in utilities costs for residential care homes.

The ABS published a separate index series for *Electricity* excluding government rebates. This is illustrated in Figure 6.

Figure 6: *Electricity* index (June quarter 2023 = 100.0)



June 2023, index = 100

a. Introduction of the 2023-24 Commonwealth Energy Bill Relief Fund (EBRF) rebates

b. Introduction of the first instalment of the 2024-25 EBRF rebates for all households in QLD and WA, and State rebates in QLD, WA and TAS

c. Introduction of the first instalment of the 2024-25 EBRF rebates for all households in NSW, VIC, SA, TAS, NT and ACT

d. Introduction of the first instalment of the EBRF 2025 extension rebates for all households in VIC, QLD, SA, TAS and NT

e. Introduction of the first instalment of the EBRF 2025 extension rebates for all households in NSW and ACT

f. Introduction of the first instalment of the EBRF 2025 extension rebates for all households in WA

Source: Australian Bureau of Statistics (December quarter 2025), *Consumer Price Index, Australia*

IHACPA reconstructed the *Utilities* index to understand the increase in utilities costs excluding government electricity rebates using the alternative index values illustrated in Figure 6, and weights published by the ABS for each expenditure class (Table 31). Consistent with the methodology used by the ABS, IHACPA chained the index following each annual reweight.

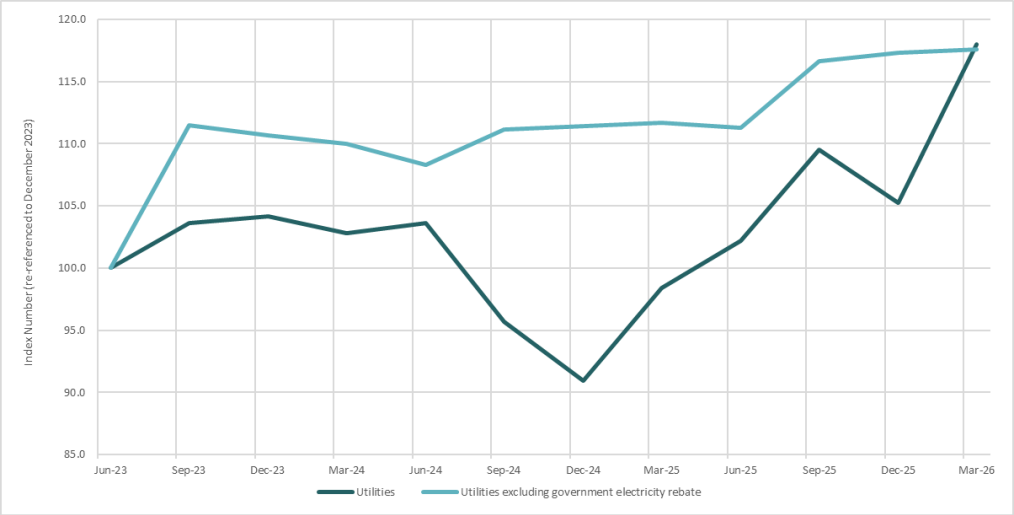
Table 31: *Utilities* weighting patterns in the CPI

Expenditure class	Weights*			
	2022	2023	2024	2025
Water and sewerage	21.40%	21.57%	19.90%	23.73%
Electricity	56.76%	54.41%	56.59%	50.05%
Gas and other household fuels	21.85%	24.02%	23.50%	26.22%

*The ABS reports weights as a percentage contribution to the headline CPI. IHACPA normalised the underlying components of the *Utilities* index.

The reconstructed *Utilities* index series, re-referenced to December 2023, is shown in Figure 7.

