



AGEDCARESTEPS

Submission to the
**Residential Aged Care Accommodation Pricing
Review (the Review)**

7 November 2025



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Who is Aged Care Steps

Aged Care Steps (ACS) Pty Ltd is a market leader in the financial aspects of accessing aged care services in Australia. ACS operates within the financial services industry to provide education and support to advice professionals (financial planners, lawyers, accountants and product providers) to enable the provision of advice to consumers (participants), and their families, who are looking to access aged care services.

ACS commenced operation in 2012 but the experience of our employees and Directors precedes this date. Louise Biti is a director and founder of ACS and has been providing education and support on aged care financial advice since the original Aged Care Act commenced in 1997. She was also formerly a member of the Aged Care Financing Authority (ACFA).

ACS provides a suite of practical tools to support each stage of the advice process, helping advice professionals to maximise opportunities. We provide the knowledge and skills but also help professionals to define their service model, pricing and client value proposition.

ACS also provides direct advice on aged care through our personal advice business – Aged Care Personal Advice.

ACS has been awarded the IFA Excellence Awards for Education and Training Provider of the Year in 2020 and 2022, as well as the Overall Company award in 2020, with finalist nominations in 2021, 2023, 2024 and 2025. We have also partnered with the Financial Advice Association Australia (FAAA) to be the exclusive provider of the educational program for advisers to qualify for the FAAA Aged Care Specialist™ designation.

Accommodation pricing principles

Aged Care Steps is pleased to have the opportunity to provide feedback into the Review on accommodation pricing in residential aged care.

Feedback from our clients in the financial planning community, as well as from older Australians, suggests that people assessed as low-means are finding it increasingly difficult to secure placement in residential aged care. It is becoming more common for providers to request pre-entry means-test assessments to identify whether a prospective resident is likely to qualify as low-means, and providers are increasingly choosing not to accept people classified in this category.

This highlights an urgent need to review legislation on accommodation pricing, with appropriate incentives and mandates to encourage and support aged care providers to



accept residents based on need rather than financial status - that is, without discriminating between low-means residents and those paying market rates.

In providing our feedback we support principles that:

1. Provide equity of contribution and outcomes for all residents, regardless of how accommodation costs are met or where the person is located
2. Ensure low-means residents have equitable access to high quality accommodation within residential care
3. Support the capacity of providers to invest in and deliver high quality accommodation in residential care settings
4. Encourage investment in the aged care sector to ensure adequate provision of residential care places, and
5. Provide residents with the choice and power to choose how they wish to structure their financial arrangements to meet the costs of aged care accommodation.

Our feedback in this submission focusses on the impact for older Australians from our experience working in aged care financial advice. We are not in a position to comment on the appropriate price level for accommodation supplements nor the financial outcomes for aged care providers, however, we recognise that this is a critical consideration in any proposed changes.

The aged care system is complex and often difficult for participants to navigate. Older Australians are frequently directed - and at times misinformed - by care providers or other industry participants who may have conflicts of interest when advising potential residents. We therefore support initiatives that promote greater financial literacy and improve access to personal financial advice from licensed financial planners. This is especially important for clients with limited financial resources who are assessed as low-means.

Accommodation supplement

Consultation question:

How suitable is the current incentive structure to encourage providers to accept low means residents (a discount on the Accommodation Supplement based on a single threshold of 40% supported residents)? How could those incentives be preserved or enhanced?

A “carrot and stick” approach has long been embedded in aged care legislation to promote equitable access for low-means residents. Both elements have been necessary, given the differences in admission policies and the financial viability pressures faced by care providers.



As reflected in the Consultation Paper statistics, this approach has been relatively effective, with around 38% of aged care residents being fully or partially supported (low-means).

However, two recent legislative changes have widened the financial gap between low-means and market-rate residents, creating an increasing financial disincentive for providers to accept low-means residents. These changes are:

- A rise in average RADs following the increase in the approval threshold from 1 January 2025, and
- Interest rate rises in recent years, which have lifted the maximum permissible interest rate (MPIR) and consequently reduced the relative value of RACs.