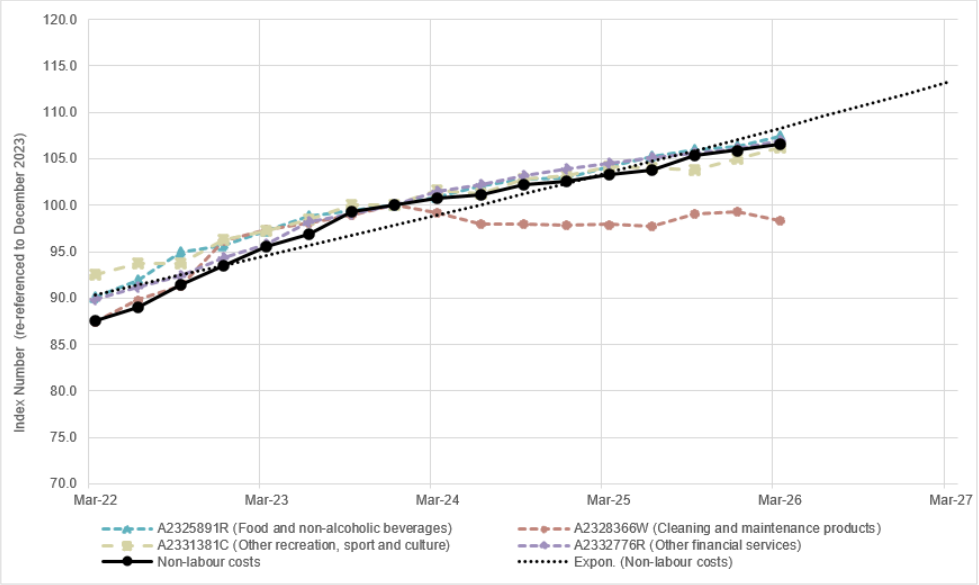
Figure 7: Reconstructed *Utilities* index excluding government electricity rebates



Non-labour cost indexation

Following the adjustment to the *Utilities* index series to exclude government electricity rebates, IHACPA constructed the everyday living cost composite index series and fitted an exponential growth curve to the everyday living cost index series to measure average annual growth. This is consistent with the method for indexing direct care non-labour costs. The everyday living cost index series along with the highest contributing index series are shown in Figure 8.

Figure 8: Index series used for everyday living non-labour cost growth



Consistent with care non-labour costs, IHACPA used only the past 4 years of data when fitting the growth model for everyday living costs. This ensures that recent inflation is more accurately reflected when indexing costs from 2023–24 to 2026–27.

The resulting model is:

$$\text{index}_n = 108.31 \times 1.04621^{n/4}.$$

Note that this expression may not evaluate exactly as written due to rounding. Therefore, the annualised growth rate used to index everyday living non-labour costs is 4.62%.

Non-labour everyday living costs for all residential care homes nationally were estimated to be an average of $45.61 per OBD in 2023–24. To estimate non-labour costs per OBD for the period from 20 September 2026 to 19 September 2027, IHACPA indexed this value by 3.225 years:

$$\$45.61 \times 1.04621^{3.225} = \$52.76.$$

This same non-labour indexation rate was applied for residential care homes that did not receive revenue from ASF or ESF in 2023–24:

$$\$46.49 \times 1.04621^{3.225} = \$53.78.$$

5.2.4 Total everyday living costs

Combining the indexed labour and non-labour components of everyday living costs gives an estimated cost in 2026–27 of $98.04 per OBD for all residential care homes nationally, and $97.66 per OBD for residential care homes that did not receive revenue from ASF or ESF in 2023–24.

Table 32: Summary of everyday living costs

Everyday living cost component	All residential care homes		Residential care homes that did not receive revenue from ASF or ESF in 2023–24	
	Cost per OBD (2023–24 dollars)	Estimated cost per OBD (indexed to 20 September 2026 to 19 September 2027)	Cost per OBD (2023–24 dollars)	Estimated cost per OBD (indexed to 20 September 2026 to 19 September 2027)
Labour cost	$37.36	$45.28	$36.24	$43.88
Non-labour cost	$45.61	$52.76	$46.49	$53.78
Total*	**$82.96**	**$98.04**	**$82.73**	**$97.66**

* Components may not add due to rounding.

5.3 Everyday living revenue

5.3.1 Overview

Everyday living costs are primarily funded through payment of the BDF. The BDF is set at 85% of the basic Age Pension with all residents required to pay or apply for hardship or alternative payment options. The Age Pension is indexed twice a year to the higher of the CPI or *Pensioner and Beneficiary Living Cost Index*.

In addition to revenue received through the BDF, since 1 July 2023, residential care homes have received a hotelling supplement to help meet the cost of providing everyday living services. On 20 September 2025, the hotelling supplement was increased to its current rate of $22.15. For RACPA26, IHACPA has assumed that government will continue to provide a hotelling supplement of $22.15 per resident per day.