These two changes, combined with the removal of the regional supported resident ratios (the “stick” element) are likely to result in a declining proportion of low-means residents being accepted into care. Feedback from our clients, including financial planners, older Australians, and their families, already indicates that securing a place in residential aged care as a low-means resident is becoming increasingly difficult across Australia.

The supported resident ratios were a critical mechanism to ensure that aged care providers charging RADs above the maximum RAC were still required to accept a proportion of low-means residents.

The average Refundable Accommodation Deposit (RAD) now exceeds \$572,000 (Mirus Australia, July 2025), while the maximum Refundable Accommodation Contribution (RAC) for a low-means resident is currently capped at \$340,250. This represents a significant and widening gap, creating a growing financial disincentive for residential care providers to accept low-means residents. Rising interest rates in recent years, together with increases in published RADs since January 2025, have both contributed to this disparity. For instance, a resident entering care when the MPIR was 4.01% in December 2021 would now equate to a RAD of \$645,713, based on the current maximum accommodation supplement. At these low rates, a low-means resident was an attractive option for care providers.

The lag in statistical data available to the Department is likely to delay the recognition of these emerging trends.

The “carrot” mechanism alone is insufficient to motivate providers to accept low-means residents. Currently, this incentive takes the form of a 25% reduction in the accommodation supplement for providers with fewer than 40% low-means residents. The substantial gap between revenue from market-rate payers (published RADs) and low-means residents means that accepting low-means residents remains financially disadvantageous. In practice, the incentive is only effective for providers operating in regions where socio-economic factors naturally result in a higher proportion of low-means residents.



Recommendation:

We recommend reinstating and enforcing minimum ratios of low-means residents to ensure that providers do not exclude low-means residents through their admissions policies.

Consultation question:

Should the value of the Accommodation Supplement be universal or tiered such as by location or proportion of residents or other basis?

Should the Higher Accommodation Supplement be staggered over time, so that as the accommodation facilities age the Residential Aged Care Accommodation supplement is reduced (with the full value payable again after a new renovation)

While we acknowledge that room pricing varies across Australia, with clear differences between metropolitan, regional, and remote providers, we do not support a tiered approach to supplements based on location or resident ratios.

Currently, the system has four tiers of supplements, determined by accommodation quality (with higher supplements for new or refurbished providers) and the proportion of low-means residents. From a financial planning perspective, navigating this area is challenging, as the status of individual providers is neither published nor easily accessible. The ability for providers to move from one category to another is also confusing for clients and difficult to provision for.

The rules governing low-means residents are already complex and often difficult for older Australians to understand. Introducing further variation in supplements would only add to this complexity.

Recommendation:

We acknowledge that incentives are necessary to encourage providers to refurbish accommodation and improve quality standards. However, consumers benefit from a flatter, more uniform approach with minimal variation in supplements.

While different accommodation supplement amounts exist, we recommend publishing the provider's status on the MyAgedCare website to ensure transparency, allowing clients to verify charges and make informed comparisons.

Greater certainty could also be achieved by reducing the frequency of adjustments throughout the year-potentially aligning them to quarterly or six-monthly updates rather than monthly.



Sustainability of the MPIR as a measure of payment equivalence

Consultation question:

Is there a case for an equivalence range rather than a single point of equivalence defined by the MPIR and why? How might this work?

Using an interest rate to convert the lump-sum payment option (RAD/RAC) into a daily fee is an effective and straightforward method for clients to understand. It operates on the same principle as using a fixed-interest, interest-only loan to “purchase” an accommodation option.

We support the government setting this interest rate at a level that fairly compensates providers for the use of capital. However, we believe the government rate should serve only as a maximum, allowing providers the discretion to offer discounts if they choose. This approach would create incentives, reduce costs for older Australians, and give providers flexibility to manage their financial requirements.

Recommendation:

We recommend the following reforms:

- Allow providers to offer discounts on the Maximum Permissible Interest Rate (MPIR).
- Set the MPIR as a fixed rate at the time of entry into residential care, which remains unchanged if the resident moves rooms within the same provider.

Daily payments as the default room price

Consultation question:

Would setting DAPs as the default make accommodation pricing easier to understand for prospective residents and their families?

Do you think the DAP should be set as the default payment type? Why?

The ability for clients to choose between a Refundable Accommodation Deposit (RAD) and a Daily Accommodation Payment (DAP) is an important aspect of personal choice and funding flexibility.



We recommend retaining the RAD as the default, as it is more intuitive for older Australians. Moving into residential aged care is akin to purchasing a home, which people typically perceive as a one-off, lump-sum investment more easily than ongoing daily payments.

Presenting accommodation costs as a lump sum allows clients to assess affordability based on their assets. In contrast, quoting daily fees can be confusing, particularly for those on limited incomes.

Resident choice for payment option

Since the introduction of RADs and DAPs in July 2014, the legislative intent has been to give clients the choice of how to pay for their accommodation. However, financial pressures on aged care providers have increasingly led many to dictate the payment method, often compelling residents to pay varying amounts as a lump sum. This has been an ongoing issue, and we are concerned it may continue under the new rules.

We have numerous examples of providers insisting that clients pay a percentage (or even the full amount) of the accommodation payment as a RAD. In some cases, providers require these payments before entry or within a short period after admission. While legislation grants clients the right of choice, the real leverage rests with providers, who effectively control access to rooms. Older Australians and their families often feel unable to challenge these requests due to concerns about receiving substandard care or missing out on a place.

These practices clearly fall outside legislative parameters, yet they have largely gone unchecked, with no penalties or consequences for the providers involved.

The legislative changes in the new Aged Care Act, including the removal of the 28-day notification period, are a positive step toward clarifying that providers cannot dictate any portion of the RAD. We hope these changes will reduce the undue influence providers have held and curb these practices.

We continue to monitor how care providers implement their accommodation payment policies.

Recommendation:

The Quality and Safety Commission should be responsible for monitoring Resident Agreements to ensure providers comply with the requirements of the Act and for applying appropriate penalties when breaches occur.



Transferring residents

Older Australians who entered permanent residential aged care before 1 November 2025 are grandfathered and not subject to retention amounts or DAP indexation.

Many of these individuals may need to move to a new care provider in the future for a variety of reasons, including:

- Increasing health or care needs requiring a move to a more suitable provider, such as a dementia-specific service
- Relocating closer to family after the death of a spouse
- Gaining access to a place in a preferred care service.

Our concern is that these individuals may struggle to secure a place with a new provider due to the grandfathering provisions, which prevent the provider from charging a retention amount. As a result, the person may be forced to opt into the new rules before the move so the provider can apply a retention deduction. This could also increase other ongoing care contributions.

Recommendation:

Legislation could be amended to allow residents who entered care before 1 November 2025 to opt into retention deductions on accommodation payments (and DAP indexation) without being required to opt into the new rules for living and care contributions.

This approach could improve the likelihood of a successful transfer while minimising additional costs for the resident.

Support from families

A person's accommodation category (i.e., low-means or market-rate payer) is determined at the time of entry into residential care, and once set, the individual cannot opt out of this assessment. This can result in residents being moved into less desirable rooms, such as shared rooms.

In many cases, families may be willing to assist with accommodation costs. However, if a person has already entered permanent care, it is too late to act to avoid a low-means assessment and its associated impacts as the person is unable to opt-out of a low-means assessment.

Where children are able to contribute financially, the current legislative framework can also create inequitable disadvantages, including:



- **Impact on MTA:** If a child pays the RAD/RAC on a parent's behalf, this increases the parent's means-tested amount (MTA), leading to higher ongoing costs through increased DAC, MTF, or HC and NCCC.
- **Estate planning:** The RAD/RAC is treated as the parent's asset and, upon their death, is repaid to the parent's estate rather than to the child who provided the payment.

Recommendation:

Consideration should be given to introduce mechanisms allowing a person to opt-out of a low-means assessment after entry into care. This will require consumer protection measures to prevent potential misuse by care providers, for example, reintroduction of minimum supported resident ratios.

Amend legislation to allow a loan from another person (such as child) to the older person for accommodation costs to offset the assessable value of a RAD/RAC. The rules should also permit repayment directly to the person who made the payment.