Additional or extra everyday living services, such as higher quality meals, bedding, furnishings, or preferred brands of toiletries can be offered and paid for by residents through additional service fees, and/or extra service fees. While the fees for the delivery of services in additional to everyday

living services are out-of-scope for IHACPA's advice on the everyday living cost gap, the costs associated with these services cannot be isolated in the data available. For this reason, IHACPA has included additional service fees and extra service fees as everyday living revenue.

The following types of everyday living related revenue were considered in IHACPA's analysis:

- BDF
- hotelling supplement
- additional service fees
- extra service fees
- other everyday living related revenue.

The ACFR provides information on the BDF, extra service fees, additional service fees and other everyday living related revenue. For each service in the trimmed ACFR, IHACPA calculated total reported everyday living revenue including the BDF, additional service fees, extra service fees and other everyday living related revenue.

5.3.2 Revenue indexation

To estimate future revenue, IHACPA interpolated CPI forecasts from the RBA's Statement on Monetary Policy – May 2026 to estimate the indexation of the BDF in September 2026 and March 2027. As the BDF comprises the majority of everyday living revenue outside the hotelling supplement (90.75% of non-hotelling supplement revenue in 2023–24 dollars), IHACPA has applied the same indexation rate to all non-hotelling supplement everyday living revenue.

IHACPA calculated the weighted average of the projected BDF rates over the period from 20 September 2026 to 19 September 2027 to account for the bi-annual indexation of the BDF.

The estimate of everyday living revenue for all residential care homes and residential care homes that did not receive revenue from ASF or ESF in 2023–24 is shown in Table 33.

Table 33: Summary of everyday living revenue

Everyday living revenue component	All residential care homes			Residential care homes that did not receive revenue from ASF or ESF in 2023–24		
	Total revenue	Revenue per OBD		Total revenue	Revenue per OBD	
	Trimmed ACFR 2023–24	2023–24	20 September 2026 to 19 September 2027 (estimate)	Trimmed ACFR 2023–24	2023–24	20 September 2026 to 19 September 2027 (estimate)
Basic daily fee	$3,790.0m	$60.71	$69.04	$1,387.1m	$60.71	$69.04
Hotelling supplement	$689.3m	$11.04	$22.15	$252.3m	$11.04	$22.15
Extra services fees	$106.3m	$1.70	$1.94	-	-	-
Additional services fees	$232.3m	$3.72	$4.23	-	-	-
Other everyday living income	$47.5m	$0.76	$0.86	$13.3m	$0.58	$0.66
Total*	**$4,865.5m**	**$77.94**	**$98.22**	**$1,652.7m**	**$72.34**	**$91.85**

* Components may not add due to rounding.

5.4 Everyday living cost gap

Comparing Table 32 and Table 33 shows that in between 20 September 2026 and 19 September 2027, everyday living costs for all residential care homes nationally are estimated to be $98.04 with everyday living revenue to be $98.22 per OBD. The result is an estimated surplus of **$0.18** per OBD.

When only residential care homes that did not receive revenue from ASF or ESF in 2023–24 are selected, everyday living costs are estimated to be $97.66 with everyday living revenue to be $91.85 per OBD. The subsequent gap is estimated to be a deficit of **$5.81** per OBD.

Table 34: Summary of everyday living cost gap per OBD

Everyday living cost gap component	All residential care homes		Residential care homes that did not receive revenue from ASF or ESF in 2023–24	
	2023–24	20 September 2026 to 19 September 2027 (estimate)	2023–24	20 September 2026 to 19 September 2027 (estimate)
Total costs	$82.96	$98.04	$82.73	$97.66
Total revenue	$77.94	$98.22	$72.34	$91.85
Everyday living cost gap	**- $5.02**	**$0.18**	**- $10.39**	**- $5.81**

* Components may not add due to rounding.

IHACPA notes that residential care homes in certain segments of the market may be more likely to charge additional service fees or extra service fees. Therefore, the everyday living cost gap for residential care homes that did not receive revenue from ASF or ESF in 2023–24 is not considered to be nationally representative of the gap between the costs of everyday living services and revenue from the BDF and hotelling supplement across the aged care sector.

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