Financial literacy - understanding aged care

The aged care system is complex and often difficult for participants to navigate. This complexity arises for several reasons, including:

- **Lack of planning:** Most people do not plan ahead for aged care. As a result, understanding fees and accessing care services often occurs during a period of crisis, when emotions and time pressures limit the ability to make well-informed decisions.
- **Conflicting or inaccurate information:** Older people and their families are frequently exposed to incorrect or misleading advice from aged care providers, Centrelink staff, placement services, friends, family, and other service providers. While well-meaning, many of these sources are not licensed to provide financial advice and are ill-equipped to guide participants effectively.
- **Need for comprehensive financial advice:** Making informed decisions requires consideration of an older person's full financial situation, including the long-term implications of their choices. This level of guidance typically requires licensed financial advice and is often not adequately addressed by other information sources
- **Complex terminology and jargon:** Aged care legislation and resources contain significant jargon and numerous acronyms, which complicate understanding for participants and their families.
- **Frequent changes:** Constant updates to rules, policies, and departmental procedures create confusion and uncertainty.



- **Limited accessibility of reliable information:** Participants often find it difficult to locate accurate and trustworthy information to guide their decisions.

Access to advice

There is a common misconception that participants with lower financial resources have simpler needs and do not require professional advice. In our experience, people with limited financial means often require guidance even more than those with greater wealth, as the consequences of a poor decision can be far more severe. Simply put, these people cannot afford to go without advice.

A key concern regarding financial literacy and education in aged care is the proliferation of unlicensed services offering information and financial advice to participants and their families.

We believe that advice on aged care funding strategies constitutes personal advice and should be regulated by ASIC under the Corporations Act. For example, guidance that models scenarios such as withdrawing funds from current investments (including bank accounts) or other asset classes (like cash) to fund a Refundable Accommodation Deposit, or managing surplus proceeds from a home sale, is considered financial product advice. Such advice should only be provided by a financial planner authorised under an Australian Financial Services Licence (AFSL).

We have observed numerous examples of advice being provided without an AFSL, including:

- Former financial planners who have left the profession due to increasing education and compliance requirements and subsequently established businesses advising on aged care
- Lawyers and accountants
- Aged care placement services and consultants
- Centrelink Financial Information Services (FIS) officers who go beyond the scope of FIS to provide detailed strategy advice
- Real estate agents and property consultants
- Aged care service providers using commercial calculators to model various funding scenarios

This advice is often limited, focusing only on a single point-in-time outcome. It typically fails to anticipate future changes or potential issues that require contingency planning and does not address all factors a participant should consider. Provided in an unregulated environment with minimal consumer protection, this advice can be incomplete or inaccurate.

When the individual or organisation delivering the advice is not authorised under an AFSL, older people may face the following risks:



- No access to a free dispute resolution service
- No professional indemnity insurance
- No regulation or supervision of advice
- In many cases, there is no professional body oversight or adherence to a professional code of conduct, and conflicts of interest can be evident
- Without the fiduciary responsibilities of client best interest principles that apply to financial planners under the Financial Planners and Advisers Code of Conduct, there is greater potential for financial elder abuse to arise where decisions are being made by an Enduring Power of Attorney.

Recommendation:

We make the following recommendations to address some of these issues:

- ASIC needs to clearly distinguish the difference between information that can be provided without an AFSL and advice that requires AFSL authorisation in relation to aged care funding strategies.
- To minimise confusion, the Corporations Act could be amended to include Refundable Accommodation Deposits /Contributions (RADs/ RACs) in the definition of a financial product – making it clear that any advice on funding aged care and calculation of strategies needs to be provided under by a financial planner authorised under an AFSL.
- Changes should be made (under the Quality of Advice Review) to remove red tape from financial planning to make the cost of aged care advice affordable.
- Encourage aged care participants and their families to seek financial advice through measures such as:
 - Information on the MyAgedCare website on the need and value of financial advice, with guidelines on how to find a suitably qualified financial planner who is experienced in aged care advice (eg holds the FAAA Aged Care Specialist™ designation, Accredited Aged Care Professional™, or similar)
 - Requirement for aged care providers to give potential clients an approved flyer on financial advice.
 - Financial incentives to encourage clients to seek advice, such as tax deductions or offsets.